



## 6 | RENTAL HOUSING CHALLENGES

The gap between the supply of and demand for rental housing assistance is still growing. Reversing this trend will require increased efforts to preserve assisted units, construct new affordable rentals, and expand the availability of vouchers and other forms of assistance. More immediately, the lack of affordable rentals in high-cost metros may be putting low-income households at greater risk of housing instability, evictions, and homelessness. The need for additional rental housing is especially acute in areas recently devastated by hurricanes and wildfires.

### REDUCED ACCESS TO RENTAL ASSISTANCE

Between 2001 and 2015, the number of very low-income households (making less than 50 percent of area median) was up 29 percent, from 14.9 million to 19.2 million. According to HUD's Worst Case Needs 2017 Report to Congress, this includes a comparably large increase in the number of extremely low-income households (making less than 30 percent of area median) from 8.7 million to 11.3 million households. At the same time, the number of very low-income households receiving rental assistance rose only 14 percent, from 4.2 million to 4.8 million. As a result, the share of very low-income households that receive rental assistance declined from 28 percent to 25 percent over this period.

The growing gap between need and assistance is evident in the long waiting lists for rental assistance in most cities. In fact, many local housing agencies have closed their waitlists in response to oversubscribed demand, sometimes not accepting new applicants for years. In one extreme example, Los Angeles reopened its waitlist for housing choice vouchers in October 2017 for the first time in 13 years, anticipating as many as 600,000 applications for 20,000 spots on the list.

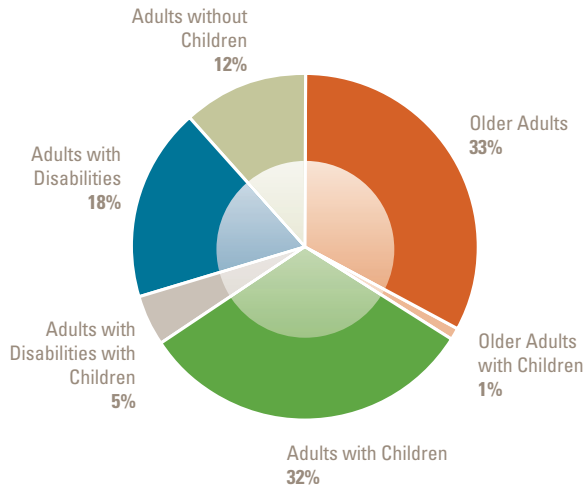
The shortfall in rental assistance has been accompanied by changes in the stock of federally assisted units. HUD data indicate that the number of public housing units fell from 1.1 million in 2006 to 1.0 million in 2016, while the number of privately owned units with project-based subsidies was down from 1.4 million to 1.3 million. These declines have been offset by an increase in housing choice vouchers, from 2.0 million to 2.3 million. The number of households receiving assistance from the US Department of Agriculture also rose modestly from 263,000 in 2008 to 269,000 in 2016. Although the net change across programs is positive, the increase has not kept pace with growth in the number of very low-income households.

The Low Income Housing Tax Credit (LIHTC) program remains the primary source of support for new affordable rental units. Between 2006 and 2015, the stock of LIHTC units expanded from 1.6 million to 2.3 million. While adding to the overall supply of affordable

FIGURE 33

### Most Assisted Households Are Older Adults, Persons with Disabilities, or Families with Children

Share of Assisted Households



Notes: Household counts include those assisted by housing choice vouchers, public housing, project-based Section 8, Section 202, and Section 811. Older adult households are headed by a person age 62 or older, including those with a disability or a spouse with a disability. Adults with disabilities are households headed by a person age 61 or younger with a disability or a spouse with a disability. Adults with children include households with at least one child under age 18 present.

Source: JCHS tabulations of US Department of Housing and Urban Development, 2016 Public Use Microdata Sample.

housing, these units generally have rents affordable to households with incomes 50–60 percent of the area median. To be affordable to extremely low-income households, LIHTC units often must be coupled with other subsidies. Indeed, a 2014 HUD analysis estimated that 38 percent or more of LIHTC tenants received rental assistance of some kind from federal, state, or local sources.

Households receiving rental assistance are predominantly families with children, older adults, and persons with disabilities (Figure 33). According to HUD data for 2016, 38 percent of recipients were low-income families with children, including 5 percent with a household head with a disability and 1 percent with a household head age 62 or over. With the aging of the baby-boom generation, older adults now occupy one-third of assisted units and this share is and set to increase over the coming decades. Meanwhile, 18 percent of assisted households in 2016 were headed by a person under age 62 with a disability. Only 12 percent of recipients were childless adults under age 62.

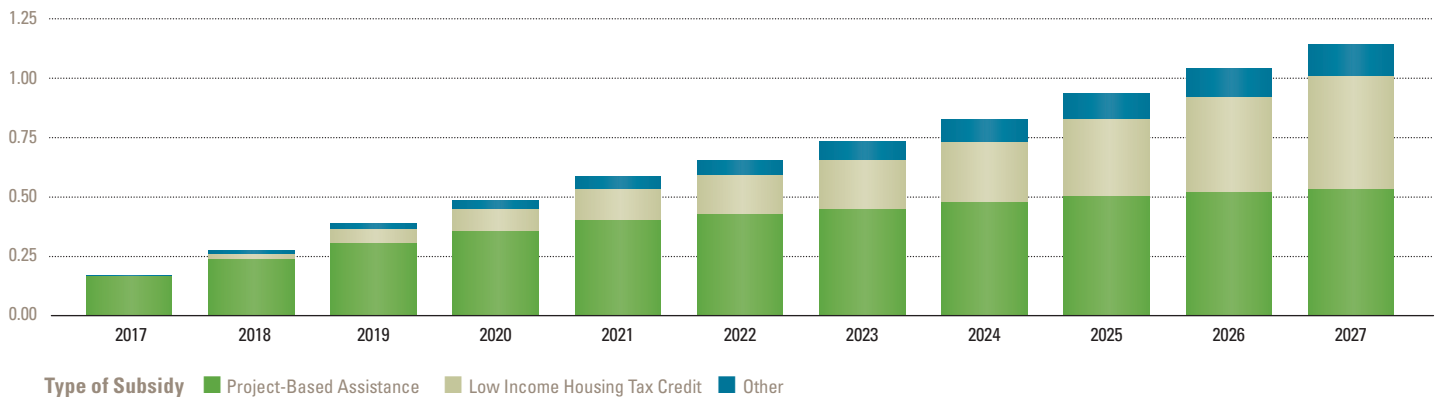
### PRESERVING THE AFFORDABLE HOUSING STOCK

The nation’s stock of both assisted and privately owned low-cost rentals includes many units at risk of loss. Public housing, in particular, has a large backlog of needed repairs and improvements, last estimated at \$26 billion in 2010, and its annual maintenance needs of \$3.4 billion exceed Congressional appropriations. Although Congress has not addressed this deficit through additional capital funding, it did establish the Rental Assistance Demonstration (RAD) in 2012 to give public housing and other eligible properties more

FIGURE 34

### Affordability Restrictions on 1.1 Million Rental Units Will Expire by 2027

Cumulative Number of Units with Expiring Affordability (Millions)



Notes: Data include properties with active subsidies as of January 1, 2017. Other includes units funded by HOME Rental Assistance, FHA Insurance, Section 236 Insurance, Section 202 Direct Loans, USDA Section 515 Rural Rental Housing Loans, and units in properties with more than one subsidy type expiring on the same day. For properties with multiple subsidies, if one subsidy expires but one or more others remain active, the difference between the number of units assisted by the expiring subsidy and the number of units assisted by the remaining subsidies are counted as expired.

Source: JCHS tabulations of Public and Affordable Housing Research Corporation and National Low Income Housing Coalition, National Housing Preservation Database.

funding flexibility through conversion to project-based Section 8 contracts. After applications for participation in RAD reached the initial limits, Congress raised the cap to 225,000 units for fiscal year 2017. At last count 423 public housing authorities (14 percent) are currently participating in the demonstration.

The impending expiration of affordability restrictions on federally subsidized units presents another preservation challenge. Over the next 10 years, 530,000 rentals with project-based rental assistance, 478,000 units with LIHTC subsidies, and 136,000 units with other types of subsidies will reach the end of their required affordability periods (Figure 34). While some of these properties are owned by nonprofits and other mission-driven organizations, many are privately owned and at risk of converting to market rate. Properties located in areas with high or rising rents are particularly vulnerable to loss from the affordable stock.

Expirations of LIHTC affordability restrictions are set to increase in 2020 as the oldest units built under the program reach the 30-year mark. In response, several states have enacted mandates to extend the affordability periods of LIHTC properties. For example, California now requires 25 years of additional affordability, while New Hampshire, Utah, and Vermont require 69 years. However, these state-level actions do not include funding for maintenance expenditures and were mostly undertaken after 2000, implying that they will only have an impact after 2030. Additional preservation efforts are therefore necessary to keep LIHTC units with expiring affordability restrictions in the subsidized housing stock.

Finally, after a decade of tight rental markets and rising rents, the stock of privately owned low-cost units continues to shrink. These losses are particularly concerning in metros with rapid rent growth, where downward filtering and conversions from the owner-occupied stock have done little to offset the disappearance of low-cost rentals. To combat losses of naturally occurring affordable housing, nonprofit organizations have begun to acquire and manage at-risk properties to keep rents affordable to current and future tenants.

### TRACKING HOMELESSNESS

In the early 2000s, HUD launched an initiative challenging cities to develop plans to end chronic homelessness within ten years. The 2010 Federal Strategic Plan to Prevent and End Homelessness subsequently broadened this effort, setting goals to end chronic and veteran homelessness within five years and homelessness among families with children and unaccompanied youth within ten years.

Efforts to reduce homelessness appear to be working, at least at the national level. According to HUD's Annual Homelessness

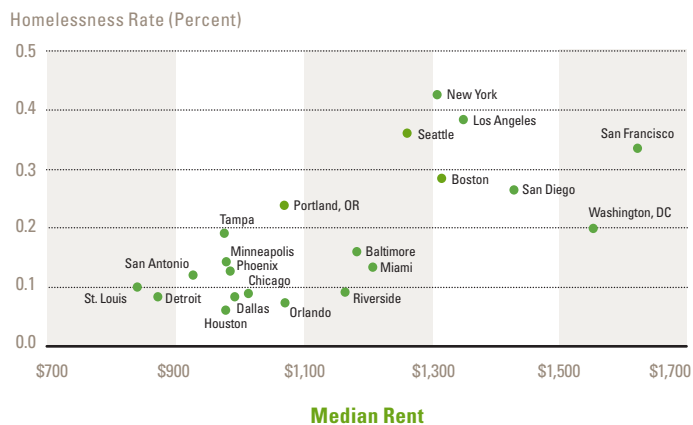
Assessment Report (AHAR), the number of people who were homeless on a single night in January fell 15 percent from 647,000 in 2007 to 550,000 in 2016. Nearly all of this decline is due to decreases in the number of unsheltered homeless people, with the number of sheltered homeless people remaining almost constant. The reductions are also largest among the groups most likely to be unsheltered, including the chronically homeless (down 35 percent in 2007–2016) and homeless veterans (down 47 percent in 2010–2016). Less progress has occurred in reducing homelessness among families with children (down 17 percent in 2007–2016).

The point-in-time count, however, provides only a conservative estimate of the number of people and families that experience homelessness over the course of a year. An alternative AHAR measure of the extent of homelessness is that nearly 1.5 million people spent at least one night in a shelter in 2015. Even this figure is low, given that it does not include the unsheltered homeless or at-risk individuals living in doubled-up or other unstable housing situations. The national estimates also mask considerable variation across locations. Metros with the highest rates of homelessness are frequently those with the highest median rents (Figure 35), raising concerns about the consequences of tight conditions in these high-cost markets.

Achieving further reductions in homelessness will require attention to the needs of multiple subpopulations. A recent analysis of HUD's Family Options Study suggests that housing vouchers may be

**FIGURE 35**

### Homelessness Is Especially High in More Expensive Rental Markets



Notes: Included metros are the 21 metropolitan statistical areas (MSAs) among the 25 largest MSAs by total population for which at least 80% of population falls within one or more metro Continuums of Care (CoCs). Metro CoCs are defined here as having at least 90% of their population falling within one MSA. Median rent is median gross rent including utilities. Homelessness rate is the point-in-time count of homeless people, both sheltered and unsheltered, divided by the MSA population.  
Sources: JCHS tabulations of US Department of Housing and Urban Development, 2016 Point-in-Time Count of Homelessness, and US Census Bureau, 2015 American Community Survey 1-year Estimates.

the best strategy for reducing family homelessness. This study was launched in 2008 to test the relative efficacy of several approaches, including priority access to long-term subsidies, temporary subsidies, project-based transitional housing, and usual care through the shelter system and other available supports. According to HUD's evaluation of long-term outcomes, priority access to housing choice vouchers significantly reduced the likelihood of homelessness, doubling up, and shelter stays three years after enrollment in the study.

Less is known about the relative effectiveness of strategies to reduce homelessness among the young. HUD's point-in-time estimates found 36,000 unaccompanied homeless youths in January 2016, while the Homeless Management Information System shows that 137,000 unaccompanied homeless youths used the shelter system at some point in 2015. HUD continues to improve its data collection processes, and 2017 will be the initial year for estimating changes in the number of homeless youth over time.

Findings from the Veterans' Homelessness Prevention Demonstration also highlight the unique physical and mental health needs of homeless veterans. For example, two-thirds of veterans in the demonstration reported experiencing serious depression, anxiety, or tension—including 43 percent with symptoms of post-traumatic stress disorder. The project also revealed the need for service providers to have cultural competency in military norms and the ways in which veterans experience civilian life.

## EVICCTIONS AND FORCED RELOCATIONS

The frequency and consequences of evictions and forced relocations have gained new attention from policymakers. According to the 2015 American Housing Survey, 7.5 percent of all renter households that moved in the prior two years did so because they were "forced to move by a landlord, a bank or other financial institution, the government or because of a disaster or fire." It is difficult to know how many of these forced moves were due to formal evictions through the court system, informal evictions, or other events.

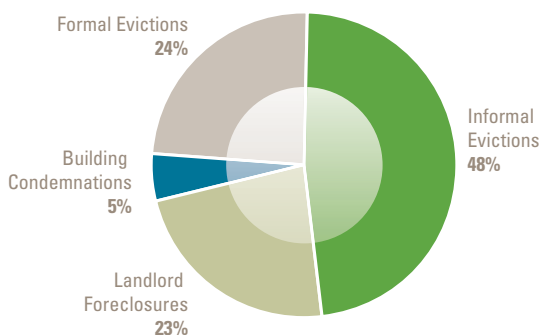
The Milwaukee Area Renters Study offers a more complete picture, reporting that 13 percent of renter households in the City of Milwaukee experienced a forced move within the two years preceding the study. Of these moves, almost half (48 percent) resulted from informal evictions, 23 percent from landlord foreclosures, and 5 percent from building condemnations, and only a quarter were due to formal evictions (Figure 36). While not broadly generalizable, these estimates suggest that court records seriously understate the frequency of forced relocations of renters.

In addition to stress and psychological trauma, evictions impose high costs on renter households in terms of both time and money, and can result in job absences, drain savings or increase debt, and damage credit histories. Forced moves can also disrupt children's school attendance and adults' employment options, particularly if the household moves to a new town or school district. And for the

FIGURE 36

### A Milwaukee Study Suggests that Informal Evictions May Be Twice as Frequent as Formal Evictions

Share of Forced Moves



Notes: Formal evictions are processed through the court system. Informal evictions include forced moves in cases where the tenants were threatened with eviction or moved in anticipation of eviction.  
Source: Milwaukee Area Renters Study data reported in Desmond and Shollenberger, 2015.

FIGURE 37

### Low-Income Renters Are Likely to Live in Neighborhoods with Other Low-Income Households

Average Share of Households in Neighborhood (Percent)



#### Household Income in Neighborhood

Legend: Under \$20,000 (orange), \$20,000–49,999 (grey), \$50,000–99,999 (light green), \$100,000 or More (dark green)

Note: Shares are calculated as the weighted average of households in each income category across all US census tracts.

Sources: JCHS tabulations of US Census Bureau, 2015 American Community Survey 5-Year Estimates, and the JCHS Neighborhood Change Database.

community at large, forced displacements entail direct public costs in the form of fees for court services, social services, and use of homeless shelters and emergency foster care.

The recent focus on forced relocations has led several cities to review their eviction procedures. In 2017, New York City became the first city in the country to guarantee legal representation to low-income residents facing eviction. Other cities have taken steps to limit the set of causes for which landlords can pursue eviction. Expanding support for emergency rental assistance and rapid re-housing programs would also help to protect households most at risk of homelessness.

### GROWING INCOME SEGREGATION

Residential segregation by income has increased steadily in recent years, especially among households with the highest and lowest incomes. This trend adds to the challenges posed by entrenched residential segregation by race and ethnicity in many cities. It also raises concerns that low-income renters have increasingly limited access to a full range of neighborhoods.

In 2015, the average renter household earning under \$20,000 lived in a neighborhood where 28 percent of residents had comparably low incomes and only 15 percent had incomes above \$100,000 (Figure 37). In comparison, the average US household lived in a neigh-

borhood where 18 percent of residents had incomes below \$20,000 and 24 percent had incomes above \$100,000.

A recent JCHS working paper provides evidence of the detrimental effects of residential segregation on the educational attainment, employment, socioeconomic mobility, and health of low-income renters. Households living in areas of concentrated poverty are particularly vulnerable. Such segregation not only limits economic potential for individuals and society as a whole, but also reduces social cohesion and intergroup trust, increases prejudice, and erodes democratic participation.

Reversing this trend is difficult and would require changes in both private markets and the location of assisted units. A key step would be to increase the supply of low-cost rental units in neighborhoods of all types, including construction of assisted units in a broader range of neighborhoods. Many states have in fact begun to incentivize LIHTC applicants to propose projects that do just that. In addition, the recently finalized Affirmatively Furthering Fair Housing (AFFH) rule establishes a planning process for local HUD grantees to assess current residential patterns and to take meaningful actions that foster inclusion.

Reforms to the housing choice voucher program would also help to increase the options available to low-income households. Outreach to landlords, protections against source-of-income discrimination, and mobility counseling would all serve to expand the range of properties and neighborhoods available to voucher holders. For example, the results of Baltimore’s Special Mobility Housing Choice Voucher program demonstrate that mobility counseling can help to increase neighborhood choice among voucher holders. HUD’s Small Area Fair Market Rent demonstration is also testing whether adopting neighborhood-level fair market rents (FMRs) would induce moves into a broader set of neighborhoods. HUD currently sets a single fair market rent for each metropolitan area, often forcing voucher holders to choose from units clustered in a few neighborhoods where rents fall below the FMR. While the interim report on the demonstration found evidence that neighborhood-level FMRs broadened the location choices of voucher recipients in some areas, the results were less encouraging in other areas, and HUD has suspended expansion of the demonstration to additional metros.

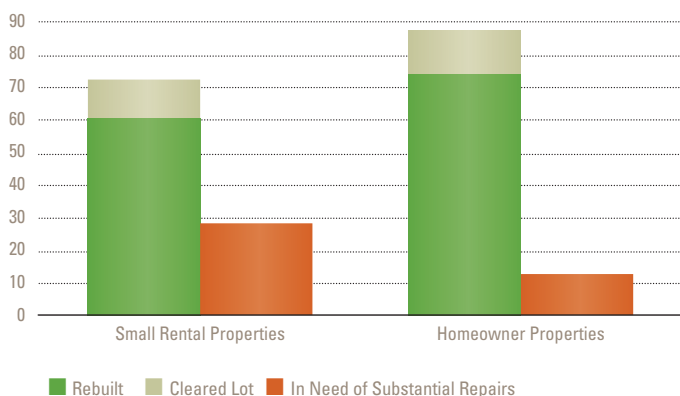
### REBUILDING AFTER DISASTERS

The damage wrought by natural disasters in 2017 will pose substantial rebuilding challenges for years to come. Much of the housing stock lost in the recent hurricanes, for example, was renter-occupied. Indeed, the latest American Community Survey indicates that rental units accounted for 41 percent of all housing in the Houston metro area, 36 percent in Florida, and 32 percent in Puerto Rico.

FIGURE 38

### Rental Property Owners Are Slower than Homeowners to Rebuild Following Disasters

Condition of Hurricane-Damaged Properties in Louisiana and Mississippi After Five Years (Percent)



Notes: Sample is representative of residential properties that experienced major or severe hurricane damage and were located on significantly affected blocks. Rebuilt structures are residences that do not show substantial repair needs. Cleared lots contain an empty lot or a foundation with no standing structure. Source: Spader, 2015.

One lesson from prior disasters is that rental housing is restored much more slowly than owner-occupied homes. This is likely due to several factors. While homeowners directly control the rebuilding of their properties, renters must depend on their landlords' decisions. Owners of just a few rental properties may be especially slow to invest in rebuilding if their own homes are also damaged. In addition, policymakers have historically been more generous in assisting homeowners than rental property owners who lack adequate insurance coverage.

According to a 2010 HUD survey, only 60 percent of rental properties that sustained major damage in Hurricanes Katrina and Rita in 2005 had been rebuilt by 2010, compared with 74 percent of homeowner properties with similar levels of damage (**Figure 38**). Instead, 12 percent of former rental properties were cleared lots and 28 percent contained residential structures with substantial remaining damage, including 13 percent that did not meet the Census criteria for habitability. While there are legitimate concerns about bailing out under-insured rental property investors, a secondary effect of limited rebuilding in these disaster-stricken areas has been to reduce the housing available to renters.

The rebuilding of public housing, project-based units, and units available to voucher recipients presents other challenges. Following Hurricane Katrina, Congress made appropriations for disaster recovery that included supplemental allocations of both low-income housing tax credits and housing choice vouchers. While providing much-needed resources, these allocations require attention to ensure that LIHTC units are completed quickly and that the supply of units available to voucher holders is sufficient. After the 2017 hurricanes, rebuilding of units available to voucher holders may be particularly urgent, given that these rentals account for 62 percent of the HUD-assisted stock in Houston and 64 percent in Tampa.

A recent report from the Community Preservation Corporation documents other lessons from the rebuilding effort following Hurricane Sandy and recommends multiple potential improvements to streamline the application process, speed delivery of rebuilding assistance, and allow federal agencies to better prepare for future events. Given that it is just a matter of time before the next natural disaster occurs, taking these steps in advance will help to protect renter households in the wake of future storms.

## THE OUTLOOK

With the economic expansion now in its ninth year, the immediate challenges facing America's rental markets depend on the outlook for the broader economy and the policy decisions of Congress and the Administration. On the one hand, continued economic growth would give a further lift to household incomes, but could also put additional pressure on rents. On the other, though, a recession would put more renters at risk of unemployment and reduced income.

Meanwhile, proposals for tax reform and changes to the LIHTC program make future funding for affordable housing production and preservation uncertain. While its prospects are unclear, a bipartisan bill in the Senate proposes to expand support for the LIHTC program and to change program rules to provide additional flexibility to states and improve the program's ability to serve extremely low-income households. In contrast, the tax reform proposals under consideration could substantially reduce production of LIHTC units by eliminating the important 4 percent credit.

Regardless of the short-term outlook, however, the growing gap between the number of income-eligible households and the availability of rental assistance is a long-term challenge. In some markets, demand-side subsidies—such as expanded access to housing choice vouchers—may be an effective response. However, in many metros across the country, increases in supply have not kept pace with population growth, putting even greater pressure on lowest-income households. In these markets, responding to rapid population growth requires both expansion of the overall rental supply and additional support for new construction and preservation of assisted units.

While the federal government remains the primary source of rental assistance, states and localities must continue to take steps to provide increased support for affordable housing through bond issues, trust funds, inclusionary zoning, and other approaches. Since states and localities also define the regulatory context for market-rate housing, they must also lead efforts to ensure that additions to the rental housing stock keep pace with population growth and to mitigate losses of low-cost units in the private market.