Joint Center for Housing Studies

Harvard University

Where Will They Live: Metropolitan Dimensions of Affordable Housing Problems

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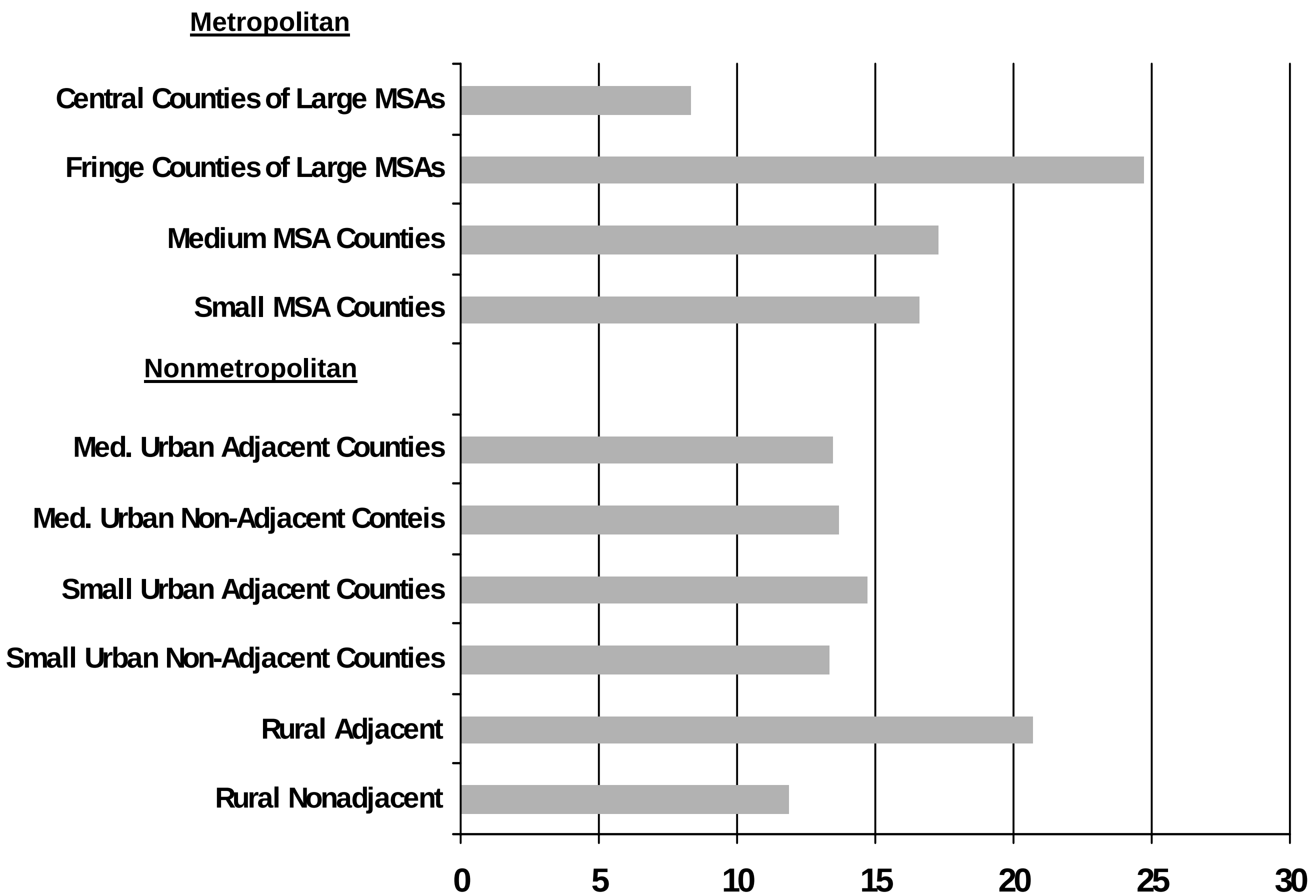
I. Introduction

As metropolitan areas sprawl to greater and greater distances from traditional city centers, smart growth has captured the attention of the press, electorate, and political leaders (Katz and Bradley 1999; Egan 1998, Eggen, 2000). The renewed focus on regional problems and the need for metropolitan-wide planning solutions to address them has underscored the importance of understanding and tackling affordable housing problems from a metropolitan-wide perspective. At the same time, the slow and no-growth movement spawned by sprawl concerns threatens to further restrict the supply of land for development and drive housing costs still higher (Downs 1999).

Metropolitan areas across the United States continue to expand at a record clip. Between 1990 and 2000, eleven of the nation's metropolitan areas added 250,000 or more homes and 23 metropolitan areas saw their housing stock expand by 25 percent or more (JCHS 2001). The majority of that expansion has taken place at the fringes of metropolitan areas where land is cheaper and resistance to development is generally weaker than at locations closer to city centers. Yet much of this development remains unaffordable to lower income groups.

Both jobs and housing are increasingly bypassing cities and moving towards the metropolitan fringe. Brennan and Hill (1999) found that four of five central cities of the 92 largest metropolitan areas lost share of private sector jobs to their suburbs between 1992 and 1996. Lang (2000) echoed this finding by concluding that almost two in five commercial offices are now located in "highly dispersed, 'edgeless' locations lacking well-defined boundaries." Looked at another way, job growth in low-density metropolitan counties between 1990 and 1998 surpassed job growth in high-density metropolitan counties (Figure 1). Similarly, home building (as measured by the share of home building permits relative to the housing stock) in high-density counties --the most urban-- lags the rate of home building in both medium and low-density counties (suburban and rural) (Figure 2). Although home building in central cities did expand rapidly in many places during the 1990s, in all large metropolitan areas except San Antonio, where the city is a whopping 862.6 square miles, building in the suburbs surpassed building in their cities (Von Hoffman 1999).

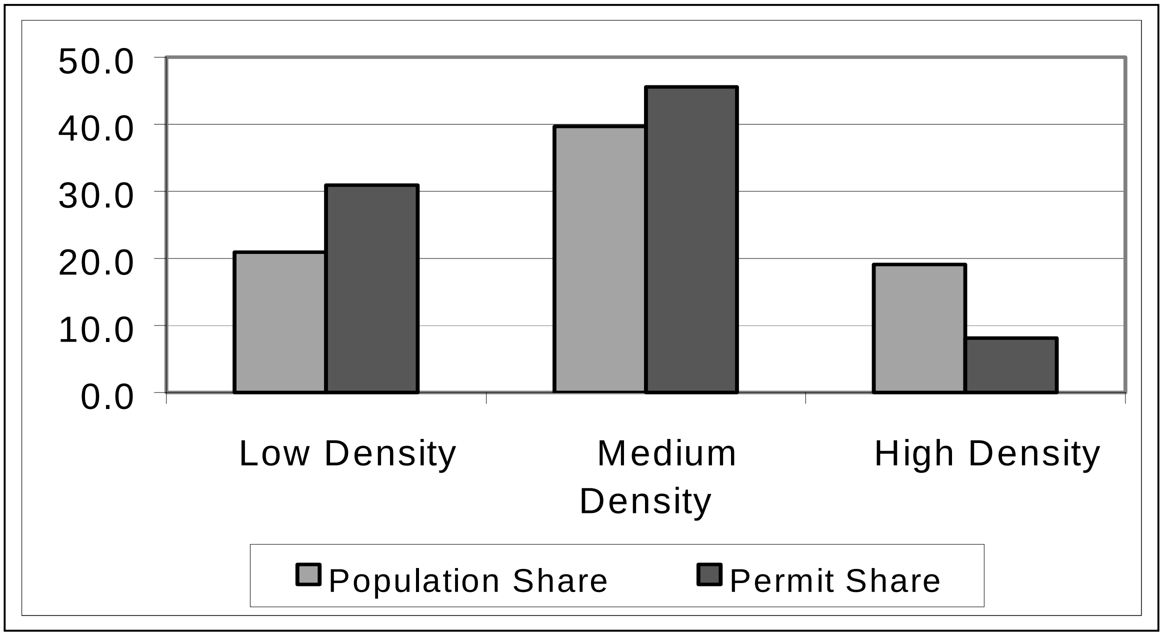
Figure 1 - Job Growth Strongest on Fringes of Large Metro Areas
Percent Change in Employment 1990-1997



Note: Large MSAs had population over 1 million in 1983; medium MSAs had population of 250,000 to 1 million; small MSAs had population less than 250,000. Nonmetro medium urban counties had population of 20,000 or more; nonmetro small urban counties had population of 2,500 to 20,000. “Adjacent refers to adjacency to a metro area.

Source: JCHSCounty database; USDA urban-rural continuum codes, Bureau of Economic Analysis REIS database.

Figure 2 – Housing Permit Activity Remains Most Intense On Fringe of Metropolitan Areas



Note: Metropolitan areas are defined using 1993 definitions. Low density counties are those with population density of less than 260 per square mile; medium density have between 260 and 1825 population per square mile; high density have over 1825 people per square mile. Totals are summed from place level data and may differ slightly from official national totals.

Source: Joint Center county database; Census Bureau county population estimates, and Census Bereau Series C-40, Housing Units Authorized by Building Permits.

Clearly, the problem of providing affordable housing must be conceived in a metropolitan context. It is not just the supply of such housing that is a critical issue but also its location relative to job and population growth. Downs (1997) writes that the metropolitan growth process causes a disproportionate concentration of affluent households in new-growth suburbs and of poor – often minority -- households in the central city and older inner-ring suburbs. Richmond (2000) adds that suburban municipalities used zoning to attract many kinds of "economically beneficial" development but job-rich suburbs used zoning to exclude affordable housing and therefore poorer households.

Race obviously is also a defining measure of this nation's balkanized metropolitan landscape. Multitudes of studies have explicitly linked racial composition as a clear component in the formation of spatially isolated suburban districts. Indications show that this balkanization has continued in the 1990s, as the 2000 U.S. Census count illustrates an increased black concentration in central cities. The report shows that while 74 of the largest 100 central cities lost Non-Hispanic White population, 81 of those cities gained Black population during that period (JCHS, 2001).

Viewing affordable housing in its proper regional context is sobering. The obstacles to building affordable housing in many suburbs are enormous and well studied. Downs (1973) provided the first thorough exposition of the problem in his seminal book, *Opening Up the Suburbs*, which echoed themes he introduced to the Kerner Commission (1968) as it struggled to understand the roots of the urban unrest of the 1960s. Danielson (1976) in his book, *The Politics of Exclusion*, explained in detail how difficult it is to surmount the politics that keeps low-cost housing out of insular suburban towns and villages.

Regrettably, these arguments remain as fresh today as when they surfaced in the 1960s and 1970s. What little is left of the dwindling supply of affordable housing remains concentrated in central cities, and even within central cities, remains concentrated in a smaller subset of neighborhoods (Downs 1997, Kasarda and Ting 1996, Jargowsky 1997). Like many social forces that fundamentally shape the lives of Americans, exclusion of affordable housing especially, and development in general, has been reduced to glib acronyms. The Advisory Commission on Regulatory Barriers to Affordable Housing (1991) popularized the term "NIMBYism" (Not-In-My-Backyard) as a way to neatly express that local political control of land use distorts market outcomes and leads to exclusion. More recently, Ron Terwilliger, former President of the Urban Land Institute, has perhaps taken the imagery of an electorate opposed to development—especially of affordable housing—even further with "CAVE": Citizens Against Virtually Everything.

This paper first examines the current state of affordable housing in the United States. The problem of providing affordable housing is then discussed within a regional context. Finally, the many barriers to creating regional solutions to these problems are examined and some of the efforts to topple them are reviewed.

II. Affordable Rental Housing Dwindling

Metropolitan areas across the nation are losing market-rate housing that is affordable for poor and working class families. Kathryn Nelson and Jill Khadduri, who have tracked rent affordability for some time, found that priority housing needs (unassisted renters paying more than 50 percent of their income for rent) increased by one-fourth during the 1980s, an increase of more than a million households (1992). This pattern persisted even as the federal government added about 1.5 million units of assisted housing during that decade. Even amidst the prosperity of the 1990s, the stock of housing available to the poorest decreased. Data from two recent periods shows that the number of rental units affordable to lower income renters fell during the 1990s. Units deemed affordable to very low income renters (below 50 percent of area median income) fell by almost 900,000 units from 1993 to 1995 (U.S. Department of Housing and Urban Development, 1998). A similar finding shows more recently that over 300,000 affordable units were lost for low-income (incomes below 80 percent of area median income) renters between 1997 and 1999 (JCHS tabulations of the American Housing Survey, 2001).

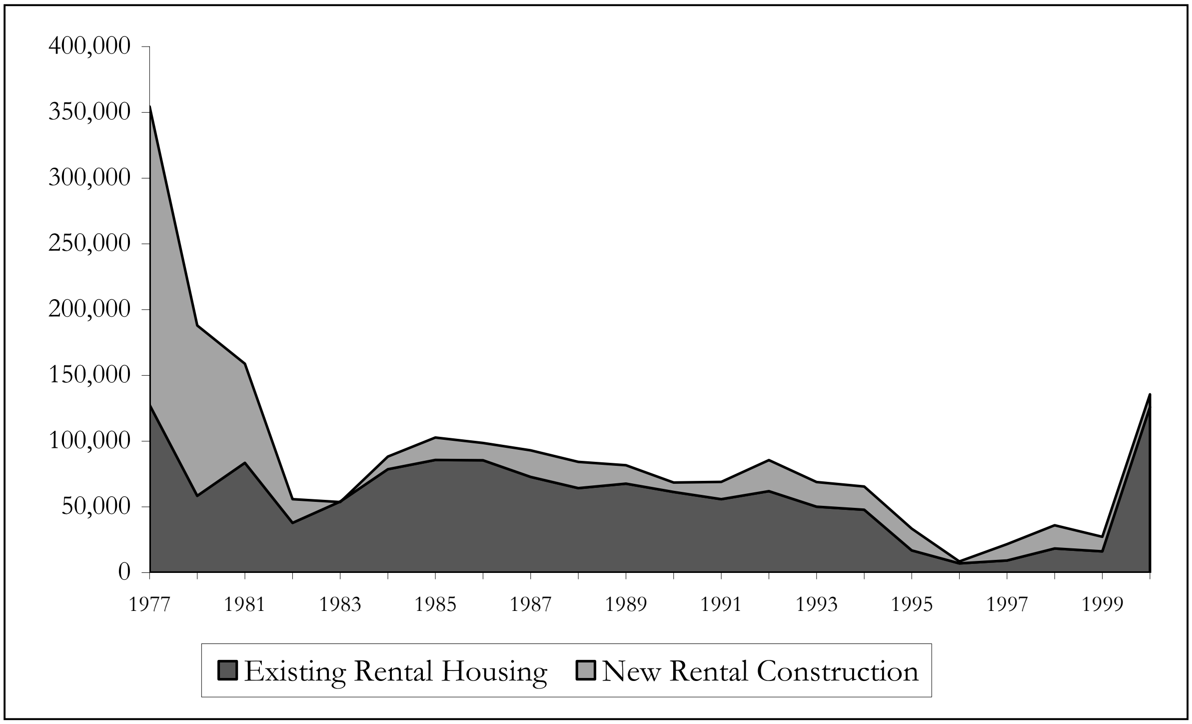
Further, many indicators show that this trend has not abated since. The Consumer Price Index for Residential Rents shows that while residential rent rose 6.3 percent between 1996-1998, wage inflation was only 3.9 percent during that time. Also, the average time spent on the waiting list by families looking to be placed in public housing increased by one month between 1996 and 1998. And waiting times for section 8 vouchers, certificates, and project-based housing increased by two months during that time (U.S. Department of Housing and Urban Development 1999).

The stock of subsidized rental housing has also begun to dwindle after more than a generation of steady gains. Many owners of the estimated 1.4 million units of HUD subsidized housing are taking advantage of expiring federal contracts to charge higher market rents. Since 1996, an estimated 120,000 units have been lost from the HUD privately owned but publicly subsidized stock as owners have pre-paid government insured mortgages or opted out of government contracts. In the next five years, over one million units are at risk of ending their subsidy contracts as they expire and owners seek higher market-rate rents (JCHS 2000).

At the same time that existing units affordable to those with very-low and extremely low incomes (VLI and ELI) are being lost, the difficulties of building or rehabilitating housing that they can afford without a subsidy are mounting. Developers are unable to cover the costs of production without outside capital assistance or charging higher than “affordable” rents to very and extremely low-income tenants or selling for greater than affordable prices for VLI and ELI owners. For example, in 1998 only 70,200 new apartments rented for less than $650 a month. As many as 70 percent of those apartments were built with the Low Income Housing Tax Credits (LIHTC) allocated that year to facilitate the production of housing that people at 60 percent of median income can afford at 30 percent of their income (National Council of State Housing Agencies, 1999).

Although there is no way to know exactly how many of these affordable units were built with LIHTC monies, it is likely that almost all of them were either built with them or with some other form of state or local subsidy. Often developers are forced to layer additional subsidies, beyond the LIHTC, on projects to make them affordable to ELI and VLI households (Wallace 1995). In 39 states, over 50 percent of LIHTC projects have some other form of federal subsidy to make them for affordable for those with low incomes (National Council of State Housing Agencies 2000). Most projects also have some form of state or local subsidy to further defray costs. A study of 24 tax credit projects then deemed “state of the art” found an average of five separate financing sources per LIHTC project (Stegman 1991). It is clear that skill, experience, and creativity are necessary to produce housing affordable to those with very low income and, therefore, requires the expertise of specialized development organizations. Further, it is apparent that current subsidies do not provide resources for housing production levels anywhere near federal program levels of the 1960s and 1970s (Figure 3).

Figure 3- Units Created Using Federal Rental Subsidies Have Decreased

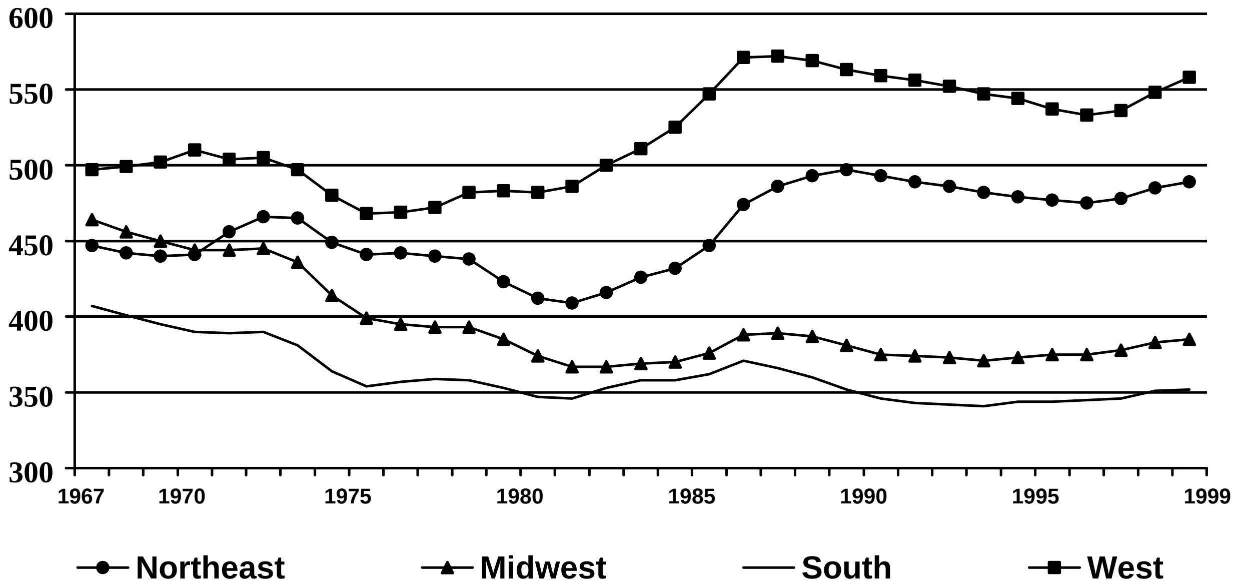


Notes: Incremental Unit commitments are net additions to the available pool of rental assistance and are defined as the total number for which new funds are appropriated in any given year.
Includes units assisted through the section 8 New Construction/Substantial Rehabilitation, section 202/811, section 236, Public Housing, Indian Housing, section 8 certificates and vouchers, Loan Management Set Aside, Property Disposition and Moderate Rehabilitation.

Source: Congressional Budget Office in House Ways and Means Green Book, 2000.

Meanwhile, residential rents have been rising faster than inflation in all four Census regions in each of the last four years (JHCS 2001). In some cities like San Francisco, Seattle and Denver, rents are now at their highest levels ever (Figure 4). Unlike the late 1980s and early 1990s, during which rents moved up slower than the rate of inflation as overbuilding of rental housing from the early 1980s was worked off, any future relief through overproduction leading to units filtering down to lower rents at faster rates is not likely. Beyond the recent increase in funding under the Low Income Housing Tax Credit, it is unlikely that the rich tax incentives to build rental housing of the 1981 to 1986 period will be restored. Zoning and regulatory barriers and shrinking government subsidies paint a glum picture for the future stock of low-cost rental housing.

Figure 4 – Rental Costs Are Rising
Contract Rents in 1999 Dollars



Notes: Median rents from the AHS were adjusted by the BLS Residential Rent Price Index. Data before 1987 were adjusted separately for depreciation.

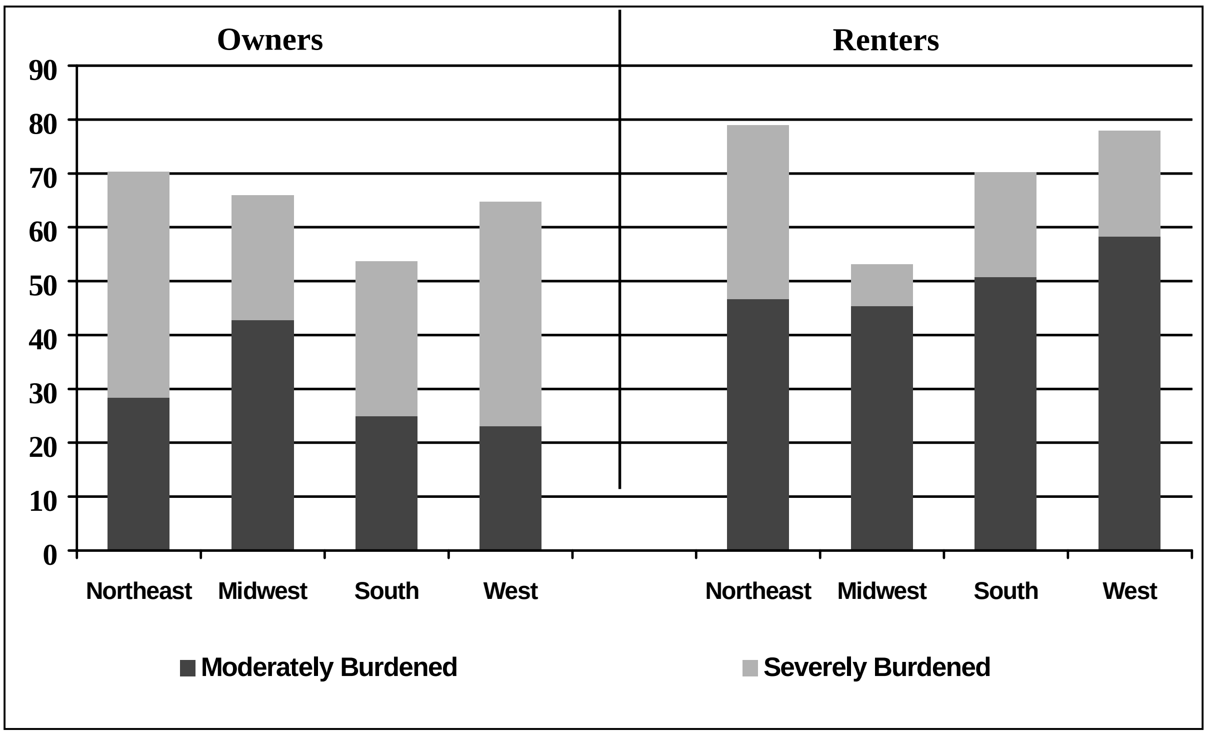
Sources: JCHS tabulations of the 1977 American Housing Survey; Bureau of Labor Statistics' Residential Price Index.

Higher rents are especially difficult on those families in the bottom quarter of the income distribution. Despite a continued economic expansion and rental increases, incomes for the bottom quarter of renters fell 2.9 percent in real terms from 1995 to 1997 (JHCS 2000). Official estimates using a discontinuous time series show that families with "worst case needs" reached an all time high in 1997 and now stand at close to five million. In 1999, there were over fourteen million families under 50 percent of area median incomes in U.S. metropolitan areas.[1] For lower-income Blacks and Hispanics, the rental-housing crisis has intensified during the 1990s, with increases in "worst case needs" outpacing overall population growth among these groups.

[1] "Worst Case Needs," a concept created by the Senate Appropriations Committee in the mid-1980, defines unassisted burdened (worst case) renters as those paying more than 50 percent of their income for rent. The definition covers renters who would otherwise be fully qualified for section 8 assistance, and have incomes of less than 50 percent of the area median.

The share of poorer working families paying a significant share of their income for housing costs is at record levels. Two-thirds of the working poor paid more than 30 percent of their income for housing in 1997 (Figure 5). 25 percent paid over half of their income for housing. For the very low-income working poor (under 50 percent of area median income), 71 percent of unsubsidized renters are facing significant housing burdens (JHCS 2000).

Figure 5: Share of Working Poor Households with Moderate and Severe Cost Burdens, 1997



Notes: Working poor is defined as households with incomes below 50 percent of area median with wage and salary income that equals or exceeds the equivalent of full-time work at the federal minimum wage. Moderate burden defined as paying 30-49 percent of income for housing; severely burdened defined as paying over 50 percent of income for housing.

Source: JCHS tabulations of the 1997 American Housing Survey.

Federal housing assistance has not kept pace with the demand for affordable housing among those with very-low incomes. The number of tenant households receiving direct subsidies has fallen in recent years, despite appropriation of some new funds to help with the transition from welfare to work and a long awaited 40 percent increase in the Low-Income Housing Tax Credit. Although this adjustment has now been signed into law, Federal support for tax-assisted housing production slumped during the 1990s. The annual number of units funded by Low-Income Housing Tax Credits dropped by over 30,000 units a year between 1993 and 1998 because it had never been adjusted for inflation. Assistance for affordable housing to those with low incomes remains well below its peak years of previous decades. Now, many in Washington are calling for paying down the national debt and for tax cuts, but few are calling for the reinstatement of the large-scale anti-poverty programs of the past.

Although homeownership rates ended the decade on a high note, those who did not make the move to homeownership are increasingly in a double bind—caught between escalating rents and a vanishing window of opportunity to buy a home. Nationally, average real home prices rose by more than sixteen since 1993. In addition, rates of change in regional home prices have been converging (Crews-Cutts 1999). As a result, home prices in a historically large share of metropolitan areas are on the rise. Prices are up almost everywhere. The price of buying a home is skyrocketing in some metropolitan areas. Denver, Boston and San Francisco saw real price increases of greater than twelve percent last year alone. Salt Lake City has seen the inflation-adjusted price of a house jump over 40 percent since 1991, and in Portland the real price of a house is up by a third (JCHS 2001).

Rising prices and more relaxed underwriting standards have lifted the share of lower income families stretching their incomes to move into homeownership. Much higher loan-to-value ratios are now common. Over 30 percent of all loan originations now have a greater than 90 percent loan to value ratio, more than double the number in 1990—and the shares for low-income buyers is undoubtedly higher (Federal Housing Finance Board 1999). Furthermore, lenders are increasingly willing to allow borrowers to qualify for a mortgage who have housing debt-to-income ratios of greater than 33 percent. Some lenders are waiving cash reserve requirements at closing as well.

Lower income homebuyers are also increasingly turning to the sub-prime lending market to purchase and refinance their homes. Sub-prime loans have climbed from a rather insignificant 0.7 percent share of the home purchase market in 1993 to a heftier 4.6 percent in 1998. The sub-prime share of refinancing loans has jumped from 0.7 percent of this market in 1993 to almost ten percent in 1998 (JCHS 2001). Although sub-prime loans carry higher interest rates and fees, they allow those who would have been denied a prime mortgage, because they have a blemished or undeveloped credit history, the opportunity to purchase a home (U.S. Department of Housing and Urban Development, 2000). Still, default rates on these loans tend to be higher, further emphasizing the potential fragility of the rapid run up in the homeownership rates of low-income households.

Although the homeownership rate has risen in recent years, especially among lower income Americans, recent buyers are starting out with thinner cushions against shocks to their income or home price declines. The full impacts of these facts will only become clear when the economy softens and house prices fall.

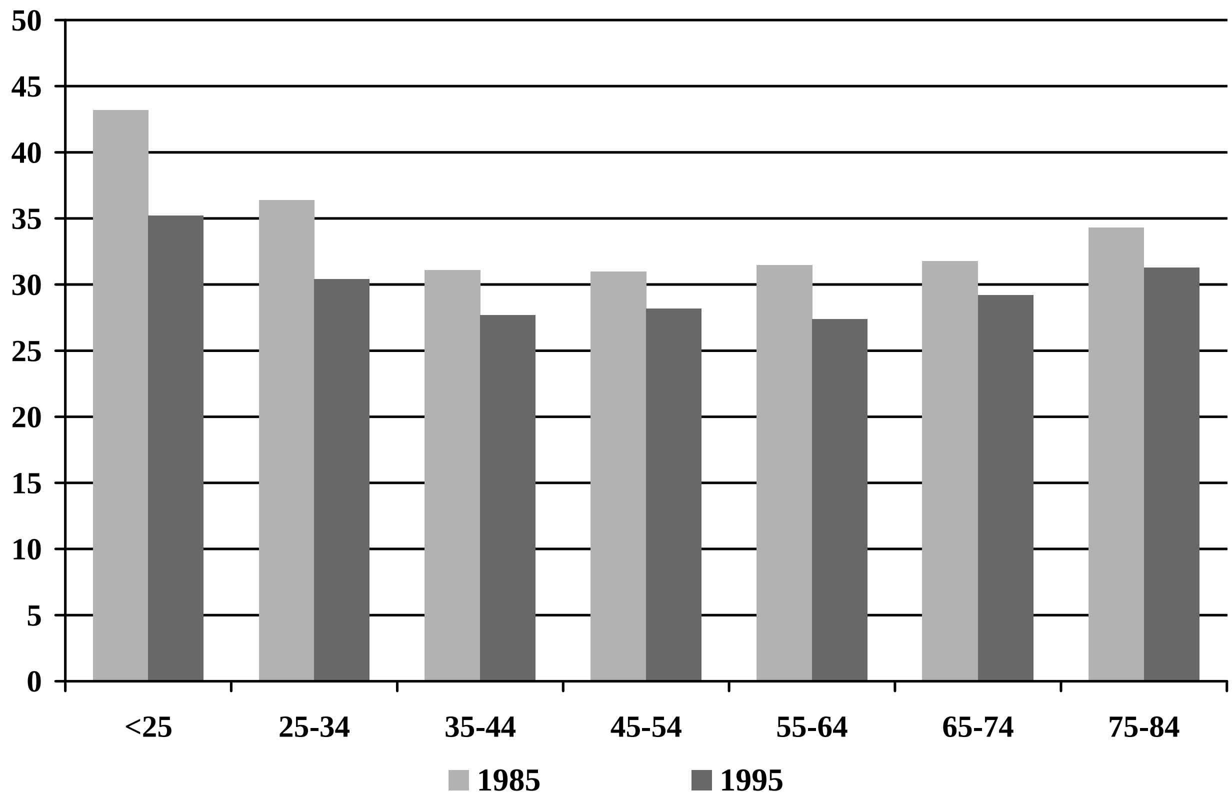
III. Affordable Housing in Suburbs In Short Supply

Low-income housing demand is largely met through filtering down of existing stock to lower rents and prices. Production of new rental housing affordable to low-income people is made difficult by the high code standards enforced in most communities on new construction, barriers to affordable housing production, and the feeble effective demand of low-income households relative to the costs of new construction.

Filtering is more common among older units and in areas where demand falls over an extended period. Grigsby (1963) viewed the phenomenon that creates sub-standard housing as an “active process of disinvestment in the standing housing stock.” As demand for newer units and neighborhoods climbs in outlying metropolitan jurisdictions, demand falls in older more central locales. This trend devalues the older, more central stock and creates an opportunity for poorer residents to occupy these dwellings. Grigsby defined the term “locational obsolescence” as the process in which shifts in demand for shared attributes of a neighborhood make obsolete entire neighborhoods. Central cities and inner-ring suburbs are more apt to have the unit types and neighborhood types and areas most likely to see filtering.

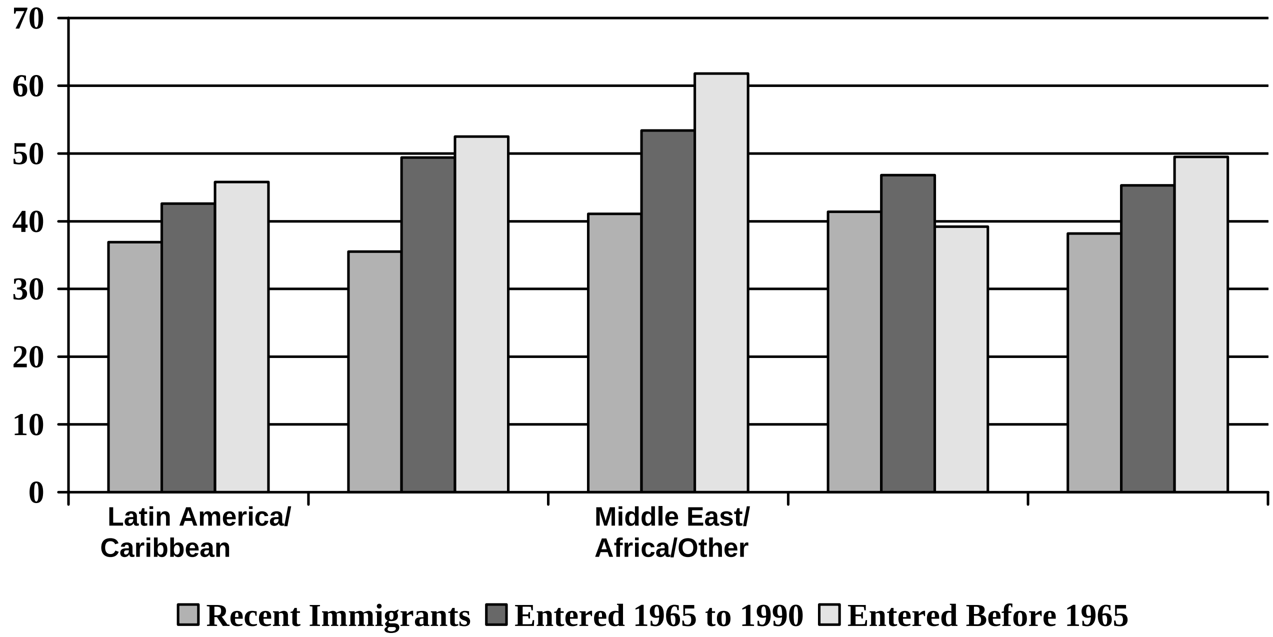
Despite a wave of positive press for central cities and increases in foreign immigration in the 1990s (Grogan 2000, Katz 2001), nearly all cities are still losing population share to their suburbs. And with the exception of households under 25 years of age, a smaller proportion of every age group was choosing to live in cities in 1995 than ten years earlier (Figure 6). Indeed, even on a cohort-basis, a growing share of households has been opting for the suburbs. As each ten-year age group aged between 1985 and 1995, the share of them living in the suburbs rose. This holds true even for those aging from 35-44 to 45-54, and from 45-54 to 55-64. Thus, the hope that as the baby boomers move into their late 40s and early 50s and many become empty nesters, cities will experience a resurgence in demand, appears unlikely.

Figure 6 - As Cohorts Age They Continue to Leave Central Cities
Share of households in central cities



Even immigrant groups, often credited with the comeback of cities such as New York and Los Angeles, vote with their feet and move to the suburbs the longer they reside in the United States (Figure 7). Furthermore, even large shares of recent arrivals settle immediately in the suburbs. One recent report showed that 87 percent of foreign immigrants coming to the Washington DC area settled in the suburbs.

Figure 7 - Immigrants Share in the Move to the Suburbs
Share of Households Residing in Suburbs: 1997



Note: Suburbs exclude suburban portions of small metro areas for which Census Bureau does not provide a central city/suburb split.
Source: JCHS tabulations of the 1997 Current Population Survey.

Minority and low-income homebuyers are also making the move to the suburbs. During the 1990s, seven out of ten homebuyers purchased a home in the suburbs. For minority homebuyers, the suburban purchase rate was only slightly lower, with six out of ten minority buyers purchasing there. Low-income homebuyers also strongly favor the suburbs to the central city by a ratio of more than two to one.

It is perhaps not surprising, then, that both what is left of the supply of units that are affordable to those with extremely and very low incomes as well as the demand for such units are heavily concentrated in urban areas. Central cities contain 51 percent of very low-income households and almost half (48 percent) of the 2.9 million unsubsidized rental units affordable to very-low income residents. Yet they contain only a fourth of total U.S. households (JCHS 2000).

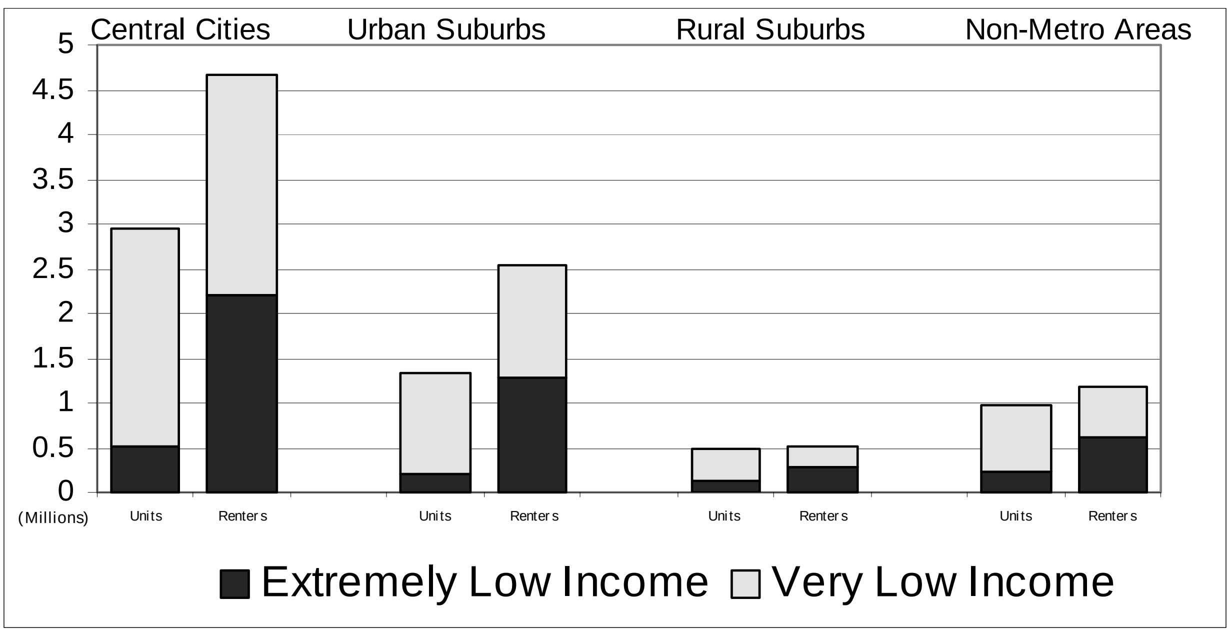
There are numerous reasons, beyond suburban exclusionary zoning and the availability of lower-cost housing, that very low-income households concentrate in central cities. Race obviously has played a historical role in creating isolated enclaves within metropolitan areas. The central location of transportation options and public services also clearly play a strong role in location decisions for very low-income families (Glaeser 1998). Other reasons for central city residence include the traditional presence of local social networks, which take expression in the form of lower-income ethnic and other neighborhoods. Some studies have concluded that slowly developed perceptions about potential opportunity, and lack thereof, encourage households to make locational choices and other life decisions that may perpetuate social inequality (Galster, George and Killen, 1995). Clearly, the reasoning behind concentration of poorer households in cities are complicated and multi-faceted, but favor concentration in urban neighborhoods (Kasarda 1996, Jargowsky 1997).

Although the majority of unsubsidized rental units affordable to very low-income households are available in central city locations, the supply even there is still severely limited relative to demand. Tabulations using data from the 1999 American Housing Survey (AHS) show that for every three unsubsidized units affordable for very low-income households in central cities, there are almost five very low-income households in need of them (Figure 8). This calculation understates the real mismatch because many residents of affordable units have incomes that are much higher than local very low-income cutoffs. This crowding out effect reinforces the already significant imbalance between supply and demand for affordable housing in cities (JCHS 2001).

Yet the numbers show that affordable housing imbalance is much worse in urban suburbs. According to the AHS, there are two very low-income households for every affordable unit on the market, again not counting crowding out of those units by those with higher incomes. It is especially to these suburbs that jobs and population have been steadily shifting during the past few decades (Katz 1999).

The share of the population living in the rural suburbs on the fringe of metropolitan areas remains small. Demand and supply of rental units affordable for very low-income households is now better balanced in these areas than elsewhere. If history is a guide, however, higher-income dwellings will be built in these areas as the population follows jobs out to areas where local governments will resist low-cost housing. Today, it is clear that correcting the imbalances in the supply and demand for at least rental of affordable housing to low-income people must involve both central cities and urban suburbs. As rural suburbs are developed, the risks of these imbalances spreading even further will mount.

Figure 8: Affordable Rental Housing Imbalance Worst in Urban Suburbs



Notes: Very low income defined as households with less than or equal to 50 percent of area median income. Occupied affordable units are those whose gross housing costs are less than 305 of the very low income limit for the area. The very low income limit is adjusted by family size when determining households with very low incomes. The very low income limit is adjusted by number of bedrooms. Includes vacant units for rent.

Source: JCHSfor Housing Studies Tabulations of American Housing Survey, 1997.

Even within the city, the supply of units, while dwindling, tends to be concentrated within in a small number of areas. Although only the release of the 2000 census will allow the concentration of poverty to be accurately measured, poverty concentration worsened between 1970 and 1990. Jargowsky (1997) found that the number of persons living in ghettos, barrios and slums in the U.S. grew by 92 percent between 1970 and 1990 while the number of poor people living in them grew by 98 percent." Kasarda (1993) supports this finding with his own. His research shows that the number of people living in conditions of extreme poverty in the nation's 100 largest cities doubled during the 1980's. Hughes (1997) found that "poverty and joblessness are concentrating in the formerly central city, while prosperity and job growth are deconcentrating to toward the metropolitan periphery." Over 50 percent of the current public housing stock is concentrated in census tracts with poverty rates over 30 percent and where more than half the residents are African American (Newman, Schnare 1997). Jargowsky (1997) concluded that: "the injuries to the residents of high-poverty neighborhoods are apparent in their lower levels of employment and earnings, in their higher dropout and out-of-wedlock birth rates, even after controlling for individual characteristics and family background."

Housing that is affordable to low-income and very low-income households is especially tough to construct in many suburbs. Zoning and permitting challenges as well as burdensome development fees are significant in many local jurisdictions. The Kemp Commission (1991) found that: "some suburban areas, intent in preserving their aesthetic and socioeconomic exclusivity, erect impediments such as zoning. Some exclude, or minimally provide for multi-family housing, commonly acknowledged to be the most affordable form of housing." And as Katz (1999) notes: "America has a fragmented maze of local governments and special districts that prefer fierce competition or splendid isolation to regional cooperation." Schill and Wachter (1995) add, "Local tax powers encourage the development of communities with homogeneous household incomes. Land use regulations in higher income suburbs typically raise the price of housing, making it less affordable to low- and moderate-income households." Localized barriers, and the added paucity of government subsidy, make it especially difficult to build affordable housing in outer parts of metropolitan areas. Downs (1997) writes: "Local regulation in peripheral communities – and even in central ones- almost universally prevent the creation of new very low cost housing units…

only households in the upper two-thirds of income distribution can afford to occupy such new dwelling units without large public subsidies."

The combined realities of central city concentrated poverty and a lack of affordable housing in the employment-rich metropolitan fringe is leading to the creation of an entrenched affordable housing/jobs "spatial mismatch." Kain (1992) explains that "as a result of the growth of U.S. metropolitan areas and the continued dispersal of jobs from the central cities, the extent of spatial mismatch has become steadily worse." Many poor and minority families are systematically excluded from residence in affluent jurisdictions for the variety of constraints and barriers mentioned above.

These patterns of metropolitan development illustrate the importance of encouraging the production of lower-cost housing in employment-rich suburbs. However, affordable housing demand in these areas is very high, which pushes the price up through competition for the limited housing supply. Also, this housing must come from new construction, not filtering, because so much of the stock in these areas is recently built. New housing provides a price barrier in that the cost of new construction often exceeds (especially with exclusionary local zoning ordinances and stiff impact fees levied in new developments) what lower income buyers are able to afford in the marketplace. Heavy consumer demand and limited supply create an environment where the market does not provide anywhere close to an adequate level of affordable housing for lower-income residents.

IV. Experience with Regional Solutions

It is only natural that local jurisdictions will act to protect what they perceive to be in their self-interest. Charles Tiebout was the first to develop a formal economic model to illustrate how and why jurisdictions will act in their own self-interest in a "race to the top" to reduce taxes and increase revenue (Tiebout 1956). The model specifies that jurisdictions compete for residents by offering various packages of local public goods and taxes. One implication of the Tiebout model is that homogeneity within a community will increase as a result of the ability of jurisdictions to set local tax rates and expenditure levels. If affordable housing is perceived as a net cost for the community in terms of taxes or other social expenses, it will take measures to exclude development. Since many middle and higher-income people perceive the exclusion of low-income families from their communities as benefiting their property values and enhancing the bundle of services their local governments provide, the prospects for overcoming the barriers to production of affordable housing in the suburbs remain dim.

Others have confirmed Tiebout's hypothesis that individual communities will organize to exclude development perceived as a detriment to local tax base and property value. Fischel (1997) writes that newly minted communities, "after pulling up the gangplank to newcomers," will implement a host of zoning controls that make new housing more costly to build. He argues that new development such as affordable housing is then either pushed back into the city, or more frequently, further into the countryside where new employment centers are located. Orfield (1997) concludes that "virtually all neighborhoods since time immemorial" attempt to exclude the "unwanted" elements of a metropolitan population in an attempt to keep services high and taxes low. Orfield uses the example that 85 percent of the Twin Cities higher tax base growth suburbs require larger house lots than the 7,500 foot lots recommended by the region's metropolitan government. One of the wealthiest Minnesota suburbs (Minnetonka) has the largest lot size requirement (22,000 square feet).

Downs (1997) has recently argued that it is impossible for individual jurisdictions acting independently to stop growth in their metropolitan area or even substantially alter it. For this reason, and because individual jurisdictions acting autonomously will tend to limit development, it is increasingly argued that only regional solutions will allow for smart growth. But as Downs also points out, there is little, and perhaps even less, reason to believe that such solutions will be any easier to arrive at than local solutions. Banding together voluntarily with other jurisdictions in no way increases the likelihood that any one of them will be more inclined to encourage or accept low-income housing. Indeed, layered on top of local control is the mistrust that leaders of local jurisdictions have of each other as they jockey to get what is best for their own electorates.

Even in the unlikely event that large numbers of jurisdictions do band together under pressures of attracting workers to high cost areas or to deal with the pressures of rapid growth, affordable housing is still likely to lose out. "Smart growth" has many different meanings and definitions that reflect the spin that the numerous interests involved with the development process would like to put on the word. Although the core agenda of smart growth often calls for mixed income and dispersed affordable housing, the reality thus far has been to place these goals lower down on the list of priority items. More often, smart growth advocates have focused on implementing growth management policies that slow growth, preserve open land, and minimize environmental impacts rather than policies that foster a more balanced distribution of affordable housing. Policies designed to slow development at the urban fringe or promote open space, however, may unwittingly reduce the supply of affordable housing available to ELI and VLI households.

Although the jury is clearly still out on the impact of growth controls on the cost of housing, some studies suggest that growth restrictions in general, even the innovative UGB in Portland, may have a dangerous side effect of eventually pushing housing prices up for all income groups (Fischel 1997; Nelson 1998). Proponents contend that the growth boundary reduces traditional "NIMBY" obstacles to housing production that developers face elsewhere, making the Portland urban growth boundary "pro-growth" (Richmond 1997). However, it is only recently that Oregon has attempted to address this potential side effect by quadrupling the limited land zoned for smaller lots and for multifamily housing (Moe and Wilkie, 1997). Therefore, it is too soon to tell whether a policy of constricting supply to stimulate higher densities and then progressively expanding supply will achieve the desired goal.

Jurisdictions that have introduced development fees or moratoriums to deter rapid growth may also exacerbate the problem of "leapfrog" development, as developers build in adjacent (often metropolitan fringe) jurisdictions that have fewer barriers and lower development costs. Consistent rhetoric of an affordable housing role in slow growth agendas alone will not increase the supply of housing options for lower income households.

There are a limited number of ways to overcome the strong incentives to exclude. States can pass laws that impose "fair share" affordable housing goals in local communities. Courts can impose "fair share" judicial orders if federal, state, or local laws are seen as violated by exclusion. Individual local jurisdictions can decide to increase affordable housing options by large local jurisdictions. State and federal governments can pass laws creating incentives for local communities to increase their supply of affordable housing.

Real life examples of regional approaches to addressing housing issues are few and varied. Very few states (Massachusetts, California, Connecticut and Rhode Island) that have implemented statewide "fair share" housing goals not under court order have powers to override local land use control (Calavita, Grimes, and Mallach 1997). Massachusetts and California, the two oldest programs in existence, have had limited success.

In California, where the statute enforcement is procedural, not substantive, developers have been able to adhere to the law by paying in-lieu fees, land dedication and off-site compliance (Calavita, Grimes and Mallach 1997). Localities may and are encouraged to develop affordable housing goals. According to Calavita, Grimes and Mallach, about 30 local inclusionary zoning programs were developed in the early 1980s in the state. To date, however, only a small amount of affordable housing has been produced through these local programs. Massachusetts has a law that allows affordable housing developers who fail to earn local approval to appeal to a state-wide body for an override. In existence since 1969, this law has led to the creation of over 18,000 units of housing in Bay State communities: a small but not unsubstantial share of the well over 600,000 new units permitted during the period (Krefetz 2001, JCHS 2000).

The two significant examples of court ordered action to disperse affordable housing have also met with only limited success. The now famous Mount Laurel case in New Jersey (1975) has led to the construction of a number of affordable units in exclusive communities, but has also been significantly weakened by the state through subsequent legislation, court orders and lax enforcement. The original Mount Laurel ruling found that zoning, a power granted by the state to localities, was being used in violation of the New Jersey constitution as a way to exclude low- and moderate-income people from certain suburban communities. The case stipulated that jurisdictions had to provide a “fair share” of low- and moderate-income housing choices. It was not until 1983 (Mt. Laurel II), when incentives were added, that a limited amount of affordable housing was built in New Jersey suburbs. However, under refinement of the regulations, jurisdictions had the right to transfer their affordable housing development responsibilities to other jurisdictions willing to accept it in return for payment. The limited affordable housing built under the Mount Laurel ruling was often paid for by exclusive suburban jurisdictions but built in poorer cities and towns around the State.

This affordable housing construction built under Mount Laurel also coincided with a housing boom in the late 1980s and the increasing use of the low-income housing tax credit (LIHTC) as a way of offsetting costs. A survey done in 1988 found that almost 12,000 units of affordable housing were planned, under construction or built in New Jersey Townships as a result of the rulings (Calavita, Grimes, Mallach 1997). Mt. Laurel is often regarded a success, yet critics contend that the inequality between suburbs and urban areas of New Jersey is as bad today as it was in 1975.

Originally brought as a fair housing lawsuit in 1966, the Gautreaux case in Chicago ordered a social experiment by moving 4,000 low-income families from poverty-concentrated Chicago neighborhoods to other city neighborhoods and the suburbs. Many studies showed that families dispersed throughout the metropolitan areas fared better on a range of indicators that included employment and general well being (Rosenbaum, Popkin 1991). In a more recent study, researchers found that incidence of AFDC receipt was strongly correlated with census tract placement for families in the program, with rates in suburban jurisdictions significantly lower than those tracts in the central city (Rosenbaum, DeLuca 2000). Another study indicated that initial results from HUD's Moving to Opportunity demonstration program, started in 1993, show potential benefit from moving poor children into neighborhoods of lower poverty (Duncan, Ludwig 2000).

Some researchers were more critical and expressed skepticism of the results of mobility experiments. Briggs (1997) asks, "in what contexts might poor residents be set back by the moves that provide few new concrete opportunities in exchange for heightened competition with hostile neighbors and weakened social support systems?" Whether or not it was proven successful, the Gautreaux experiment spurred the creation of a number of the Federal "Moving to Opportunity" program. This program was designed to disperse low-income families throughout certain metropolitan areas. Despite the fact that Gautreaux has been largely hailed a success, larger-scale expansion of the program has proved difficult for a number of reasons that include the dearth of affordable housing supply, questions of benefit, and neighborhood resistance in many suburban communities.

There are also few examples of communities that have acted independently to voluntarily include lower-income housing in development. Montgomery County in Maryland has achieved much attention for a policy that sets aside fifteen percent of large housing developments for low and moderately priced housing. The county assumes that the market will be able to bear this level of lower priced housing, and developers will not leapfrog to adjacent jurisdictions for greater returns. Since 1973, the county has maintained its status as one of the wealthiest counties in the nation and has created over 9,000 units of lower cost housing. But there are questions about the long-term viability of this policy if neighboring jurisdictions do not bear some of the responsibility to house the metropolitan area's poorer residents. Also, we know of few other cases of suburban jurisdictions (Newton, MA; Westchester County, NY; Lewisboro, NY) that have acted independently to create similar laws, though many cities now have such laws. Many of the places that have enacted ordinances have progressive academic environments where income diversity is an important community goal. These places include Cambridge and Boston in Massachusetts, Boulder in Colorado, and Eugene in Oregon (Mallach 1984).

Two potentially promising experiments in drafting regional housing plans are being developed in Portland and in the Twin Cities. Both of these metropolitan areas are known for their strong regional governance structures. The Twin Cities, which adopted regional tax base sharing (Fiscal Disparities Act) in 1994, has seen tax revenue disparities between the metropolitan area's wealthiest and poorest communities reduced from 12-1 to 4-1 (Orfield 1997). This regional reform, along with much increased powers for the Metropolitan Council, the regional governance structure, were achieved in great part due to an inter-faith coalition of metropolitan religious congregations organized around the issue of regional polarization. Almost 74 percent of area jurisdictions have seen their tax revenue increase since the passage of the Act. The Portland region has developed it's extensive regional governance structure through a series of state-wide acts that began with the Land Use Planning Act in 1973. Since then, the Portland area has created a regional growth boundary, extensive light rail transit system and numerous other regional planning structures (Metro-Portland 2000).

In both the Twin Cites and Portland, the regional governance entities have created committees to address regional housing issues. The Metropolitan Council in the Twin Cities, already administers the section 8 subsidized housing program on a regional scale that a goal of moving families to areas of low poverty. Portland's Metro recently adopted a plan to address affordable housing issues in the metro area. This plan was developed through a 25 member multi-disciplinary commission appointed by the regional government. Although these two examples demonstrate an interest in regional housing affordability issues, further examples remain few, and progress to date in both of these "regionally minded" metro areas has been limited.

Other developments that address supply and dispersion of housing include a number of incentive programs that are springing up at the state and federal level. Maryland's Smart Growth Initiative includes as part of it's multi-prong strategy, a "live near your work" program that provides incentives to employers who provide housing near their place of business (Maryland Smart Growth and Neighborhood Conservation Program 1997). HUD's Moving to Opportunity demonstration program moved 1,676, mostly renter, families to housing in highly resistant suburban and urban jurisdictions, often with much lower rates of neighborhood poverty than previous residences (HUD 1999). New Jersey's State plan, based on the State Planning Act of 1985, includes a goal of planning for affordable housing near business opportunities and public transportation (New Jersey State Development Plan 1992). These programs, although a step towards a regional agenda for housing may prove ineffectual without stronger incentives for creation of affordable housing in many jurisdictions that retain strong home-rule powers.

Nationally, a slew of regional programs are proving successful in tackling a wide range of issues from transportation decisions and school equity to regional competitiveness – but to date not fair share housing. Often strange bedfellows have been paired to rally around singular or mutli-pronged metropolitan agendas. In Cleveland, the faith based "Church in the City" and the business roundtable "Cleveland Tomorrow" have found themselves on the same side in the desire for a strong central city Cleveland -- and the prospects for the city's downtown are improving. The city expects central district residents to triple in the next ten years (Katz, Nguyen 1998).

In another example, Chattanooga, with the help of the Mayor's office, recently led a successful charge to change the inequitable distribution of state and federal transportation monies through the local metropolitan planning organization. Chattanooga, which has over time developed a comprehensive regional development agenda, has been able to transform its image from a gritty mill city to one of the most livable in the nation. In 1996, Chattanooga was honored as one of the world's "Twelve Best Practices" cities at the United Nations Conference on Human Settlements in Istanbul, Turkey (Sprawlwatch Clearinghouse, 2000). Although very few of these metropolitan-wide strategies actively pursue regional issues of housing affordability, the broad political coalitions being formed do provide a vehicle through which coordinated regional action to incorporate housing could occur.

V. Conclusions

The challenges of meeting the demand for affordable housing throughout our increasingly decentralized metropolitan areas are great. Building affordable housing in the newer suburbs remains difficult, and the supply of such housing, while constrained nearly everywhere, is most constrained in urban suburbs and risks becoming increasingly so at the fringes of our metropolitan areas. While the smart growth agenda might redirect some residential construction to the cities and inner suburbs if its advocates are effective in using that agenda to renew urban cores, the open space advocates will likely be at least as effective. As a result, the smart growth agenda in some places may well lead to further restricting the supply of land and contributing to higher housing costs closer to urban cores—precisely the areas where the dwindling supply of affordable housing is most concentrated.

Although cyclical softening in home prices and rents is highly probable, the secular trend towards faster rising housing costs than incomes among those with very and extremely low-incomes is also likely to continue. Reversing this trend will take a more ambitious program of producing affordable housing *throughout* metropolitan areas, through rehabilitation and production in the urban core as well as production in more distant suburbs. Without expanded subsidies, it is improbable that even if developers succeed in persuading local jurisdictions to permit them to build at higher densities that many would be able to produce homes affordable to those with low and extremely low incomes. However, it is feasible that most could produce homes that are affordable to those with moderate incomes, lower the subsidy cost of producing housing affordable to those with low and extremely low incomes, and expand the opportunities for moderately-priced homes to filter down over time.

It would be erroneous to ignore the impact of schools and poverty as additional factors in the imbalance of housing choice within metropolitan areas. The composition of schools affects metropolitan growth. Because of the strong correlation between a school's share of low-income students and its students perceived or real performance on various indicators, families with the means to do so leave poorer neighborhoods in search of more solidly middle-class schools. Their departure further weakens declining communities and creates home price escalation— and further increases in demand— in rapidly developing outer suburbs. Subsidized housing, on the other hand, is confined mostly to distressed inner city and older suburban neighborhoods. Wealthier communities further restrict affordable housing within their borders, in part as a way to keep poor children from their school systems. The reality of school and racial politics unfortunately remains a strong force in adding to the lack of affordable housing stock in many jurisdictions.

Though the road to reversing the decline in the supply of affordable housing, and its typical concentration in and near the urban core is rough, the importance of travelling it is great and growing. To travel that road, community development corporations that have traditionally focused on neighborhoods and small communities will need to expand their vision of their service area to the entire metropolitan regions in which they are situated (Karlinsky 2000). Capacity to lobby for and produce affordable housing in the suburbs needs further development and deepening. Alliances between for-profit developers, who have the most experience working with local planning boards in suburban jurisdictions, and nonprofit community development corporations, who have experience in effectively using government subsidies, must be forged. Local zoning and other affordable housing barriers can be overcome through unlikely coalitions, often without needing the support of all of the interests involved.

Equally as important, and increasingly the case in at least some metropolitan areas, business leaders whose labor and product markets extend well beyond their jurisdictional boundaries must step up to the plate and lead the search for regional solutions to affordable housing problems. The Silicon Valley Manufacturing Group in Northern California, a coalition of over 175 metropolitan area businesses, is taking a lead role in advocating for affordable housing production in the metropolitan area. This business roundtable brings to the table powerful corporations that include Hewlett-Packard and scores of other high tech companies. The Commercial Club of Chicago, a powerful business roundtable, has taken the lead in drafting a regional vision report called Metropolis 2020 and outlines proposals for tackling various socio-economic problems (Metropolis 2020 Project, 1998). The document reads, “Segregation by race and wealth widens this (opportunity) divide, as does zoning that prevents construction of affordable housing in many municipalities.” The Mayo clinic in Rochester, Minnesota provides another example in helping to build almost 800 starter homes in Southern Minnesota for those associated with the institution (Pill, 2000).

Although there are, as noted above, some examples of cooperation among local governments to build affordable housing, visionary local political leaders cannot go it alone. They will need the support of their business communities and their faith-based institutions if they are to succeed in mobilizing the electorate to support affordable housing. The examples of Silicon Valley on the business side and of Minneapolis-St. Paul on the religious side are instructive, though their successes not necessarily reproducible. Local political leaders will also need the capacity of for-profit and non-profit developers to produce affordable housing if support for its local production can be garnered. Finally, smart growth advocates will need to develop a more inclusive vision of smart growth that places affordable housing front and center, not as epiphenomenal. For growth is not smart unless it allows for those with the mix incomes that it takes to operate a local economy to afford housing in the communities in which they live and work.

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