CURRENT RENTAL HOUSING MARKET CHALLENGES AND THE NEED FOR A NEW FEDERAL POLICY RESPONSE

Statement before the
Committee on Appropriations
Subcommittee on Transportation, HUD, and Related Agencies
United States House of Representatives

February 28, 2007

Margery Austin Turner
The Urban Institute

Margery Austin Turner is director of the Metropolitan Housing and Communities Policy Center at the Urban Institute. Opinions expressed are those of the author and do not necessarily reflect those of the Urban Institute, its trustees, or its sponsors.

In recent years, housing has all but disappeared from national-level debate, except for occasional discussions of a possible housing “bubble” and the all-too-brief concern about housing needs in the aftermath of Hurricane Katrina. Despite the lack of sustained attention, our country’s housing challenges are changing in ways that not only affect an expanding segment of the population but also implicate other top domestic priorities. Some states and localities are starting to respond to these challenges in new and creative ways. But federal housing policy—particularly rental housing policy—is not getting the serious national attention it warrants.[1]

Understanding Today’s Rental Market Challenges

One-third of all Americans rent the homes and apartments in which they live.[2] Some are renters by choice—because they are highly mobile or prefer not to assume the responsibilities of homeownership. But most are renters by necessity—because they have limited savings or lack the income necessary to cover the costs of homeownership. A growing share of these renters cannot find homes or apartments that they can reasonably afford. Specifically, as of 2005, more than 16 million households—up from about 13 million in 2000—spent more than 30 percent of their monthly income on housing, a cost burden defined as unaffordable by federal standards. Almost two-thirds of these cost-burdened renters had annual incomes below $20,000. But the share of higher-income renters who are paying unaffordable housing costs is rising; between 2000 and 2005, the share of renters with incomes over $35,000 whose housing cost burdens were unaffordable climbed from 6.4 to 12.2 percent (U.S. Census Bureau 2000 and 2005).

Today’s rental housing market failures reflect a confluence of demographic, economic, and social forces that the current array of federal programs can no longer effectively address. Our country’s greatest housing challenges occur at different levels: a *nationwide* housing affordability problem, insufficient housing supply in *prosperous regions*, a problem of housing location *within metropolitan regions*, and a *neighborhood* distress problem.

Nationwide Affordability Problem. Rents are rising faster than incomes for a growing segment of the workforce. Specifically, gross rents (which include utility costs) have been growing faster than inflation, while the median renter’s monthly income has declined 7.3 percent since 2000. As a result, average gross rents as a share of renter income have grown from 26.5

[1] This statement draws from research and analysis conducted by the author in collaboration with Bruce Katz, vice president at the Brookings Institution and director of the Institution’s Metropolitan Policy Program. See Katz and Turner (2007) for a more extensive discussion of the policy recommendations summarized here.
[2] According to the U.S. Census Bureau’s American Communities Survey, over 36 million households were renters in 2004, 32.9 percent of all households.

percent in 2000 to 30.3 percent today. In 2005, 45.7 percent of renter households were spending more than 30 percent of their income on housing costs (U.S. Census Bureau 2000 and 2005). This trend is primarily the result of widening income inequality—with incomes rising much more slowly for low- and moderate-wage workers than for those in high-skill, high-wage jobs.

The fastest growing segment of the U.S. economy today consists primarily of low-wage service jobs, and wages for these jobs are rising slowly. During the 1990s, wages at the very bottom of the distribution were stagnant, while those at the top rose rapidly. More recently, mid-level wages also appear to be stagnating, while the top continues to gain (Autor, Katz, and Kearney 2006). In part, this is the result of economic restructuring: the decline in the traditionally high-paying U.S. manufacturing sector means that the economy has been shedding jobs that pay more than those that replace them. The median wages in industries that have added jobs since the 2001 recession are 21 percent lower than in industries that have shed jobs (Joint Center for Housing Studies 2004).[3]

If all incomes were rising slowly, keeping pace with housing costs might be less of a problem, but incomes for highly skilled workers are in fact rising much more rapidly. In the Washington metropolitan area, for example, average wage rates for high-level executive occupations were rising as much as three times faster during the early 2000s than wage rates for parking lot attendants or food preparation workers (Turner et al. 2004). Rising incomes at the top of the wage distribution put upward pressure on housing prices and rents, contributing to increases that outpace any wage gains achieved by workers further down the distribution. In tighter markets, housing costs are becoming increasingly unaffordable not just for the lowest-wage workers, but for a broader swath of the work force. The average rent for a two-bedroom apartment in the Washington metropolitan area is unaffordable for a family supported by a public school teacher, firefighter, or a receptionist (Turner et al. 2006).

Constrained Housing Supply. The problem of slow wage growth and widening income inequality is exacerbated in many housing markets by supply constraints on new housing units. Although the overall housing supply is still expanding, its growth is not keeping pace with population growth, so that the net stock of low- to moderate-cost rental units is steadily shrinking (Joint Center for Housing Studies 2006). Local zoning laws, land use controls, and other regulatory barriers limit total housing production, raise the costs of new units, and often prevent

---

[3] In addition, some economists argue that the immigration of unskilled workers into the United States—and the entry of Asian workforces into worldwide industrial markets—will continue to drag down wages at the bottom of the labor market over the long term (Freeman 2005).

the production of low-cost units. As population expands in a market with constrained supply, the increased competition for units causes prices to rise, even for households that do not typically rely on new construction for their housing. In effect, the traditional "filtering" process—in which older housing units become more affordable over time while the most affluent households trade up to new units—cannot function properly when supply is so constrained relative to growing demand (Glaeser and Gyourko 2002; Glaeser, Gyourko, and Saks 2005).

Because of these supply constraints, most of the unsubsidized rental housing produced in the United States today is high-cost luxury rentals; the median rent for newly constructed units is 37 percent higher than the median rent for existing units (Joint Center for Housing Studies 2006). Some "affordable" rental housing is also being produced, subsidized primarily through the Low-Income Housing Tax Credit (LIHTC) and HOME programs (discussed below) and targeted explicitly to low-income households. Although LIHTC subsidizes the production of around 90,000 units of affordable rental housing per year, this is not enough to offset losses. Two million low-cost units were demolished or withdrawn from the rental-housing inventory between 1993 and 2003, or 200,000 losses per year on average (Joint Center for Housing Studies 2006). Meanwhile, rental housing affordable to moderate and middle-income households is simply not being produced.

The combination of rising income inequality and constrained housing supply are evident throughout the country, but play out differently in different metropolitan contexts. The problems outlined here are particularly intense in economically prosperous areas, where expanding employment opportunities attract new residents and businesses pay top dollar for highly skilled workers. Weaker labor markets do not face the same growth pressures, so housing costs are not rising as fast. In these markets, however, unemployment is higher and wages are lower, so the housing affordability pinch is just as severe for those with low-wage jobs. As a consequence, in markets across the country, growing shares of low- and moderate-income households are paying rent burdens that are considered unaffordable by federal standards. In fact, in 2005, more than half of all renter households with annual income below $35,000 were paying more than 30 percent of income toward housing costs in 118 of the nation's largest metropolitan areas (Joint Center for Housing Studies 2006).

Housing Location within Metropolitan Regions. Not only are housing costs rising more rapidly than incomes for many renter households, but affordable rental housing is especially scarce in communities where job opportunities are most plentiful. Historically, both jobs and affordable rental housing were concentrated in central-city locations. But over the past few decades, employment growth has become increasingly dispersed, while exclusionary

zoning laws have limited the development of rental housing in many suburban communities (Pendall, Puentes, and Martin 2006).

Population and employment have become increasingly decentralized over the past three decades. In 1970, half of all households in the nation's 91 largest metro areas lived within 8.9 miles of the central business district. By 2000, that boundary moved out to 12.2 miles (Joint Center for Housing Studies 2006). Today, employment growth is fastest in the low-density counties on the fringes of America's metro areas. And in many metros, entry-level and low-wage jobs are more widely dispersed than high-wage jobs. For example, the District of Columbia accounts for 34 percent of its region's high-wage jobs (paying over $75,000 annually), but only 20 percent of low-wage jobs (paying under $35,000 annually). In fact, in the Washington metro area as a whole, low-wage jobs are twice as dispersed spatially as are high-wage jobs (Turner et al. 2004).

The suburban jurisdictions where job opportunities are most plentiful offer relatively little affordable rental housing. The same regulatory barriers that constrain housing supply overall also severely limit the production of modest, higher-density rental housing in these job-rich jurisdictions. Suburban land use regulations can inhibit the production of affordable housing by imposing direct costs (such as administrative fees, impact fees, and environmental mitigation requirements) or by constraining the range of allowable development types (such as large-lot zoning ordinances, inflexible building codes, density restrictions, or outright bans on multifamily housing).

Of course, many regulatory barriers reflect competing priorities about land use and development. Many local building code provisions are intended to ensure the safety and structural integrity of housing construction. Some development restrictions are designed to preserve wetlands or protect open spaces for everyone to enjoy. And many zoning provisions focus on subdivision design features such as sidewalks, street widths, and other neighborhood amenities that enhance neighborhood quality. All of these are legitimate policy objectives, even if they have the effects of limiting housing production and increasing housing costs.

However, some regulatory barriers are in fact intended to prevent low-cost housing from being built in a local community, to exclude lower-income (and minority) households, and to maintain high property values for current residents. Unfortunately, local governments (which usually control land use decisions) have no incentive to face up to the trade-offs between housing affordability and other legitimate objectives. In fact, political incentives encourage each individual jurisdiction to satisfy existing property owners by attracting jobs while at the same time imposing controls on residential development in ways that enhance community amenities,

maximize property values, and exclude lower-cost housing options (Nelson et al. 2002; Downs 1994).

Central cities, then, remain the primary source of affordable rental housing within most metropolitan regions. Nationally, 45 percent of all renters and two thirds of poor renters live in central-city jurisdictions (Joint Center for Housing Studies 2006). In the early to middle 20th century, the concentration of affordable rentals in central cities—typically in close proximity to manufacturing centers—made sense. But in the aftermath of economic restructuring, most of those jobs have long since dispersed, leaving the affordable rental stock behind. In many metropolitan regions, rental housing can also be found in some segments of the inner suburbs, typically in older jurisdictions, close to the central city, where jobs are not locating. And rents remain relatively affordable on the urban fringe where jobs have not yet located and land is still cheap. Much of the rapid population growth since the 1990s is occurring in ex-urban places as moderate-income families leapfrog over existing suburban communities to find more affordable housing.

Neighborhood Distress. The clustering of affordable rental housing in central-city neighborhoods has served to reinforce concentrations of poverty and exacerbate racial segregation. Although most poor Americans live in nonpoor neighborhoods and the incidence of concentrated poverty declined in the 1990s, 7.9 million poor people still lived in "extreme poverty" census tracts in 2000 (Jargowsky 2003).[4] Neighborhoods of concentrated poverty are disproportionately minority; more than half of all high-poverty neighborhoods in 2000 were predominantly (more than 60 percent) black or Hispanic (Pettit and Kingsley 2003). Nationwide, 19 percent of poor blacks and 14 percent of poor Hispanics lived in high-poverty neighborhoods in 2000, compared with only 6 percent of poor whites (Jargowsky 2003). Within metropolitan areas, these disproportionately poor neighborhoods perform unfavorably across a sampling of social indicators. For example, 45 percent of adults in extreme-poverty tracts lack a high school degree, compared with only 19 percent metrowide. And the share of households with children that are headed by single females is 54 percent in extreme-poverty tracts, but only 24 percent metrowide (Pettit and Kingsley 2003).

Thus, it is unsurprising that residents of such neighborhoods often fall victim to a host of undesirable outcomes. As Jargowsky (2003) notes, "concentrations of poor people lead to a concentration of the social ills that cause or are caused by poverty." These ills, which are discussed in greater detail below, include higher rates of crime, teenage pregnancy, and

[4] This report defines "high-poverty neighborhoods" as those with poverty rates above 30 percent and "extreme-poverty neighborhoods" as those with poverty rates above 40 percent.

educational failure; higher prices for basic consumer goods; reduced private-sector activity; poor health outcomes; and higher fiscal burdens on local government.[5]

Lamentably, federal housing policy has for decades actually fueled the problem of concentrated poverty—for example, through the siting of public housing and, more recently, LIHTC units within large developments in isolated, distressed neighborhoods (Schill and Wachter 1995; Freeman 2004). More than half of public housing residents still live in high-poverty neighborhoods, and only 7 percent live in low-poverty neighborhoods (where fewer than 10 percent of residents are poor) (Newman and Schnare 1997; Turner and Wilson 1998). Federal programs to assist low-income renters have also exacerbated residential racial segregation. In fact, public housing handbooks originally encouraged local authorities to assign households to projects based on their race and the racial composition of the surrounding neighborhoods (Massey and Denton 1993; Hirsch 1983). Once the public housing system became intensely segregated, it proved to be extremely difficult—both politically and practically—to desegregate it, and efforts to do so have had very little impact (Popkin et al. 2003). The clustering of subsidized housing into neighborhoods of concentrated minority poverty undermines the economic and social viability of these communities (Massey and Denton 1993; Wilson 1987).

Housing Problems Undermine Other Public Priorities

For the most part, the challenges outlined above have been narrowly conceived of as “housing” issues to be discussed and debated by self-described housing advocates and practitioners. Increasingly, however, researchers, policymakers, and advocates outside traditional housing policy circles are recognizing that housing is critical to advancing other national issues and agendas. In general, the lack of affordable housing stands in the way of economic productivity and undermines the fundamental premise that full-time workers should be able to achieve a decent standard of living for themselves and their families. More specifically, the concentration of affordable housing in distressed inner-city neighborhoods traps low-income children in places where public schools are failing and life-chances are limited. The lack of affordable housing in the right places also contributes to environmentally and fiscally wasteful patterns of sprawl and decentralization.

Maintaining Economic Competitiveness. High housing costs, sprawling development patterns, and long commutes undermine the economic competitiveness of urban regions, and reduce productivity for the nation as a whole. A shortage of affordable housing may inhibit the

[5] For a short survey of these social ills, see Berube and Katz (2005).

economic dynamism of a metropolitan region by reducing its capacity to accommodate new growth, either through the expansion of existing firms or by attracting new ones. More specifically, when reasonably priced housing is in short supply and households have to spend large shares of incomes for housing, a region becomes a less attractive place in which to live and invest. In addition, high housing costs create pressures on employers to increase wages as jobs go unfilled at lower wages and as current employees demand higher wages to reflect their high costs of living. Commutes from home to work become longer as families locate further from their jobs in order to obtain affordable housing, increasing congestion costs, reducing productivity, and possibly contributing to employee turnover. Ultimately, these trends may constrain or even destabilize a region's labor market, particularly for low- and moderate-wage labor as people quit their jobs, residents leave the region, and prospective residents choose not to move into the region (Glaeser, Gyourko, and Saks 2005). Some economists argue that the impacts of high housing costs on regional economies may even undermine overall national productivity (NY-NJ-CT Regional Plan Association 2004; Pill 2000; Family Housing Fund 2001; Houstoun 2004).

Making Work Pay. Affordable housing is essential to fulfilling the implicit promise of welfare reform: that Americans who work hard should be able to achieve a decent standard of living. Today's high housing costs create hardship and instability for families of low-wage workers who "play by the rules" but still do not earn enough to afford decent housing. This failure is particularly distressing because a growing body of evidence suggests that living in decent, affordable housing may provide a "platform" upon which low-income families can get jobs, build their incomes, and achieve financial security. Simply living in decent, affordable housing constitutes a critical support for work because families living in unaffordable housing are financially insecure, vulnerable to unexpected increases in other costs, and more likely to move frequently (Mills et al. 2006). This insecurity may make it more difficult for them to get and keep jobs, work extra hours, or advance to higher wages. In addition, the extra income freed up when housing is affordable may enable families to pay for reliable child care, transportation to a better job, additional training, or professional clothing—all investments that can enhance employment success. Several recent studies suggest that people who receive assistance to make their housing costs affordable are more likely to benefit from workforce or welfare-to-work programs than people without assistance. Thus, affordable housing serves to buttress social programs that encourage work and self-sufficiency (Sard and Lubell 2000; Sard and Springer 2002; Sard and Waller 2002; Newman and Harkness 2006).

Improving Access to Opportunity. The concentration of affordable rental housing in pockets of poverty isolates residents from social and economic opportunities. A growing body of social science research indicates that living in a distressed, high-poverty neighborhood undermines the long-term life chances of families and children.[6] In particular, children who grow up in distressed neighborhoods and attend high-poverty schools are less likely to perform at grade level, complete high school, or go on to college. Moreover, young people surrounded by drug dealing and crime are more likely to become caught up in dangerous or criminal activities. Concentrated poverty also exacerbates the housing–jobs imbalance through which residents of poor neighborhoods are isolated from opportunities for employment and advancement because of distance or poor access to transportation. This is particularly true for African Americans, whose housing options are most constrained by long-standing patterns of discrimination and segregation (Turner 2007; Raphael and Stoll 2002).

The damage caused by concentrated poverty creates ripple effects extending far beyond the distressed communities. For example, high-poverty neighborhoods lead to increased demands on local government for public safety, child protection, and other social services. Cities often must raise taxes or divert resources from other priorities to fund these necessary spending increases, which in turn encourages the flight of moderate- and middle-income taxpayers out of the city (Pack 1998). Less tangibly but more importantly, the isolation of residents of high-poverty neighborhoods far from mainstream social and economic opportunities perpetuates inequality, reinforces racial separation, and fuels social polarization (Polikoff 2006). These effects all undermine social cohesion in a country that is fast becoming majority minority and endanger our success as a diverse and open society.

Fighting Sprawl and Promoting Environmental Sustainability. There is a strong connection between the concentration of affordable rental housing in central cities and the sprawling development patterns on the fringes of American metros. This connection is best understood by examining the locational decisions of moderate- and middle-income families. When deciding where to live, these households usually shun poorer areas within central cities based on perceptions (and often realities) of high crime, failing schools, heavy tax burdens, and reduced public amenities. Because such families usually cannot afford to live in high-priced areas, however, they are forced to move further to the outer suburbs and beyond, thus fueling new residential development on the urban fringe. This game of leapfrog unfortunately characterizes most, if not all, American metropolitan areas.

[6] For a comprehensive review of the empirical literature on neighborhood effects, see Ellen and Turner (1997).

These sprawling patterns of development yield a host of adverse environmental consequences. In many cases, the conversion of "greenfield" sites to urbanized land endangers fish and wildlife habitats, exacerbates erosion, and increases pollution from stormwater runoff, among other effects (Benfield et al. 1999; U.S. Environmental Protection Agency 2001). In addition, as traffic congestion increases, air quality worsens (Schrank and Lomax 2005). Moreover, the vast quantities of fossil fuels that Americans consume just to drive from place to place are contributing to global warming and climate change through the emission of carbon dioxide and other greenhouse gases (Kahn 2001). Americans account for around one-quarter of worldwide greenhouse gas emissions, with the transportation sector representing the single largest end-use source of carbon emissions (U.S. Energy Information Administration 2005). Thus, when affordable housing is concentrated in distressed, high-poverty neighborhoods rather than neighborhoods of opportunity, the outcome is not only more decentralization and sprawl but increased environmental degradation.

The Current Housing Policy Environment

The current array of federal rental housing policies can claim credit for some important accomplishments, but suffers from serious failures of scale, design, and implementation. Most significantly, the gap between housing needs and subsidy resources is steadily widening, with no resolution in sight. Since federal housing assistance is not an entitlement, only about one-third of eligible households receive assistance.[7] In essence, low-income renters participate in a national "housing lottery" that has ceased to be fair or rational in its distribution.

In addition, rental production programs continue to concentrate assisted units in inner-city neighborhoods—contributing to the concentration of poverty rather than expanding access to opportunity. A recent analysis revealed that central cities received 58 percent of all metropolitan Low Income Housing Tax Credit units built during the 1990s, despite the fact that they are home to only 38 percent of metropolitan residents. And one out of every seven tax credit projects sited in a central city is located in a neighborhood of extreme poverty (Freeman 2004).

Finally, federal programs provide few incentives to states and localities to remove the regulatory barriers that raise production costs and distort the location of rental housing. Thus,

[7] This estimate is derived by dividing the total number of directly assisted rental units (4.9 million) by the total number of extremely low income (below 30 percent of adjusted median income (AMI)) and very low income (30-50 percent of AMI) households (13.7 million), given that most direct federal assistance programs target these income levels.

scarce federal production resources do not go as far as they could, with per unit costs of production increased by burdensome local regulations and administrative procedures. And the federal government "looks the other way" when local jurisdictions act in an exclusionary manner.

State and Local Policy Innovation. In the absence of federal leadership on rental housing policy, many local and state governments have stepped into the void. State and local leaders increasingly recognize the connection between the availability of affordable housing and future economic vitality. As a consequence, they have begun to build effective coalitions in support of policies that boost incomes so that more working families can afford the cost of housing, reorient the regulatory environment to encourage the production of new rental housing where it is needed most, and expand support for the production and preservation of moderately priced housing.

On the income side, 18 states plus the District of Columbia have enacted minimum wages higher than the federal standard[8]; 21 states plus D.C. now have their own earned-income tax credit programs, which—like the federal program—supplement the incomes of workers who earn up to double the rate of poverty with a refundable year-end tax credit (Nagle and Johnson 2006). On the regulatory side, more than 130 localities nationwide are boosting the production of affordable housing through inclusionary zoning ordinances, and a handful of states like Illinois and California have enacted anti– NIMBY (not in my back yard) statutes to expand supply, particularly in communities where it has been restricted. And on the production side, 37 states and more than 350 counties and cities have created housing trust funds and are collectively spending nearly $1 billion annually on the production and preservation of affordable housing.

A New Rental Housing Policy Blueprint[9]

The reawakening of policy innovation at the state and local level is encouraging, but without a renewed commitment from the federal government, these efforts will never be sufficient to address the breadth and depth of the affordable housing challenges we face today. If—as a nation—we were committed to tackling the challenges outlined here, we would need a new division of responsibility. No single level of government can realistically address today's complex rental housing challenges on its own. Federal, state, and local governments all have essential roles to play.

---

[8] The Department of Labor maintains a current list of minimum wage laws in each state at http://www.dol.gov/esa/minwage/america.htm.

[9] For a more extensive discussion of this policy blueprint, see Katz and Turner (2007).

Only the federal government has the fiscal capacity to address the consequences of stagnant wage growth and income inequality nationwide. As long as incomes for a substantial segment of the population fall short of what it takes to cover the costs of producing and operating adequate housing, state and local governments simply cannot afford to close the affordability gap for enough households. Therefore, the federal government should assume responsibility for boosting the purchasing power of low-income renters to cover the cost of decent quality housing, through a combination of an increased minimum wage, an expanded earned income tax credit, and new, targeted housing vouchers.

If the federal government addresses the demand side of today's housing affordability crisis, state and local jurisdictions can and should assume lead responsibility for the remaining supply-side challenges. Using regulatory policies and supply-side subsidies, states and localities should create incentives that induce private-market actors (both for-profit and nonprofit) to produce and maintain rental housing that is affordable at moderate-income levels.

However, under this basic framework, the federal government would still have a strong interest in the effectiveness of state and local supply-side policies, because federal policies to boost incomes will ultimately be ineffective if the supply of housing in some markets is still artificially constrained, pushing up rents and distancing affordable housing from work. Therefore, the federal role with respect to supply-side policy must create strong incentives for states and local jurisdictions to reduce regulatory barriers that unnecessarily constrain market supply and inflate costs, produce affordable rental housing where it is needed most, and ensure that families aren't excluded from opportunity-rich communities based on their race or ethnicity.

This new policy framework could effectively address today's housing market challenges, substantially expanding opportunities for low- and moderate-income households to obtain decent and affordable shelter in safe and healthy neighborhoods. But this strategy goes beyond narrow housing goals to advance a broader set of national priorities that are currently being undermined by the failures of federal housing policy. Specifically, by expanding the availability of affordable housing in regions where jobs are plentiful and population is expanding, this strategy enhances the economic productivity and competitiveness of the nation as a whole. By raising after-tax wages to a level sufficient to cover the cost of decent housing, this strategy lives up to the fundamental premise that people who work full-time should be able to provide their families with a decent standard of living. And by tackling the regulatory barriers that have concentrated affordable rental housing in distressed central-city neighborhoods, it expands opportunities for low-income families to raise their children in safe and healthy communities with well-performing public schools.

Priority Next Steps. Even if the basic thrust of the new policy framework outlined here gained wide acceptance, it would take time to transform federal programs and incentives and to build local, state, and regional capacity to perform more effectively. In the short-term, four priority next steps could begin the process of redirecting federal rental housing policy to better address today's challenges.

First, the federal government could require existing metropolitan planning organizations (MPOs) to produce regional housing plans in conjunction with their already-mandated transportation plans. This requirement would begin the process of linking regional housing and transportation plans and could encourage some metropolitan regions to begin addressing regulatory barriers and other rental housing supply constraints. To support MPOs in this expanded mandate, the federal government should provide funding (to hire qualified housing staff) as well as technical assistance.

Next, new pools of federal housing vouchers could be awarded competitively to local and regional entities that can demonstrate their capacity to effectively implement innovative programs linking vouchers with effective support services. The new voucher pools would be explicitly targeted to promote two goals: first, encouraging and supporting work among families leaving welfare; and second, enabling low-income families with children to relocate from distressed communities to communities with high-performing public schools.

Third, the Low Income Housing Tax Credit program (LIHTC) could be expanded and retargeted. More specifically, LIHTC resources should be reallocated to provide more credits to states where rental housing is in short supply and fewer credits to states with sufficient (or excess) supply. In addition, LIHTC income limits should be adjusted so that credits can be effectively used to produce two distinct types of housing developments: *both* mixed-income housing in distressed communities (where the broadest possible mix of incomes is needed) *and* affordable housing in opportunity-rich communities (where more of the LIHTC units should be targeted to low- and moderate-income levels, within the context of mixed-income neighborhoods).

Finally, the federal government could implement new initiatives to preserve and transform the current inventory of public and federally assisted housing. These new initiatives include a reinvigorated HOPE VI program to demolish and replace severely distressed public housing; reliable federal funding for the renewal of Section 8 contracts; a new block grant for acquisition and recapitalization of affordable housing by nonprofits guaranteeing long-term affordability; and the elimination (or reduction) of tax liabilities for owners of federally assisted housing who sell to a nonprofit entity that commits to long-term affordability.

These next steps, all of which could be implemented immediately and at varying scales, offer the potential to begin moving federal rental housing policy in a new direction—toward a framework that addresses the fundamental market challenges facing the country today.

References

Autor, David H., Lawrence F. Katz, and Melissa S. Kearney. 2006. "The Polarization of the U.S. Labor Market." Working Paper 11986. Cambridge, MA: National Bureau of Economic Research.

Benfield, F. Kaid, Matthew D. Raimi, and Donald D.T. Chen1999. *Once There Were Greenfields: How Urban Sprawl Is Undermining America's Environment, Economy, and Social Fabric.* New York: Natural Resources Defense Council.

Downs, Anthony. 1994. *New Visions for Metropolitan America*. Washington, DC: Brookings Institution Press.

Ellen, Ingrid Gould, and Margery Austin Turner. 1997. "Does Neighborhood Matter? Assessing Recent Evidence." *Housing Policy Debate* 8(4): 833–66.

Family Housing Fund. 2001. *Workforce Housing: The Key to Ongoing Regional Prosperity*. Minneapolis, MN: Family Housing Fund. http://www.fhfund.org/_dnld/reports/Workforce%20Housing_Full%20Report.pdf.

Freeman, Lance. 2004. "Siting Affordable Housing: Location and Neighborhood Trends of Low-Income Housing Tax Credit Developments in the 1990s." Washington, DC: The Brookings Institution.

Freeman, Richard. 2005. "What Really Ails Europe (and America): The Doubling of the Global Workforce." *The Globalist,* June 3, 2005.

Glaeser, Edward L., and Joseph Gyuorko. 2002. "The Impact of Zoning on Housing Affordability." Discussion Paper no. 1948. Cambridge, MA: Harvard Institute of Economic Research.

Glaeser, Edward L., Joseph Gyourko, and Raven E. Saks. 2005. "Why Have Housing Prices Gone Up?" Discussion Paper no. 2061. Cambridge, MA: Harvard Institute of Economic Research.

Hirsch, Arnold, 1983. *Making the Second Ghetto: Race and Housing in Chicago*. New York: Cambridge University Press.

Houstoun, Feather O. 2004. "Integrating Affordable Housing with State Development Policy." Washington, DC: National Governor's Association. http://www.knowledgeplex.org/showdoc.html?id=72004.

Jargowsky, Paul. 2003. "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s." Washington, DC: The Brookings Institution.

Joint Center for Housing Studies. 2004. *The State of the Nation's Housing 2004*. Cambridge, MA: Harvard University. http://www.jchs.harvard.edu/publications/markets/son2004.pdf.

———. 2006. *America's Rental Housing: Homes for a Diverse* Nation. Cambridge: Harvard University.

Kahn, Matthew. 2001. “The Environmental Impact of Suburbanization.” *Journal of Policy Analysis and Management* 19(4): 569–86.

———. 2006. *Green Cities: Urban Growth and the Environment.* Washington, DC: Brookings Institution Press.

Katz, Bruce, and Margery Austin Turner. 2008. *Rethinking U.S. Rental Housing Policy.* Washington, DC: The Brookings Institution.

Massey, Douglas S., and Nancy A. Denton. 1993. *American Apartheid: Segregation and the Making of the Underclass.* Cambridge, MA: Harvard University Press.

Mills, Gregory, Daniel Gubits, Larry Orr, David Long, Judie Feins, Bulbul Kaul, Michelle Wood, Amy Jones & Associates, Cloudburst Consulting, the QED Group. 2006. *Effects of Housing Vouchers on Welfare Families.* Washington, DC: U.S. Department of Housing and Urban Development.

Nagle, Ami, and Nicholas Johnson. 2006. “A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2006.” Washington, DC: Center for Budget and Policy Priorities. http://www.cbpp.org/3-8-06sfp.htm.

Nelson, Arthur C., Rolf Pendall, Casey J. Dawkins, and Gerrit J. Knaap. 2002. “The Link between Growth Management and Housing Affordability: The Academic Evidence.” Washington, DC: The Brookings Institution. http://www.brookings.edu/es/urban/publications/growthmanagexsum.htm

Newman, Sandra J., and Ann B. Schnare. 1997. “‘…And a Suitable Living Environment’: The Failure of Housing Programs to Deliver on Neighborhood Quality.” *Housing Policy Debate* 8(4):703–42.

Newman, Sandra, and Joseph Harkness. 2006. “Rental Housing Affordability and Children’s Outcomes.” Paper presented at *Revisiting Rental Housing: A National Policy Summit,* November 14-15, 2006. Cambridge, MA.

NY-NJ-CT Regional Plan Association. 2004. “Out of Balance: The Housing Crisis from a Regional Perspective.” New York, NY: NY-NJ-CT Regional Plan Association. http://www.rpa.org/pdf/outofbalance_paper.pdf.

Pack, Janet Rothenberg. 1998. "Poverty and Urban Public Expenditures.” *Urban Studies* 35(11): 1995–2019.

Pendall, Rolf. 2006. “From Hurdles to Bridges: Local Land-Use Regulations and the Pursuit of Affordable Rental Housing.” Paper presented at *Revisiting Rental Housing: A National Policy Summit.* November 14-15, 2006. Cambridge, MA.

Pendall, Rolf, Robert Puentes, and Jonathan Martin. 2006. *From Traditional to Reformed: A Review of the Land Use Regulations in the Nation’s 50 Largest Metropolitan Areas.* Washington, DC: The Brookings Institution.

Pettit, Kathryn L. S., and G. Thomas Kingsley. 2003. "Concentrated Poverty: A Change in Course." Washington, DC: The Urban Institute.

Pill, Madeleine. 2000. "Employer-Assisted Housing: Competitiveness through Partnership." Working Paper no. W00-8. Cambridge, MA: Harvard Joint Center for Housing Studies. http://www.jchs.harvard.edu/publications/mpill_W00-8.pdf.

Polikoff, Alexander. 2006. *Waiting for Gautreaux: A Story of Segregation, Housing, and the Black Ghetto.* Chicago: Northwestern University Press.

Popkin, Susan J. , George C. Galster, Kenneth Temkin, Carla Herbig, Diane K. Levy, and Elise K. Richer. 2003. "Obstacles to Desegregating Public Housing: Lessons Learned from Implementing Eight Consent Decrees." *Journal of Policy Analysis and Management.* 22(2): 179–99.

Raphael, Steven, and Michael A. Stoll. 2002. *Modest Progress: The Narrowing Spatial Mismatch between Blacks and Jobs in the 1990s.* Washington, DC: The Brookings Institution.

Sard, Barbara, and Jeff Lubell. 2000. "The Value of Housing Subsidies to Welfare Reform Efforts." *The Increasing Use of TANF and State Matching Funds to Provide Housing Assistance to Families Moving from Welfare to Work*. Washington, DC: The Center on Budget and Policy Priorities.

Sard, Barbara, and John Springer. 2002. "Affordable Housing: One of the Keys to Self-Sufficiency." *Housing Facts and Finding 4(1)*. http://www.fanniemaefoundation.org/programs/hff/v4i1-affordable.shtml.

Sard, Barbara, and Margy Waller. 2002. "Housing Strategies to Strengthen Welfare Policy and Support Working Families." Washington, DC: The Brookings Institution.

Schill, Michael H., and Susan M. Wachter. 1995. "The Spatial Bias of Federal Housing Law and Policy: Concentrated Poverty in Urban America." *University of Pennsylvania Law Review* 143: 1285–1342.

Schrank, David, and Tim Lomax. 2005. "2005 Urban Mobility Study." College Station, TX: Texas Transportation Institute.

Turner, Margery. 2007. "Residential Segregation and Employment Inequality." In *Fair Housing, Access to Opportunities, and America's Future*, edited by James Carr and Nandinee Kutty. Washington, DC: National Fair Housing Alliance.

Turner, Margery Austin, and Charlene Wilson. 1998. *Affirmatively Furthering Fair Housing: Neighborhood Outcomes for Tenant-Based Assistance in Six Metropolitan Areas*. Washington, DC: The Urban Institute.

Turner, Margery, G. Thomas Kingsley, Kathryn L.S. Pettit, and Noah Sawyer 2004. *Housing in the Nation's Capital 2004.* Washington, DC: Fannie Mae Foundation and the Urban Institute.

Turner, Margery, G. Thomas Kingsley, Kathryn L.S. Pettit, Jennifer Comey, Mark Woolley, Barika Williams, and Jessica Cigna. 2006. *Housing in the Nation's Capital 2006.* Washington, DC: Fannie Mae Foundation and the Urban Institute.

U.S. Census Bureau. 2000. *2000 Decennial Census*. Suitland, MD: U.S. Census Bureau.

U.S. Census Bureau. 2005. *2005 American Communities Survey.* Suitland, MD: U.S. Census Bureau.

U.S. Energy Information Administration. 2004. "Emissions of Greenhouse Gases in the United States, 2004." Washington, DC: U.S. Energy Information Administration. http://www.eia.doe.gov/.

U.S. Environmental Protection Agency. 2001. "Our Built and Natural Environments: A Technical Review of the Interactions between Land Use, Transportation, and Environmental Quality." Washington, DC: U.S. Environmental Protection Agency. http://www.epa.gov/dced/pdf/built.pdf.

Wilson, William Julius. 1987. *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy*. Chicago: University of Chicago Press.