The Other Housing Crisis: *Rental Housing*

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Over the past five years, housing has been on the front pages of the nation's newspapers and foremost in the minds of policy makers. Yet the dialogue has focused primarily on foreclosures and largely overlooked a major aspect of the crisis that continues to lurk in plain sight: affordable rental housing.

The statistics are stark, and clearly demonstrate that high rent burdens are a broad-based problem. A recent nationwide study by the U.S. Department of Housing and Urban Development shows that nearly half of all renters were paying more than 30 percent of their income on housing in 2009, rent burdens increased by 17 percent between 1990 and 2009, and the share of renters paying half of their income for rent increased by nearly 38 percent between 1990 and 2009.

In the years immediately following the study period, the recession was not kind to renters. The number of renter families with "worst-case needs" – incomes that were less than 50 percent of the area median, not receiving any rental assistance and paying more than 50 percent of their income on housing – increased by 1.4 million between 2009 and 2011. This was a striking 20 percent increase in just two years.

This problem is not limited to high-cost markets. In California, for example, while relatively high rents are not surprising in San Francisco and Los Angeles, most wouldn't expect Chico in the San Joaquin Valley or the central coast's San Luis Obispo to be affordability-challenged.

Yet, a recent analysis by Professor Richard Green, director of the USC Lusk Center for Real Estate, found that no California metropolitan areas were affordable – when defined as representing less than 30 percent of total income – to families at the 25th percentile of the renter-

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income distribution. In both Chico and San Luis Obispo, a family whose income was at the 25th percentile had to spend more than 42 percent of that income to afford a unit at the 25th percentile in rental costs.

This is a picture of unachievable, unaffordable and unattainable decent rental housing.

Moreover, many believed the foreclosure crisis would relieve pressure on the rental market by increasing the volume of rental units. The opposite has happened in many markets. Families who lost their homes through foreclosures have entered the rental market and begun competing for units. The result? An even tighter rental market and more upward pressure on rents.

In communities across the country, this affordability problem is a serious threat to local and regional economies at risk. The lack of affordable rental housing prevents well-qualified employees from capitalizing on opportunities. For those that do, they commonly either drive long distances from where they can afford to live or share rental units with other families. As a result, employers have a harder time attracting and retaining hard-working, middle class families.

So what is to be done?

Cities and regions across the country must examine their rental markets, gain a better understanding of their specific affordability problems and, to the extent they exist, find ways to effectively attack them. The policy solutions they settle upon will need to accomplish several things:

First, they must better balance supply and demand. For some areas – particularly industrial cities in the Midwest – affordability is more a function of income than the housing itself. Solutions will undoubtedly require a combination of job training, economic development, and housing-related efforts.

In other areas, such as southern California, there are simply not enough units to meet the demand. In these communities, many of which are on the coast, there are two key policy dimensions to increasing supply. One is the creation of consistent funding sources that support the production of new units. For example, San Francisco's creation of an affordable-housing trust fund is a model that should be studied and potentially emulated. The other key policy consideration is an understanding that the production of new units will not increase supply if it merely replaces affordable units lost from the existing stock. If "new" does not also mean "additional," then the race to balance supply and demand will remain stagnant.

Second, the foreclosure crisis must not be allowed to further destabilize neighborhoods. NSP was a critical stopgap that helped prevent blight and investors have created enough demand to stop price declines. These actions must be the "first steps" toward meaningful recovery, rather than Band-Aids that simply delay painful vacancies and broader distress.

Finally, communities must capitalize on opportunities and creative solutions wherever they arise. Transit stations represent obvious opportunities to serve as new anchors for economic growth, increased housing density, and community vibrancy. Similarly, energy efficiency can change the math of affordability and potentially cause more units to reach affordable price points.

For every American to be a productive member of society and able to pursue the American dream, the 20-year trend of declining affordability in rental housing must be halted and reversed. We owe it to ourselves to get there. CI