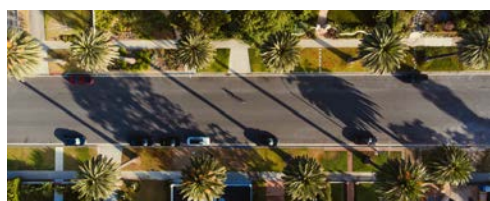
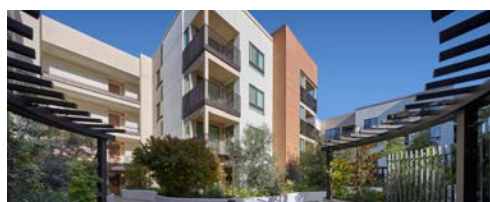


POLICY DIGEST

A monthly snapshot of housing-related policy research



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IN THE NEWS

Ballot Propositions in the 2018 November Election

Proposition 1: Affordable Housing And Home-Purchase Assistance For Veterans:

SCANPH urges your support for this measure, which will build and preserve affordable homes, including supportive housing, for veterans, working families, people with disabilities, Californians experiencing homelessness and others struggling to find a safe place to call home. This is also an opportunity to create 137,000 jobs and pump \$23.4 billion into California's economy. The Veterans and Affordable Housing Act tackles top priorities for Californians - building homes, creating jobs and boosting the economy.

Proposition 2: Using Mental Health Dollars For Low-Income Housing:

This would free up \$2 billion in bonds to support building housing that includes mental health services for chronically homeless people. The original bonds are part of the Mental Health Services Act, approved by voters in 2004 to provide mental health services to Californians.



Proposition 5: Granting Property Tax Break to Senior Citizens and Disabled Persons: This would grant a property tax break to property owners who are over 55 years old or severely disabled. The measure would allow them to transfer their property tax to a replacement property of equal or lesser value in a specific county.

Proposition 10: Allowing Local Authorities to Enact Rent Control: A measure seeking to give local authorities more freedom to enact rent control policies will be on the November ballot. This would repeal the Costa-Hawkins Rental Housing Act and its ban on certain types of rent control, including protections for tenants of single-family homes, condos, and apartments built after 1995.

Read more:
<http://www.capradio.org/articles/2018/06/29/here-are-the-12-ballot-propositions-on-californias-november-2018-election/>



Is large-scale municipal housing, built and owned by the state, the best option for solving the affordability crisis? Peter Gowan and Ryan Cooper argue it would add to the housing supply while minimizing displacement and gentrification risks caused by luxury developments from private developers.

Municipalities would finance the construction of new housing through municipal bond markets, loans from the federal government, and federal grants that mirror those already provided under the low-income housing tax credit program. The buildings themselves would be erected by construction companies through the same process that cities use to build libraries and other public facilities. Once constructed, the management of the new housing units could be done either through a public authority or by contracting with a property management company.

The benefits of this social housing approach over a private, market-led one include:

Lower cost: Interest rates on government debt are lower than the interest rates on almost any other kinds of financing, including the bank loans relied upon by private developers. Additionally, local governments in many cities already own around a fifth of their city's land, a figure that excludes public parks. It means that, unlike a private developer, municipalities could have zero land acquisition costs in many cases.

Efficiency: Municipal builders will direct resources to middle-income housing with smaller square footage per unit and fewer frills and amenities rather than luxury developments commonly built by private developers.

Ownership: The public will own the resulting land and housing assets rather than private investors or homeowners. This gives municipalities more flexibility in managing their city's housing stock, ensures that profits (if charged) flow to the public instead of affluent people, and avoids creating even more people who have an interest in blocking further housing development.

Read more:
<http://peoplespolicyproject.org/wp-content/uploads/2018/04/SocialHousing.pdf>

MISSING MILLIONS OF HOMES: PRELIMINARY FINDINGS

June 2018 | New Democrat Coalition Housing Task Force



The New Democrat Coalition is made up of 68 forward-thinking Congressional Democrats who are committed to pro-economic growth, pro-innovation, and fiscally responsible policies. The Coalition formed a Housing Task Force in March 2017 to look at the entire housing ecosystem and identify solutions to rising housing costs. Overall, the group found that there are huge implications due to the high cost of shelter, which they posit is the single biggest squeeze on household budgets and a significant drag on the economy. It is forcing Americans to live on the street, reducing GDP by trillions of dollars, substantially reducing Americans' retirement savings, and undermining our ability to recover from recession.

HOUSING IS INCREASINGLY UNAFFORDABLE BECAUSE

1. Prices and rents are rising faster than wages and construction is not keeping up with demand.
2. Home construction is stuck at recession levels.
3. The middle market is lacking homes, with builders increasingly focused on luxury properties.
4. Affordable rental housing is declining.

For workers and families at the low end of the income spectrum, wages have never been adequate to cover housing costs, so the government must step in. But even though housing costs are soaring (and even though income growth has been particularly weak for low-income families), subsidies and supports are being reduced rather than increased. Low income Americans face the worst affordability problem of all.

SOME THEORIES ON WHAT IS CAUSING A CRISIS IN THE HOUSING ECOSYSTEM:

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| <p>1. Zoning and land-use regulations are slowing and restricting building of housing.</p> <p>2. Demand has shifted to walkable transit-served urban areas, which are in short supply, with only 10% of housing units in those areas.</p> | <p>3. Construction funding is less available in the aftermath of the financial crisis.</p> <p>4. Construction labor is not getting more productive and the labor pool is not increasing.</p> | <p>5. Environmental and other regulations are raising the cost of construction.</p> <p>6. Technology and demand changes have enhanced the ability of local opponents to use tools to slow or stop housing development.</p> | <p>7. Poor investment in housing subsidies is crippling affordable housing development.</p> <p>8. Builders cannot find enough skilled labor to turn blueprints into buildings.</p> |
|---|--|--|--|

The Coalition concludes that we need to build millions of more housing units.

Read more:
https://newdemocratcoalitionhimes.house.gov/sites/newdemocratcoalition.house.gov/files/documents/NDC%20Missing%20Millions%20of%20Homes_Housing%20TF%20Findings%20Report_June%202018.pdf



THE STATE OF THE NATION'S HOUSING 2018

June 2018 | Joint Center for Housing Studies of Harvard University

The national homeownership rate rose in 2017 for the first time in 13 years despite the steady increase in home prices, a sign that low interest rates kept monthly housing costs affordable for new homeowners. However, the lack of affordability, high housing cost burdens, and inadequate federal assistance are serious issues for the lowest income renters.

According to the report, the share of renter households decreased in more affordable metro areas in the South, but remained elevated in larger, high-cost metro areas. Multi-family construction is higher than at any point since the 1970s and construction is slightly outpacing demand. Vacancy rates were up 0.3% in the first quarter of 2018 compared to a year earlier.

Despite an overall softening of the rental market, the market is not serving the lowest income households.

In 2016, only 35 available rental units were affordable for every 100 extremely low income (ELI) renter households, those earning less than the poverty level or 30% of the area median income (AMI).

RENT AND HOME PRICES ARE INCREASING

Although better housing quality accounts for some of this increase, sharply higher costs for building materials and labor, coupled with limited productivity gains in the homebuilding industry, have made housing construction considerably more expensive. Land prices have also skyrocketed as population growth in metro areas has intensified demand for well-located sites. In addition, new regulatory barriers have also served to limit the supply of land available for homes and increased the time, complexity, and risks of housing development. Along with soaring housing costs, weak income growth among low- and moderate-income households has also contributed to affordability pressures.



There is a nationwide **shortage of more than 7.2 million rental homes** affordable and available to ELI renter households.



The national median rent is **rising 20% faster** than overall inflation from 1990–2016 and the median home price **41% faster**.



80% of renters making less than \$30,000 per year are **cost-burdened**.



NEAR-RECORD NUMBERS OF RENTER HOUSEHOLDS REMAIN COST-BURDENED

In 2016, approximately 20.8 million households were cost-burdened and 11.0 million were severely cost-burdened, spending more than half of their incomes on housing. The lowest income cost-burdened households are left with few resources for other necessities like food, transportation, and healthcare. For these cost-burdened renter households, an emergency expense or unexpected loss of income could result in eviction and homelessness.

HOMEOWNERSHIP TRENDS MAY BE CHANGING

After a decade of soaring rental demand, US households are edging their way back into the homebuyer market. This reversal lifted the national homeownership rate to 63.9 percent last year, with gains spread across most age, race, and ethnic groups. While too early to tell whether this is the start of a rebound, the homeownership rate appears to have at least stabilized. However, other challenges remain. Issues such as tight credit, limited inventory, potential increases in interest rates, and student debt could constrain further growth in homeownership, especially for low and moderate income households. The ownership disparity between black and white homeowners is growing. There are continuing constraints in the single-family market, as lower cost homes are scarce from a low level of single-family construction, which may reflect homebuilder caution following a dramatic housing bust.

FEDERAL RENTAL ASSISTANCE IS VERY INSUFFICIENT

Only one out of every four very low income (VLI) renter households, those at or below 50% AMI, receives housing assistance. Increases in federal rental assistance have lagged far behind growth in the number of renters with very low incomes, the group typically eligible for subsidies. At the state and local level, some strategies include raising new revenues through bond issuances, real estate transfer taxes, and linkage fees, as well as using their regulatory powers to either incentivize or mandate inclusion of affordable units in new market-rate developments. However, state and local initiatives are generally modest in scale. Research has also consistently found that the largest barrier for first-time buyers is insufficient savings to meet down payment requirements and other upfront costs. Federal down payment assistance programs, however, serve less than 50,000 households annually.



After a 14% decline from 2010 to 2016, the homeless population **increased by 3,800 people in 2017.**



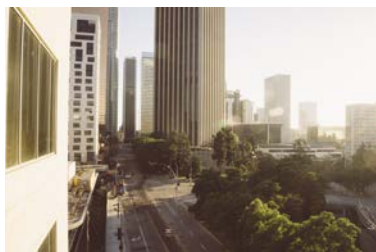
Homeownership rates for younger households and black households **are near 30-year lows.**



The current rate of LIHTC production of **about 80,000 units per year** falls well short of need.

STATE INDEX ON YOUTH HOMELESSNESS

July 2018 | True Colors Fund, National Law Center on Homelessness & Poverty



4.2 youth and young adults under the age of 25 experience homelessness each year, but no state in million the country fully addresses youth homelessness.

LGBTQ youth and youth of color are more likely to experience homelessness and face discrimination and institutionalized racism when attempting to access education, housing, employment, and social services.

National Challenges:

1. States lack a state law that provides adequate funding to address youth homelessness and comprehensive support services.
2. States fail to prioritize the education rights of youth experiencing homelessness.
3. Youth experiencing homelessness are criminalized for behavior directly related to experiencing homelessness.
4. Youth exiting the juvenile justice system are at risk of experiencing homelessness after discharge.
5. It's difficult for unaccompanied homeless youth to live on their own legally with restrictive contract rights.
6. States haven't made federal benefits accessible to youth experiencing homelessness.

National Recommendations:

1. Take specific steps to support LGBTQ youth, include LGBTQ youth in creating a statewide strategy.
2. Be more inclusive, developmentally and culturally appropriate, non-judgmental, and youth-centric.
3. Augment funding and resources to supplement existing programs and support services
4. Create a specific agency that focuses on offering, implementing, and evaluating youth homelessness programs.
5. Provide adequate and appropriate housing for youth experiencing homelessness rather than punishing them for their housing status.
6. Provide the option to be emancipated when appropriate.
7. Prioritize the education needs of youth experiencing homelessness.

Based on the state scores and rankings of a state's policies, systems and environments, California ranked 3rd best with a score of 61/100.

State Recommendations for Improvement:

Law and Policy (69% of metrics met):

- Enact state law that allows youth in need of supervision to receive services without court involvement.
- Implement a grievance process for students experiencing homelessness that complies with federal law.

Systems (29% of metrics met):

- Create a comprehensive statewide plan to end homelessness that includes a strategy to prevent and end youth homelessness and LGBTQ youth homelessness.
- Create a state entity - such as an Office of Homeless Youth Services - that focuses solely on designing, implementing, and evaluating youth homelessness programs.

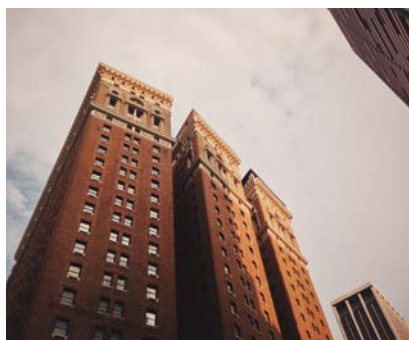
Environment (71% of metrics met):

- Require training about sexual orientation, gender identity and expression, healthy sexual development, or issues specific to LGBTQ youth for staff working in runaway and homeless youth systems.

Read more: <https://truecolorsfund.org/index/>

URBAN LANDLORDS AND THE HOUSING CHOICE VOUCHER PROGRAM

May 2018 | The Poverty and Inequality Research Lab Johns Hopkins University



Landlords' acceptance of vouchers is affected by financial considerations, perceptions about tenants, and bureaucratic factors. The majority of landlords who chose not to participate in the HCV program did so due to negative past experiences with the program related to property inspections, frustration with program bureaucracy, and tenant-landlord conflicts.

The study's authors interviewed and observed owners and property managers, local housing institutions like housing courts, and housing authorities, and analyzed HUD HCV administrative data in Baltimore, Dallas, and Cleveland.

KEY FINDINGS:

Landlords faced multiple challenges in the low-end rental market.

Collecting rent on-time from tenants who had limited financial resources was a central challenge, particularly for landlords who were financially unstable or without financial reserves. Evictions result in loss of a few months of rent, occasional unit vandalism, and legal costs. Although more than 90% of the landlords had executed evictions, 83% took steps to avoid them when possible. With tenant turnover, other costs include repairs, maintenance, and utilities. Small landlords were most vulnerable.

Landlords used their tenant-selection process to try to minimize collection and turnover problems.

Tenant screenings usually included reviews of the prospective tenants' residential history, credit score, and criminal background. Few low-income applicants have good credit and rental histories, however, so those factors do not necessarily distinguish one applicant from another. Landlords often acknowledged that finding the "right" or "good" tenant who would likely pay the rent on-time and take care of the home came down to a "gut" feeling. Such "gut" feelings, however, may be based on preconceived notions about applicants and result in discriminatory selections.

Read more:
<https://www.huduser.gov/portal/sites/default/files/pdf/Urban-Landlords-HCV-Program.pdf>



Many landlords had adverse experiences with HCV program because of additional barriers.

Landlords face the challenges of rent collection, vacancies and turnover, extra fees and costs related to property maintenance and damage, and financing. Thus, many have subpar maintenance or screen and renovate above the low-wage rental market. Additionally, landlord enthusiasm for particular aspects of the HCV program is highly contingent on the market conditions of the city in which they do their work.



68 percent of non participants had previously rented to voucher holders and described their choice to reject voucher tenants as emerging directly from their past experiences.

POLICY SUGGESTIONS:

1. **Small Area Fair Market Rents:** defining fair market rate at the zip-code level rather than at the metropolitan level.
2. **Source of Income Protection:** likely to be more effective in larger apartment complexes where it's easier to document tenant screening processes.
3. **Landlord Training:** PHAs should invest resources to manage expectations of the program and inform of their legal rights and obligations.
4. **Housing Mobility Programs:** conduct landlord outreach under a name that they are not familiar with to counter the outdated stereotypes of the voucher program.
5. **Institutional Reform and Inspections:** improve timeliness, reliability, standardization of bureaucratic inspections.



Read more:
<https://www.huduser.gov/portal/sites/default/files/pdf/Urban-Landlords-HCV-Program.pdf>