The Brookings Institution

Metropolitan Policy Program
Robert Puentes, Fellow

Reframing the Challenges and Opportunities for Affordable Housing

Meeting Affordable Housing Challenges in High Land Cost Communities
Arlington, Virginia
September 17, 2004

Reframing the Challenges and Opportunities for Affordable Housing

I What are some big themes and principles?

II What should a broad public policy agenda look like?

Principles / themes

- Major trends are affecting our nation / region housing challenges
- Affordable housing is essential for making work pay for working families
- Affordable housing must be a central part of smart growth and growth management efforts
- Housing policy is school policy

[illegible]

[illegible]

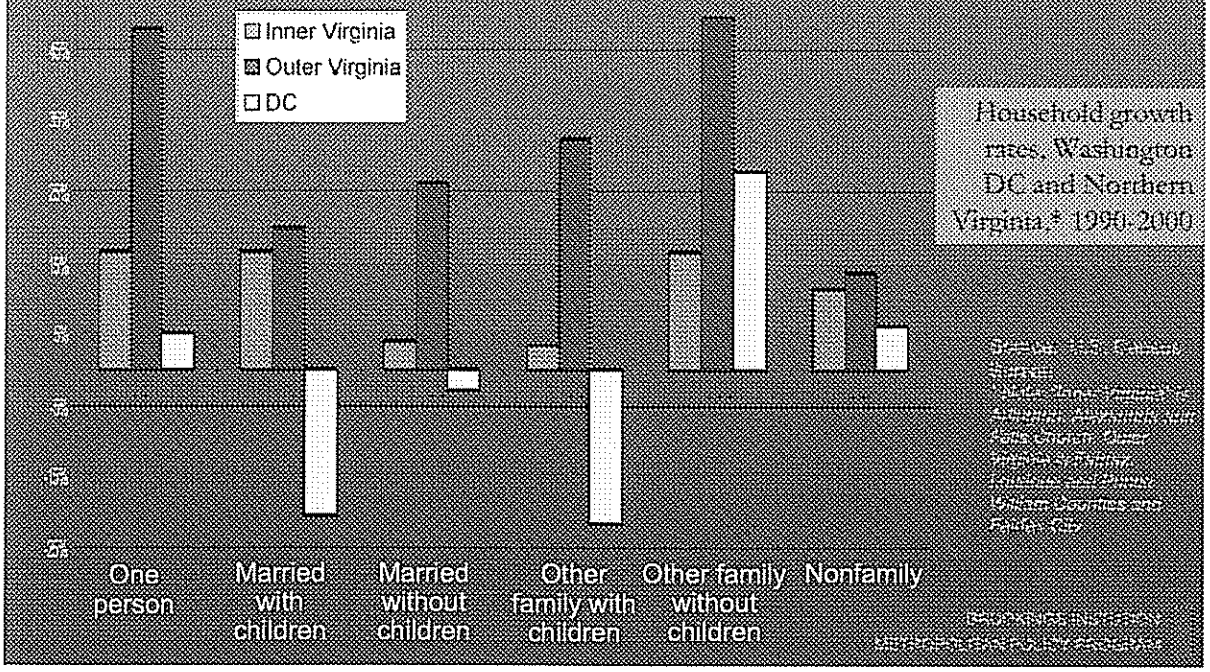
[illegible]

[illegible]

- Population Growth
- Immigration
- Aging
- Household formation

Major Trends

In some hot markets, household formation is rapidly changing housing needs

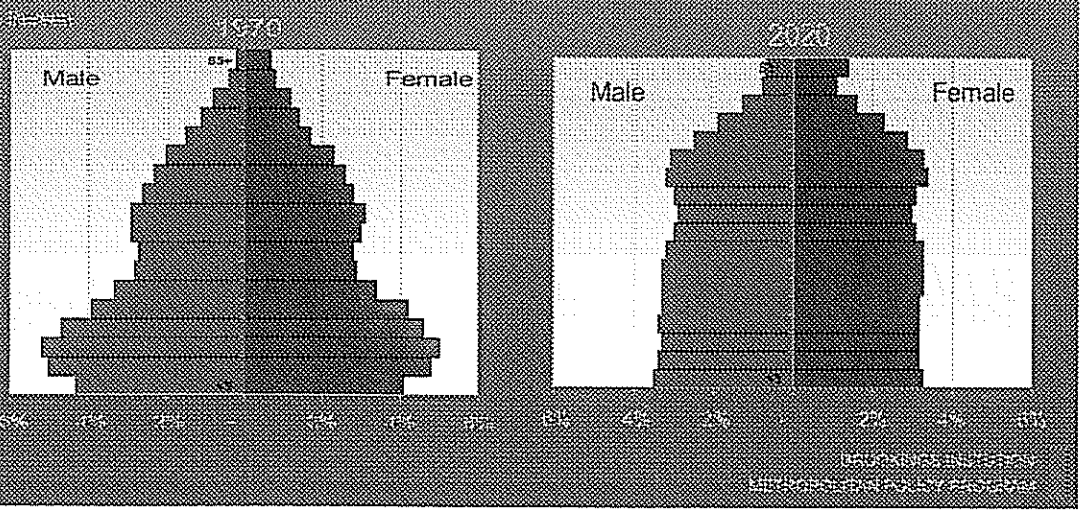


Household growth rates, Washington DC and Northern Virginia,* 1990-2000

Major Trends

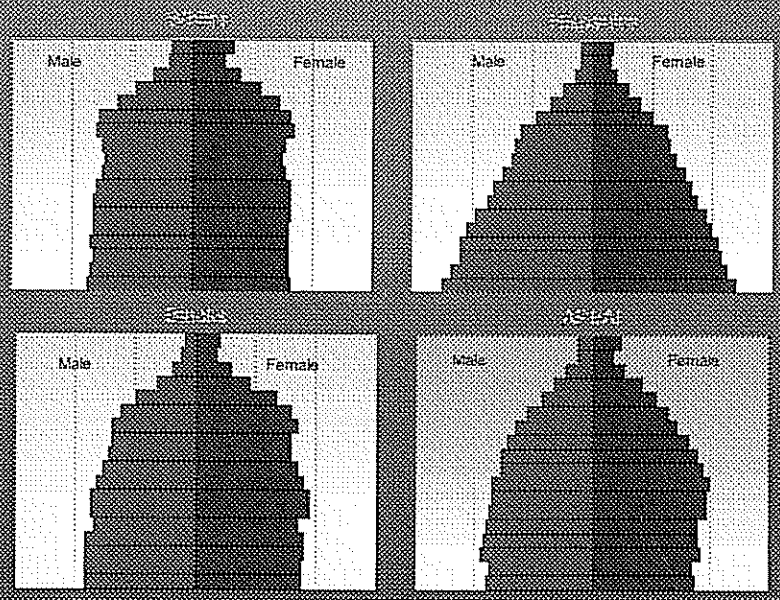
At the same time, the US population is aging

US Age Distribution, 1970 vs. 2020



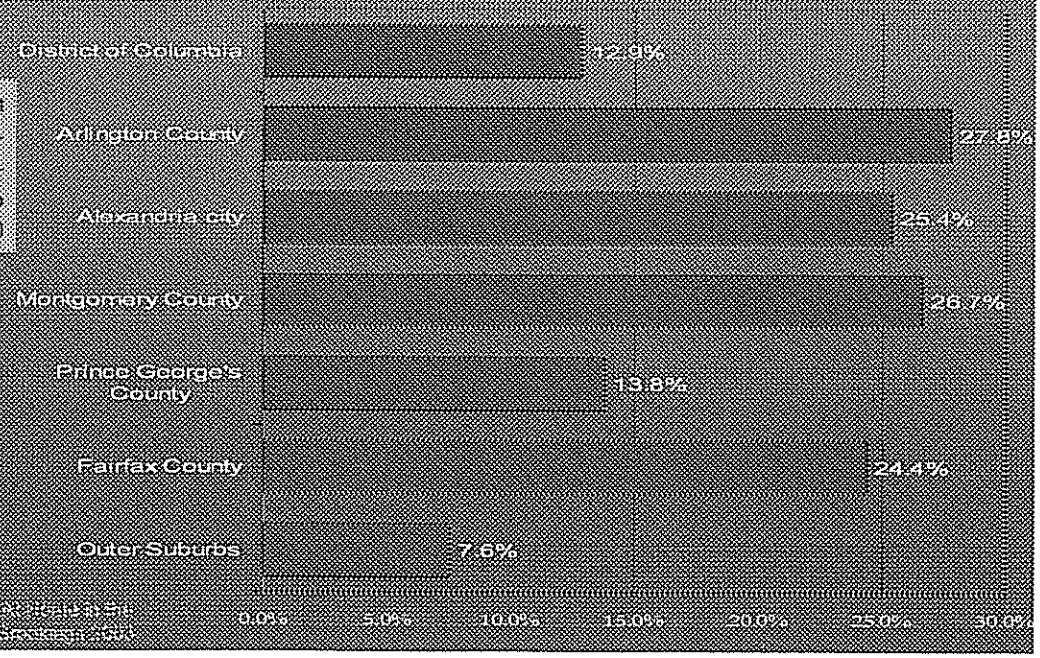
Minorities, however, have younger age structures than whites

US Age Distribution, 2020



More than one-quarter of the population of Arlington, Alexandria and Montgomery counties are immigrants

Share Foreign Born by Jurisdiction, Washington Metro Area, 2000



Working families

Affordable housing is essential for working poor families

Over the past two decades, the federal government has substantially increased funding for a range of supports targeted to the working poor

- Earned income tax credit (EITC)
- Health care / child care
- Welfare reform

However, the provision of affordable housing is not an explicit part of this agenda

Working families

The lack of a strong federal affordable housing agenda is troublesome for several reasons

- Housing remains biggest household expenditure
- Welfare interventions are more effective when combined with housing assistance
- Affordable housing crisis is getting worse
  - Decline in the number of rental units
  - Rapid increase in rents
  - Changes in the labor market

Without a strong housing policy, it is impossible to imagine how the federal government can make work pay for low income workers

Smart Growth

Affordable housing must be a central part of smart growth and growth management efforts.

Widespread frustration with metropolitan growth patterns has precipitated an explosion in smart growth thinking and action.

- Supports compact, mixed-use development
- Curbs sprawl, promote reinvestment
- Provides fiscal savings to governmental units

But like the working families agenda, affordable housing is rarely on the radar screen

Smart Growth

Smart growth without affordable housing contributes to the spatial mismatch between jobs and workers

- Working poor get concentrated in particular parts of the metropolis, usually far from education and employment.
- This imbalance worsens traffic congestion by forcing families to travel long distances and preventing access to quality transit.
- Spatial mismatch also places enormous stresses on the region's employees by limiting the pool of workers who can live within reasonable distance.

For smart growth to succeed, affordable housing must be central to the agenda

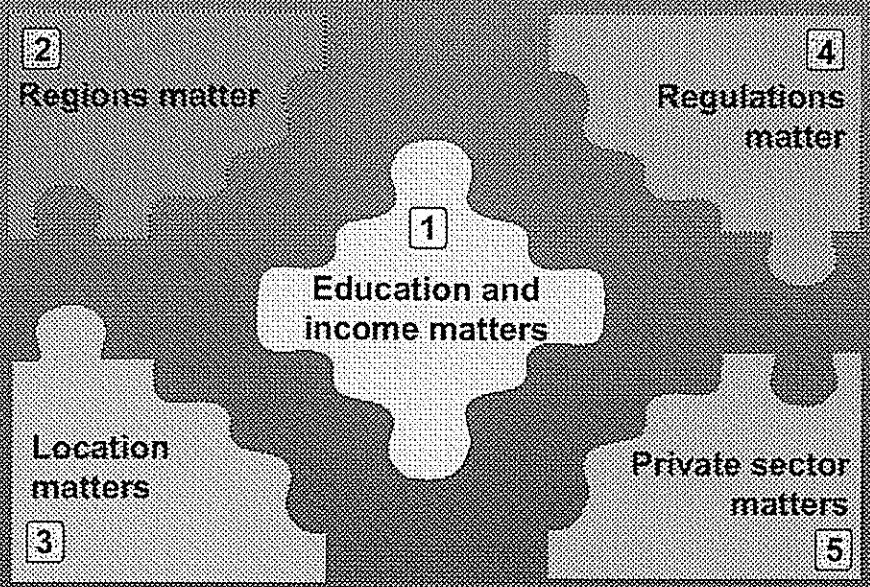
Education

Housing policy is education policy

- School and education policy plays a critical role in housing and neighborhood location decisions
- School / housing nexus is especially strong for low-income families
  - Children who live in poor neighborhoods are at greater risk of school failure
  - When low income families are given the chance to move to better neighborhoods, school performance improves

Housing mobility is important. Connection with education should be explicit.

What should a broad public policy agenda look like?



Policy Agenda

- Low levels of educational achievement lead to low paying jobs, which impedes families' access to quality housing
- By the same token, households can build wealth through ownership of decent housing in thriving neighborhoods
- Welfare interventions are more effective when combined with housing assistance

Policy Agenda

Educational achievement and income matters

FEDERAL REFORMS:

- ✓ Expand federal investment in income programs that augment household incomes and indirectly influence housing choices
- ✓ Raise the incomes of working families through earned income tax credit, nutrition assistance, health care and child care

Policy Agenda

Educational achievement and income matters

STATE: Indiana's State EITC

- In response to increases in regressive taxes to pay for budget deficits in 2001, state created a state EITC to help working families
- In 2000, 13 percent of all tax filers received the federal credit. Total refunds: $560 million.
- In 2002, the state EITC = additional $5.7 million

BROOKINGS INSTITUTION
METROPOLITAN POLICY PROGRAM

Policy Agenda

Regional Planning and Implementation Matters

- Even in low fragmentation regions (like Washington) local governments are motivated to act parochially
- Regional approaches help address "fair share" requirements for considering and planning for affordable housing needs
- Regions don't delineate the difference between hot and cold markets
- Housing markets are regional and housing policies should be.

Policy Agenda

Regional Planning and Implementation Matters

FEDERAL REFORMS:

- ✓ Encourage the creation of regional housing authorities
- ✓ Expand rental housing voucher program and administer them at the metropolitan level
- ✓ Fully enforce federal fair housing laws.

Urban Institute
Metropolitan Housing Research

Policy Agenda

STATE: Minneapolis - St. Paul Metropolitan Council

- Met Council is a 7-county regional planning agency. Provides planning expertise and funding to support good land use and transportation decisions
- Serves 117 communities and nearly 5,000 households administering Section 8 and other affordable housing programs
- Another innovative program waives the regional sewer access charge for affordable housing projects.

Policy Agenda

- *Within* a region it matters very much where affordable housing is located
- Affordable homes/units should not be clustered in low-income neighborhoods, especially in the core
- Explicit goal should be to enable low-income households to live closer to employment centers, better schools, quality transit, and other amenities
- Part of an agenda to promote infill development, neighborhood revitalization, and re-using vacant land

Policy Agenda

FEDERAL REFORMS:

- ✓ Continue and expand HOPE VI as a wholesale neighborhood redevelopment tool
- ✓ Facilitate brownfields reform
- ✓ Connect affordable housing and efforts to make funds available to help states and localities take on the full costs of redeveloping vacant land:

  acquisition, demolition, clean up, beautification, physical improvements, assembly, marketing and planning

Policy Agenda

STATE: California Tax Credit Allocation Committee

- Approximately $450 million per year is awarded in federal and state tax credits to assist in the construction and rehabilitation of affordable rental housing
- Priority is given to properties located within close proximity of transit corridors, parks, recreational facilities, retailers, grocery stores, schools and senior centers

Policy Agenda

Regulatory policy matters

- Local regulatory and administrative policies often inhibit affordable housing production
- Major goal should be to Identify and get rid of regulations that are exclusionary or unnecessary (e.g., zoning reform, building code reform)
- Promote thoughtful growth management policies with strong affordable housing components
- Regulatory strategies such as inclusionary zoning are still profoundly important

Policy Agenda

Regulatory policy matters

STATE: Maryland and New Jersey's "Smart" Building Codes

- New Jersey (1998) and Maryland (2000) passed new legislation and guidelines to modify building code standards for the rehab of older buildings.
- In NJ, the amount of money spent on rehab work in five largest cities jumped 90% between 1997 and 1999.
- MD accompanied its "smart codes" with model infill codes -- zoning and code standards for higher densities, mixed uses, building heights, lot sizes, setbacks

Policy Agenda

The Private Sector Role

- In most cases, the private sector will still be responsible for creating a substantial share of new affordable units.
- Incentives should be provided for private developers to produce more affordable housing
- In hot markets, private sector can be encouraged to proffer units and/or cash

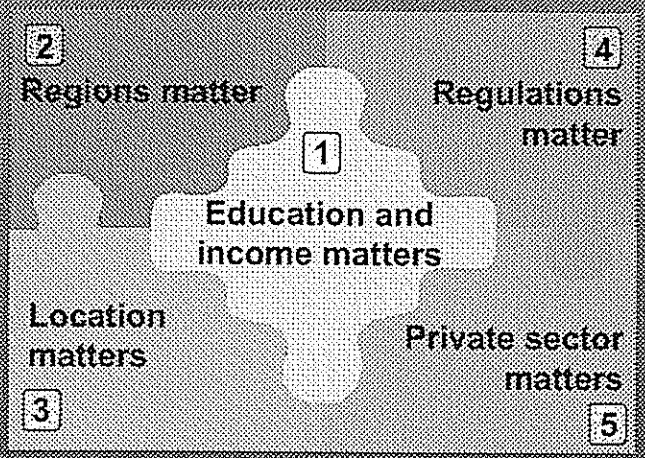
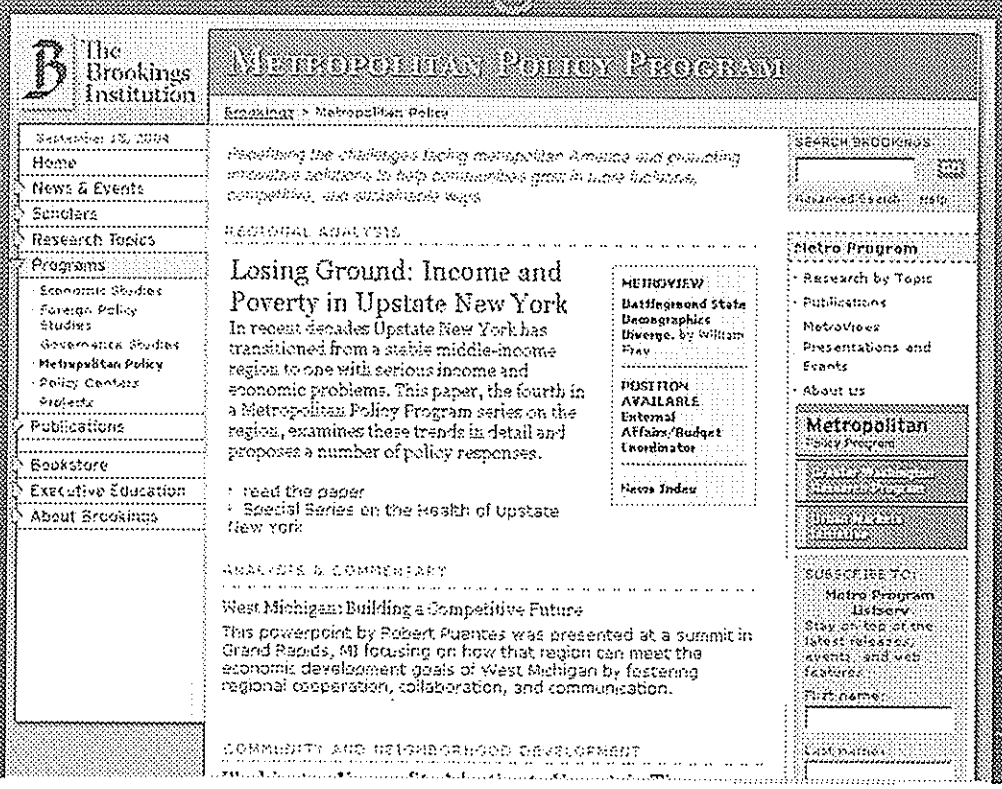
Policy Agenda

The Private Sector Role

STATE: Virginia Proffer System

- Rezonings, special exceptions, special use permits can be an opportunity to negotiate voluntary proffers with private sector developers.
- Developers can offer units, or cash in-lieu of units.
- In the city of Falls Church, private developers voluntarily proffered 31 affordable units in four new development projects (6% of total new units) along with nearly $300,000 in cash contributions to housing fund

Putting it all together



www.brookings.edu/metro