



# UCLA AFFORDABLE HOUSING POLICY BRIEF

AUGUST 2017

The UCLA Ziman Center for Real Estate presents the first in a series of UCLA Affordable Housing Policy Briefs. The August 2017 Brief is a product of the Conference on Housing Affordability, a partnership exploring policy approaches to the housing affordability challenge. The partnership consists of American Enterprise Institute, Bank of Israel, Board of Governors of the Federal Reserve System, Tel Aviv University Alrov Institute for Real Estate Research and UCLA Ziman Center for Real Estate. See complete partnership description at the end of this paper.

In this first Policy Brief, Ziman Center Director and UCLA Anderson School of Management Professor Stuart A. Gabriel and USC Price School of Public Policy Professor Gary Dean Painter, examine the widening social, economic and individual impacts of the housing affordability crisis. This Brief is condensed from their [white paper](#) delivered to the 2017 Conference.

## Why Affordability Matters

By [Stuart A. Gabriel](#) and [Gary Dean Painter](#)

---

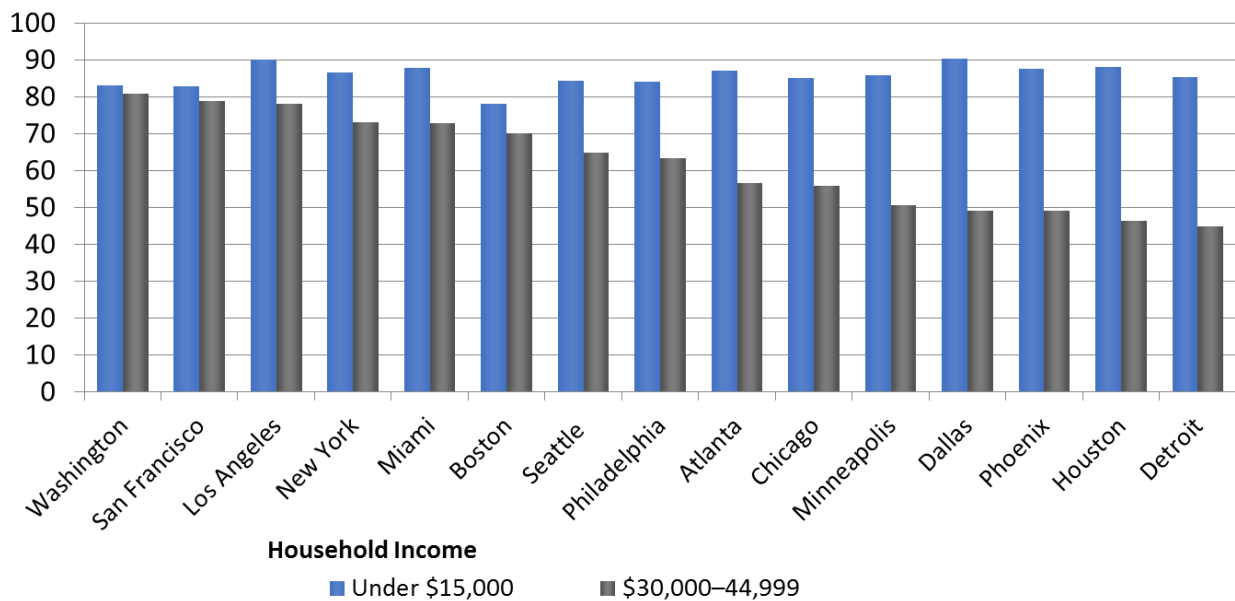
The combination of rising housing costs and muted income growth has resulted in many households devoting an increasing share of their income to shelter. The term “rent burden” has come to describe those households paying more than 30 percent of their monthly income on rental costs. In 2015, a full one-half of U.S. households were rent-burdened. Low-income and undocumented households as well as families with children disproportionately experience rent burdens. And such burdens have increased in the wake of the Great Recession of 2007-08.

*“High housing costs are associated with declines in mental health and healthcare and prescription non-adherence among adults. Rent-burdened households have substantially limited capacity for food, transportation and retirement savings.”*

The increase in rental cost burdens occurred amidst widespread metropolitan decline in the availability of rental housing. Vacancy rates fell sharply in virtually all major U.S. metropolitan areas over 2010-2015. Indeed, some cities, including New York, Los Angeles, Seattle, Detroit, San Diego, Boston and Minneapolis, witnessed declines in rental vacancy to roughly two percent! Vacancy rates in that range are far below market equilibrium levels.

In many metropolitan areas, substantial numbers of households with incomes as high as \$45,000 are rent-burdened. As shown in chart 1, a full 60 percent or more of households with incomes up to \$45,000 are rent-burdened. For lower-income households up to \$15,000, rental cost burdens are near ubiquitous. Indeed, rent burdens are now pertinent to one-half of all U.S. households, across a wide cross-section of both metropolitan and rural areas.

**Chart 1: Share of Renters with Cost Burdens (Percent)**



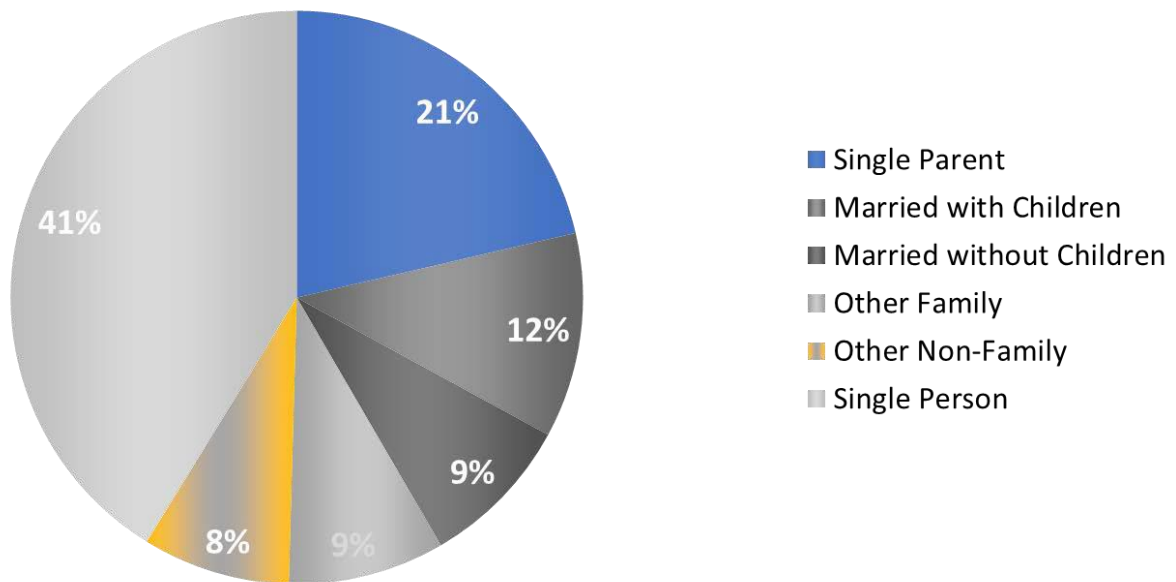
**Notes:** Cost-burdened households pay more than 30% of income for housing. Households with zero or negative income are assumed to have cost burdens, while households paying no cash rent are assumed to be without burdens.  
**Source:** JCHS tabulations of US Census Bureau, 2014 American Community Survey.

## CONSEQUENCES OF INCREASING RENT BURDEN

Impacts of the housing crisis do not end with rents. As rent burdens increase, households are forced to double-up and live in more overcrowded conditions. Or they may reduce spending on other goods such as food, education, health and energy costs. Households may also choose to move further away from job centers and increase their commuting times. Still others move to lower-quality housing or to neighborhoods with higher crime rates or lower-performing schools.

As indicated in chart 2, roughly one-third of cost-burdened renters are families with children. Research finds an inverted relationship between the income spent on housing costs and both cognitive achievement and enrichment spending on children. Further, housing-cost burden has been associated with declines in numerous health metrics, including mental health, cost-related health-care, and prescription adherence among adults. Rent-burdened households have substantially limited financial capacity for other vital needs, including food, transportation and retirement savings.

**Chart 2: Share of Households with Cost Burden by Family Type**



**Notes:** Cost-burdened households pay more than 30% of income for housing. Households with zero or negative income are assumed to have severe burdens, while households paying no cash rent are assumed to be without burdens.

**Source:** JCHS tabulations of US Census Bureau, 2014 American Community Survey.

And rent burdens can extend from harming the individual household to dampening the competitive structure and growth of a metropolitan area. Facing high housing costs, households and firms may move to more affordable locations either within an existing metropolitan area or across metropolitan boundaries.

High housing costs have served as a driver in the separation between workers' employment and residential locations, which has been correlated to increases in travel time and metropolitan-wide congestion. Studies suggest that more equitable and inclusive housing stock creates greater diversity, while reduced income inequality is associated with stronger economic growth and a reduced impact of recessions.

## POLICY SOLUTIONS

In many expensive areas, the scarcity and high costs of developable land make affordable housing development less viable to private developers. In those locales, officials can enhance the economic viability of such development by increasing allowable densities and reducing parking requirements. Further, densified housing can be directed to areas proximate to rapid transit, so as to limit adverse spillover effects on commutes and related metropolitan congestion. However, in built-out areas, remaining developable land often comes with exposure to adverse environmental amenities: substantial health risks are associated with siting of affordable housing close to freeways or other noxious environments.

Market forces in high land-cost areas push affordable housing to outlying areas. However, those same low land rents reflect lack of access to employment and to important amenities. Here regional policies, notably including investment in rapid transit, can lower the time and pecuniary costs of commutes.

And access to housing in distant lower-rent areas can diminish crowding. Further, in an effort to enhance educational opportunity in outlying, low-amenity areas, state educational authorities may distribute public school resources across districts in a manner that diminishes the role of local income and wealth in determination of local school quality. State and local authorities should similarly seek to ensure adequacy of environmental and recreational quality across higher- and lower-rent burden areas so as to address public health and welfare concerns.

At the metropolitan-area level, several policy solutions are common, including easing parking requirements and regulations on densified housing. Related measures include inclusionary zoning for affordable housing. Those efforts are often controversial among populations concerned about congestion and neighborhood quality-of-life. They may require parallel investment in transportation infrastructure to mitigate congestion impacts. Other well-established efforts include creating “workforce” housing, especially for police, fire, teachers, health professionals and the like. Finally, cities confront abundant challenges in preservation of existing affordable housing stock associated with HUD Section 8 and like programs. In sum, mitigating affordability burdens requires substantial directed efforts by private and public entities and at multiple levels of government.

—

#### **AEI-BoI-BGFRS-TAU-UCLA Conferences on Housing Affordability**

The American Enterprise Institute, Bank of Israel, Board of Governors of the Federal Reserve System, Tel Aviv University Alrov Institute for Real Estate Research and UCLA Ziman Center for Real Estate embarked on a three-year academic partnership from 2015-2017 to advance new academic research on housing affordability and on policy approaches to address the affordability challenge. The conferences brought together economists, policymakers and real-estate industry professionals to discuss one of the most serious domestic challenges in the United States and other countries: the shortage of housing affordable for lower- and moderate-income households. The first two conferences in the series were held at UCLA in 2015 and at Tel Aviv University in 2016. The culminating conference, held in 2017 at the American Enterprise Institute in Washington, D.C., examined government and private-sector programs designed to promote affordability, the role of regulatory constraints, innovative mortgage products, and other topics to identify the most effective path forward to make housing affordable again. The research associated with the UCLA Affordable Policy Brief by Stuart A. Gabriel (UCLA) and Gary Dean Painter (USC) was presented at the 2017 Conference (PDF: <http://bit.ly/WhyAffordabilityMatters-WP-Gabriel-Painter>).

(Banner image: derivative of “Residential Building - Affordable Artist Housing, Hamden, Connecticut (completion 2011)” by Ben Ledbetter, Architect used under (CC BY 2.0))

---

**U C L A Z I M A N**

---

C E N T E R *for* R E A L E S T A T E