

POLICY DIGEST

A monthly snapshot of housing-related policy research



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MAPPING THE BENEFITS OF AFFORDABLE HOUSING

California Housing Partnership Corporation

Policymakers, advocates, and elected officials lack access to data and visual tools to communicate the positive impacts that affordable housing developments have in their communities. To address this need, the California Housing Partnership has created a new interactive tool: the Affordable Rental Housing Benefits Map.

The map displays property-level information on specific affordable developments and toggle-able layers of information drawn from CalEnviroScreen 3.0, TCAC/HDC Opportunity Map, Federal Opportunity Zones, and AB 1550 Low-income Communities. Notably, the tool can display quantitative estimates of social and economic benefits of affordable housing, and generate reports on affordable housing's impact in particular counties and legislative districts. **View the map at:**

<https://chpc.net/affordable-housing-benefits-map/>

Benefits of Affordable Housing By the Numbers

\$320
monthly household rent savings

\$13 million
public cost savings from housing the homeless

\$3.7 billion
state and local taxes generated

293,104
jobs supported annually

FREDDIE MAC: POPULATION GROWTH AND AFFORDABLE HOUSING LOSS

June 2019 | Freddie Mac Multifamily



Metros across the nation are experiencing declines in the availability of affordable multifamily rental units. In this report, Freddie Mac Multifamily Research Center analyzed the relationship between higher rates of population growth and a metro's difficulty in preserving affordable housing. For the nation's fastest growing areas, this is increasingly alarming.

Freddie Mac tracked multifamily unit affordability by comparing area median income (AMI) data with rent data from the American Community Survey (ACS) from 2010-2017. On the national level, the proportion of affordable multifamily rental units for extremely and very-low income households (below 50 percent AMI) has steadily decreased in the years following the Great Recession.

From 2010 to 2017, the percentage of affordable rental units in the US fell from 55.7% to 39.1%, the equivalent to a loss of 2.4 million units

An important fact to note is that while about 7.5 million units are still affordable to VLI households, not all of these are occupied by VLI households. Higher income renters may occupy these units, further limiting the supply of affordable housing units. On the other end of the housing supply spectrum, the amount of rental units that are only affordable to households making above 100 percent AMI has increased. The growth from 6.5 percent in 2010 to 12.7 percent in 2017 reflects the trend of increased high-end developments and that rent growth has outpaced income growth in most metros.

Metro Focus

Austin, TX

Austin, TX, the fastest growing metro area in the nation, experienced an equally sharp decline in the proportion of affordable rental units. From 2010-2017, the percentage of units available to very low income households fell from 66% to 31.9%. Despite this period of significant growth in overall housing supply, the number of affordable units still declined.

Denver, CO

Between 2010-2017, rent in Denver grew at a tremendous rate of 69%. As a result, a 2017 survey conducted by Colorado Mesa University shows that the single greatest issue affecting Colorado residents was housing affordability.

In 2017, Denver announced "The Lower Income Voucher Equity" program, which places eligible renters (those making between 40-80% of AMI) into previously vacant market-rate units, paying up to 30% of their income on rent.

Portland, OR

While household income in Portland, OR has grown healthily, rent has grown at a much faster rate. Median rent in Portland grew by 57.1% from 2010-2017, among the highest in the nation. In conjunction, the proportion of affordable units dropped from 70.1% in 2010 to 23.3% in 2017.

Read more: <https://freddiemac.gcs-web.com/node/16261/pdf>



THE POWER OF PROACTIVE PRESERVATION

NeighborWorks and Joint Center for Housing Studies of Harvard University

As gentrification and subsequent increased housing price appreciation threatens the supply of affordable housing in metros across the nation, Matt Schreiber proposes that proactive preservation of existing unsubsidized affordable units can help beat real estate price appreciation.

Through an analysis of “warm markets,” such as Atlanta, Cleveland, and Philadelphia, Schreiber analyzes and suggests that proactive preservation of naturally occurring affordable housing (NOAH) can help policymakers and mission-driven organizations beat housing price appreciation in their communities. The preservation of existing affordable housing is increasingly important as newly constructed housing largely fails to provide affordable options to lower income groups.

Challenges in Affordable Housing Preservation

Once-distressed neighborhoods are seeing renewed interest by private developers, increasing potential for price appreciation among both renter- and owner-occupied housing. Additionally, many factors - including “stagnant incomes, rising home prices, and tight credit following the housing crash and recession” - prevent many residents from purchasing or maintaining a home. This reduces already limited options for low-income households and owners of NOAH are not required to maintain a property’s affordability over time.

Gentrification is a flow that begins at a point of investment and expands outward in a clear gradient. Therefore, identifying above-average growth in education attainment, median income, home value, and where gentrification is already occurring is key. Investing in these emerging markets could give mission-driven organizations an opportunity to get ahead of price appreciation. If a city is truly concerned with providing affordable housing, Schreiber argues, there is little downside to investing in these neighborhoods.

The Report's Policy Recommendations

1. Buy land now, specifically 1-4 unit properties

Emerging markets were overwhelmingly made up of 1-4 unit properties in areas adjacent to gentrified neighborhoods.

2. Low-interest renovation loans with affordability requirements

Policymakers can help increase the number of affordable housing “developers” by incentivizing individual property owners to renovate NOAH in emerging markets.

3. Long-term lease-purchase programs

Expanding access to homeownership may allow low-income households that would otherwise be priced out have the opportunity to benefit from price appreciation.

4. Create robust land bank and land trust partnerships

Increased coordination between land banks and land trusts can lower the acquisition costs and lessen the bureaucratic, legal, and market timing challenges of expanding access for lower-income residents.

Read more:
https://www.jchs.harvard.edu/sites/default/files/harvard_jchs_schreiber_gramlich_2018.pdf

JOE NYC

CREATING SCALE AND KEEPING LOCAL EXPERTISE IN NONPROFIT AFFORDABLE HOUSING DEVELOPMENT

February 2019 | Journal of Affordable Housing & Community Development Law



As 1/3 of all New York City renters spend more than half of their incomes on housing, the options for many low-income families have become more scarce. Moreso, regulatory restriction periods for many affordable housing projects are expiring while market pressures are pushing new “affordable” development projects to meet market rate. Critical players in the efforts to achieve long-term affordability are the nonprofit community development corporations (CDCs). CDCs that develop affordable housing create a longer-lasting community impact than their for-profit privately-owned colleagues. However, CDC’s face significant challenges in adaptation and collaboration within contemporary market demands.

CDC Challenges

1. Geographic limitations

CDCs are limited to community development activities in a certain area; difficult for a CDC that has limited scope to morph into a citywide institution; undercut CDCs competitiveness in the market.

2. Underwriting challenges and dis-economies of scale

A mix of funding sources has tightened underwriting standards and lowered tolerance for risk, which works against smaller developers like CDCs. CDCs also lack the scale necessary to achieve the economy of their for-profit peers.

3. Scarcity

Stock of vacant city-owned land has all but evaporated. Development is no longer driven by acquisition of free land, but by acquiring properties. Available options often are scattered, smaller sites.

4. Silos

Each project with public financing requires a fixed level of reserves to be used only on that project, which eliminates any flexibility in the pooling or use of those funds to gain strength across a portfolio.

5. Reputation damage

Damage by a few actors has tarnished the sector despite evidence showing the value of nonprofit development in communities

Read more:
<https://docs.google.com/viewerng/viewer?url=https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/Changing%20the%20Paradigm%20%25E2%2580%2594%2520Creating%20Scale%20and%20Keeping%20Local%20Expertise%20in%20Nonprofit%20Affordable%20Housing%20Development.pdf>



JOENYC is a Joint Ownership Entity for non-profit owned affordable housing assets in NYC. It has the strength to acquire, refinance, and recapitalize projects without the need to joint venture with a for-profit development partner. This helps to empower some of NYC's leading mission-driven organizations to leverage their local expertise and group capacity to compete in the market to create more affordable housing for longer (or even permanent) periods of time.

HOW JOENYC WORKS

1. No geographic limitations

Members that are not citywide are now able to be citywide in scope without sacrificing local expertise, mission, or support. The culture of collaboration is designed to support and enhance its members, not replace them.

2. Consolidating to achieve economies of scale, underwriting strength, and cross-subsidization

By contributing properties to JOENYC, the CDC members appoint it as the owner of the property. This consolidation of asset management for a broad portfolio of projects allows JOE NYC to achieve economies of scale, something the individual members could not do alone. Consolidating also allows CDCs to achieve the strength and size to acquire and recapitalize projects. This results in flexibility and deconstructs the silos of project financing to which affordable housing development often falls prey.

3. Mission-based membership

JOE NYC members wanted to ensure that CDCs always had control of this new giant and potential competitor. It is therefore organized and operated exclusively for the benefit of its members

4. Balancing democracy, decision-making efficiency, and equity

JOE NYC has a specifically designed decision-making process that uses committees to make major decisions in a timely fashion. It is explicit on which decisions need unanimous votes and which do not.

5. Flexible legal structure

Pooled assets, diversified risk, distributed income, and strong corporate governance provide a strong counterbalance to individual CDCs owning and operating their own units. This prioritizes long-term affordable housing preservation over profit.

JOENYC'S SUCCESSES



Acquired over 1,000 units of housing

Goal by end of 2019 is to acquire another 2,000 units.



The applicability and replicability of the JOE NYC model in other large cities is obvious: scale creates financial strength necessary to compete.



Fosters collaboration between members that did not exist in the past by creating economies of scale. Diversifies risk and creates more income to preserve and increase affordable housing units

Read more: <https://docs.google.com/viewerng/viewer?url=https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/Changing%20the%20Paradigm%20%25E2%2580%2594%20Creating%20Scale%20and%20Keeping%20Local%20Expertise%20in%20Nonprofit%20Affordable%20Housing%20Development.pdf>



THE STATE OF THE NATION'S HOUSING 2019

July 2019 | Joint Center for Housing Studies of Harvard University

Over the next decade, two generations will dominate population and housing growth: millennials entering their 30's and baby boomers entering retirement. Millennials will drive demand of renter- and owner-occupied housing, which is projected to grow substantially. However, this growth is highly dependent on the financial feasibility of homeownership. If housing costs continue to rise faster than incomes, growth of households and housing demand will slow. Additionally, meeting the diverse needs of the growing US population is critical for public, private, and nonprofit sectors.

After falling for 12 consecutive years, household growth has returned to a steady pace, with the largest increase among households in the key age group of 25-39.

HOUSEHOLD GROWTH RISES WHILE HOUSING PRODUCTION REMAINS STAGNANT

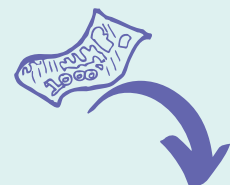
While household growth reached expected levels of 1.2 million a year in 2016-2018, this number is about 260,000 short of the 1.5 million units of estimated demand for housing construction. In the 100 largest metro areas with price-to-income ratios above 5.0, the median income household could afford just 36% of recently sold homes in 2017. This indicates a gap in construction of smaller, affordable, middle-market homes and puts additional pressure on housing prices and rent. Production of single-family homes was down 13 percent nationally last year and lagged the most in Western metros, most notably in California (San Francisco topped the list). Housing production barely kept pace with household growth even though residential construction should exceed household growth to accommodate for replacement of older units, demand for second homes, geographic shifts in the population, and a normal amount of vacancies.



Despite making up only 13.7 percent of the population in 2017, foreign-born households were responsible for 37 percent of household growth from 1990-2017



Overall, rent rose at a 3.6 percent annual rate in early 2019, twice the pace of overall inflation.



The number of units renting for under \$800 fell by 1.0 million nationally in 2018.



CHALLENGES TO HOMEOWNERSHIP IN THE NEXT DECADE

Ability to purchase a home must also depend on access to mortgage financing and conditions in the last few years have remained tight. The share of Fannie Mae loans with high debt-to-income ratios more than doubled from 13 percent in 2013 to 29 percent in 2018, while the share of Freddie Mac Loans was up from 14 percent to 25 percent. Expiration of the FHA exemption for Fannie Mae and Freddie Mac in 2021 could result in a substantial shift in lending volumes, resulting in a higher cost for borrowers or a sharp reduction in credit access for those with higher DTI ratios.

The income gap continues to widen as the average incomes of households in the bottom quartile have improved relatively little over the past decade, up 8 percent compared with 12 percent among households in the top income quartile. The prices for the lowest-cost homes rose the fastest in 2018, nearly double the rate for the most expensive homes, outpacing income growth for the seventh straight year.

RENTAL MARKET PROJECTIONS

1. **400,000** net new renter households annually over the coming decade, despite a modest dip in renter households in 2018.
2. In the 25 highest-rent metros, rental growth **exceeded 5 percent** in 2018.
3. Higher-income households kept up demand for apartments as the number of renters earning at least **75k** rose by **311,000 households** in 2017-2018. This demand was met by increased rental construction projects targeted at high-income renters.
4. Declines in the number of rental units was reported at **more than 10 percent** in half of all metros, largely concentrated in the West.
5. In 2017, only **4 million** rental units were affordable and available to the **11 million** renters in the extremely low-income group. This translates to only 37 units per every 100 households in need.

STATUS OF HOMELESSNESS

Despite notable reductions in homelessness over the past decade due to expanded permanent supportive housing and widespread adoption of the housing first model, homelessness is increasing in certain high-cost Western states, notably California where the number of unsheltered homeless grew by 25 percent in 2014-2018 to 89,500 people.

To address the problem, California voters passed a statewide proposition to provide \$2 billion for homelessness prevention initiatives for people with mental health issues. Additionally, San Francisco raised taxes on the city's largest businesses to fund housing and social services and Berkeley voters approved a \$135 million municipal bond to fund housing for middle-income households and those most at risk for homelessness.

PRICED OUT, PUSHED OUT, LOCKED OUT

HOW PERMANENT TENANT PROTECTIONS CAN HELP COMMUNITIES PREVENT HOMELESSNESS AND RESIST DISPLACEMENT IN LOS ANGELES COUNTY

June 2019 | Public Counsel and UCLA School of Law Community Economic Development Clinic

Through an analysis of the demographic and economic conditions of tenant households in unincorporated LA County, this report is a useful resource for the Los Angeles County Board of Supervisors to fight eviction and displacement. Of the 10.2 million residents of Los Angeles County, over 1 million live in unincorporated areas and 400,000 are tenants. As market conditions threaten housing stability across the nation, these tenants (disproportionately low-income and people of color) face skyrocketing rents. A 2017 study found that in LA County, just a 5% rent increase would push an additional 2,000 residents into homelessness. The homelessness count has skyrocketed in the past decade, increasing 52% since 2010, including a 12% increase in the past year alone. Adopting strong, permanent tenant protections for unincorporated LA County will quickly, cheaply, and effectively improve the housing stability of hundreds of thousands of residents.

BY THE NUMBERS



56%

of tenants in unincorporated LA County are rent burdened and 31% are severely rent burdened



58,936

individuals experience homelessness on a given night in Los Angeles County, up 20,219 since 2010.



1.5 million

Californians faced formal court evictions in the past 3 years.

POLICY RECOMMENDATIONS

1. Adopt a permanent rent stabilization ordinance

- Limit annual rent increases to the change in the Consumer Price Index to track inflation, with a floor of 0% and a ceiling of 5%.
- Create a Rent Board, representative of the County’s residents, to implement the ordinance and announce annual allowable rent increases.
- Do not allow landlords to “bank” unused rent increases for future years.

2. Adopt a permanent just cause eviction ordinance

- Limit allowable evictions to the six grounds listed in the County’s Interim Ordinance
- Provide relocation assistance to tenants evicted on “no-fault” grounds.
- Ensure that tenants living in a unit that is foreclosed on or has a change of ownership are still protected under just cause eviction protections.
- Prevent no-fault evictions for households that have a school age child until that child is on a school break.
- Allow tenants evicted through the Ellis Act a “right to return” if their unit is re-rented and minimize loss of rent stabilized units to the full extent allowed under state law.

3. Create Know Your Rights materials in the languages commonly spoken by tenants and require landlords to provide these materials at lease-up.

4. Enact complementary tenant protection policies that will strengthen the rent stabilization and just cause eviction ordinances.

- Fund a robust, proactive code enforcement program to address habitability issues.
- Fund assistance programs for low-income landlords to make necessary repairs.
- Guarantee a funded right to counsel for tenants, including pre-eviction services and rental assistance to tenants at risk of eviction.
- Support tenant and landlord outreach and education programs.
- Regulate condominium conversions and demolitions in order to close loopholes that allow the removal of rental housing from the market.

Read more: https://static1.squarespace.com/static/5a94b00bf93fd4ea3517345e/t/5cfe01d52aefcd0001a72f6e/1560150521305/pricedout_pushedout_lockedout_report_june2019.pdf