

THROUGH THE ROOF

What Communities Can Do About the High Cost of Rental Housing in America

by Ingrid Gould Ellen, Jeffrey Lubell, and Mark A. Willis

Over the past half-century, US household budgets, especially for renters, have dramatically shifted. Rents have risen and incomes have not kept pace, leading renter households to spend more of their income on shelter. Evidence demonstrates that this cost burden matters: even small increases in disposable household income—or income after paying for housing costs—can improve educational and health outcomes for children.¹

One reason households now spend more of their budgets on shelter is that strict land use regulations and growing local opposition (NIMBYism) have made building homes to meet rising demand difficult and expensive.² But barriers to new construction are only a partial explanation—the building sector’s lack of innovation and risk aversion also likely play a part, as do the dearth of available lots in many desirable places, the loss of housing developers during prior housing crises, and the slow growth in the wages of low- and moderate-income households.³

Despite the broad market forces contributing to the growing housing affordability crisis, all levels of

government can take critical steps to substantially improve the situation. Local governments’ powers over land use, building codes, permitting, and property taxes position them particularly well to forge broad-based, effective local strategies to increase housing supply and affordability. While local governments do rely on federal and state housing subsidies, in addition to locally generated funding, they typically have some discretion in determining how best to spend those resources to meet local objectives.

Local governments should move away from a piecemeal approach to instead develop and implement comprehensive and balanced housing strategies.

To more effectively address their housing challenges and increase the likelihood of garnering the wide political support necessary for policy change, local governments should move away from a piecemeal approach to instead develop and implement comprehensive and balanced housing strategies. These strategies should incorporate all tools available to local governments—including subsidies, tax incentives, land use regulations, and permitting reforms—to advance four mutually reinforcing objectives: (1) create and preserve dedicated affordable housing units; (2) align housing supply with market conditions; (3) help households access and afford private-market homes; and (4) protect against displacement and poor housing conditions.

Renter households across the United States are experiencing growing housing affordability challenges, which hit renters living in a variety of different housing types, from large apartment buildings to garden-style apartments, duplexes and single-family homes. *Source: Peeterv/iStock/Getty Images Plus.*



The Critical Role of Local Governments in Housing Policy

While local government has the power to address the housing affordability crisis, its role is surprisingly undefined. There is no national consensus on whether local governments even need a formal housing strategy, let alone what that strategy should entail. There is also very little rigorous research evaluating which local housing strategies are most effective.

To help guide local officials, the New York University Furman Center and Abt Associates (now Abt Global), a mission-driven research and consulting firm, convened a community of practice comprising national experts, nonprofit and for-profit developers, community lenders, local officials (both elected and appointed), and grassroots advocates in 2015. In-depth conversations with this group over nearly two years led to the formulation of six central policy principles for local housing officials, city council members, and mayors navigating how best to serve their communities.⁴

Local housing policy matters. Although broad macroeconomic forces contribute to the ongoing crisis, localities have many means to improve affordability. While all levels of government can take important steps to improve housing affordability, effective local policy and leadership are essential ingredients for progress.

Every community should have a local housing strategy. Nearly all localities have policies that affect housing, but most lack a strategic framework that outlines formal steps to achieving clearly defined objectives, which often renders existing policies disparate, uncoordinated, and incomplete.

Local housing strategies should be comprehensive and involve multiple local agencies. Effective local housing strategies draw on the capacities of all local agencies that impact the price, supply, or quality of housing, including departments that manage planning and permitting, community development, taxation, and more. Interagency teamwork is essential, so localities should develop strong working relationships and coordinated approaches that streamline access to funding and take advantage of synergies.

Local housing strategies should be balanced.

Addressing a full range of challenges—notably including both rental and owned housing and protecting residents from displacement while accommodating the need for new housing—is important for maximizing a strategy's political acceptance and likelihood of success.

Successful strategies require diverse stakeholder engagement.

By inviting diverse community input, transparent dialogue, and inclusionary decision-making, local officials can produce a stronger, bespoke housing strategy and help prevent implementation delays.

Local housing strategies should include measurable goals and a process for reporting to ensure accountability.

Big-picture numerical goals are useful but insufficient, as they often miss important nuances such as unit size, household income and subsidy levels needed for affordability, and units' proximity to public amenities.

All levels of government can take action to increase the production and supply of affordable housing. In North Carolina, where these siding contractors are working, the City of Durham has coordinated work through its housing authority with the federal Low-Income Housing Tax Credit (LIHTC) program and the city's successful \$95 million housing bond referendum to fund its local Affordable Housing Bond Investment Plan.

Source: Jens Behrmann/Unsplash.



Local Housing Policy Framework

The community of practice convened by the Furman Center and Abt informed the Local Housing Solutions policy framework, which clarifies the policy choices available to help local governments develop comprehensive and balanced housing strategies. This policy

framework became the core organizing principle for LocalHousingSolutions.org, a website that provides information about housing policies and actionable strategies to local governments.

LOCAL HOUSING SOLUTIONS POLICY FRAMEWORK

1

Create and Preserve Dedicated Affordable Housing Units



- a. Establish Incentives or Requirements for Affordable Housing
- b. Generate Revenue for Affordable Housing
- c. Support Affordable Housing through Subsidies
- d. Preserve Existing Affordable Housing
- e. Expand the Availability of Affordable Housing in Resource-Rich Areas
- f. Create Durable Affordable Homeownership Opportunities
- g. Facilitate the Acquisition or Identification of Land for Affordable Housing

2

Align Housing Supply with Market Conditions



- a. Reduce Development Costs and Barriers
- b. Create Incentives for New Development
- c. Address Vacant, Abandoned, and Tax-Delinquent Properties

3

Help Households Access and Afford Private-Market Homes



- a. Provide Tenant-Based Rental Assistance
- b. Promote Mobility for Housing Choice Voucher Holders
- c. Reduce Barriers to Homeownership
- d. Reduce Energy Use and Costs
- e. Combat Housing Discrimination

4

Protect Against Displacement and Poor Housing Conditions



- a. Enhance Renters' Housing Stability
- b. Enhance Homeowners' Housing Stability
- c. Improve Quality of Both New and Existing Housing
- d. Ensure the Ongoing Viability of Unsubsidized Affordable Rental Properties

Recommendations

Effective local government policies are critical to ensuring the availability of affordable, high-quality homes for low- and moderate-income residents to rent or buy and to promoting other locally defined housing objectives like creating inclusive communities. Local housing strategies are more likely to succeed, politically and in implementation, when they are comprehensive and balanced—engaging multiple local agencies and incorporating competing interests and policy choices.

Leverage the policy framework to create comprehensive and balanced local housing strategies

To ensure comprehensive and balanced housing strategies, cities should include at least one policy within each category of the Local Housing Solutions policy framework (see page 3): (1) create and preserve dedicated affordable housing units; (2) align housing supply with market conditions; (3) help households access and afford private-market homes; and (4) protect against displacement and poor housing conditions. Larger cities with more capacity should consider adopting one or more policies within each of the framework's sub-categories, each of which corresponds to a key housing-related function of local government.

Engage diverse community stakeholders

Transparent and honest dialogue is important for informing local housing strategies, promoting greater understanding of community needs, government constraints, and any needed trade-offs. Proactively engaging and soliciting input from diverse community members at the start of the process will likely lead to a stronger local housing strategy and help prevent implementation delays.

Articulate clear, measurable objectives and transparent processes

Localities should articulate specific goals for their housing strategies and develop a process for tracking and reporting on their progress. Tracked outcomes should encompass not only the overall number of housing units created or affordable units produced but also other critical targets such as the number of people assisted at different income levels and the units' proximity to key amenities.

Employ regional approaches

While most local policies can be adopted at the city or county level, it is important to consider the regional perspective as well, including the role the municipality plays in regional housing and job markets, as well as opportunities to collaborate across municipalities.

Identify funding

Cities also need to consider how to pay for implementation—many policies can be implemented with little or no new funding, but a robust local response will normally require new revenue sources.



Rally to Restore Sanity and/or Fear in Washington, DC, October 30, 2010. Source: Grace C/Flickr/CC BY-NC 2.0.

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