Policy Analysis,
Program Evaluation,
and Research

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# Housing Stability and Affordable Housing

The following pages present a brief and general review of the literature related to housing stability. This review is not exhaustive. Catholic Charities' PAPER team will produce additional analyses and reviews of the literature as the agency continues to investigate policy options.

While the housing industry is a critical driver to national economic growth, the focus of this analysis is on the connections between housing and the ability of households to participate in that economy. In addition, an assumption underlying this analysis is that homeownership is not the ultimate goal for all households.

The literature review:

1. Begins by defining "housing stability" and identifying some of the collateral consequences for individuals and society when households are unstably housed or homeless.
2. Follows with discussions of the two main approaches to defining housing affordability.
3. The next section provides background on the issue of housing stability, examining some of the historical policies and recent events that have contributed to the situation today.
4. This is followed by a closer look at the role race places in housing stability and the lack of it.
5. Next is a brief discussion of the various types of subsidized affordable housing relevant to households with low incomes.
6. After that is a select overview of policy emphases which research and practice have shown do, or could, contribute to greater housing stability in the Greater MSP[1] region.
7. The final narrative section focuses specifically on recent debates about the best approach to using housing policy as a lever to increase income mobility.
8. A list of web-based resources for additional information on housing stability and affordable housing is offered at the close of the document.

[1] "Greater MSP" refers to the St. Paul/Minneapolis/Bloomington Metropolitan Statistical Area (MSA), a 16-county region identified by the U.S. Office of Management and Budget as a densely interconnected region in terms of economic and social ties. Government, planning agencies, and corporations rely on MSAs for statistical purposes.

## I. What Is Housing Stability and Why Is It Important Now?

Families and individuals have "housing stability" when they continuously live in housing that is affordable and adequately meets their needs for safety, which includes the quality of the housing stock and its location. Stable housing provides a platform where households can attend to the needs of children, pursue educational and career goals, take care of their sick and elderly, become members of a neighborhood, and conduct other personal and social activities. Both housing owners and housing renters can live in stable housing. The primary focus of this review is on rental housing since it is the primary, if not only, option available to lower-income households in Greater MSP.

Housing instability—as manifested in moving often, having to double up[2], and/or experiencing homelessness—presents barriers to the completion of the above-mentioned activities, is traumatizing to those who experience it[3], is expensive to taxpayers, depresses regional economic growth, and contributes to growing racial inequality.

Housing stability is a timely issue because lower-income rental households are now finding their housing stability threatened by the lingering shadows of the recent recession and foreclosure crisis. According to the Census Bureau, in 2015 almost half (45%) of Greater MSP rental households were paying more than 30% of their income on their housing costs. The United States Department of Housing and Urban Development (HUD) identifies such households as unable to afford their housing and labels them "housing cost-burdened."[4]

Even more concerning is the fact that among the households that were cost burdened, half (approximately 22% of all rental households in the region) were spending 50% or more of their monthly income on their housing costs. HUD identifies these households as "severely housing cost-burdened," meaning they are at high risk of losing their housing stability. This includes almost one out of every four rental households in Greater MSP.

## II. Financial and Collateral Costs of Housing Instability

When households are unstably housed and/or lose their housing stability, there are negative impacts for both the individuals directly involved and the communities in which they reside. According to Harvard's Joint Center for Housing Studies, severely cost-burdened renters are forced to make trade-offs among basic needs, often living in sub-standard (and still unaffordable) housing. Compared with households living on extremely low incomes but in housing they can afford, severely housing cost-burdened households living in poverty spend 41% less on food.[5] They also spend substantially less on health care, education, and retirement.

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[2] A person or family is "doubled up" when they have lost their own, independent housing and have been forced to stay with family or friends without being added to the lease. Being doubled up often means having to change locations by staying with a series of extended family or friends.

[3] "Bridging the Gap between Affordable Housing and Child Welfare." Child Law Practice. Feb. 2009, Vol. 27 Issue 12, p187-187. 1p.

[4] American Community Survey, accessed via American FactFinder, Form B25070: Gross Rent as a Percentage of Household Income in the Past 12 Months, 1-year estimates 2007–2015, Greater MSP

[5] "The State of the Nation's Housing: 2016." Harvard University's Joint Center for Housing Studies, p. 5. http://www.jchs.harvard.edu/research/state_nations_housing

While people of all ages pay high personal costs when they lack housing stability, children experiencing homelessness (the most vulnerable in a vulnerable population) pay the highest personal price. The younger the child, and the longer their homelessness, the more pronounced the negative personal impacts will be.[6] Childhood homelessness is linked to developmental delays, failure to thrive in school[7], and poor health outcomes.

Compared with other stably-housed poor children, children experiencing homelessness are disproportionately more likely to:

– Have lice, scabies, and/or abnormally high levels of lead in their blood.[8]

– Become separated from their mothers.[9]

– Experience hunger.[10]

– Be diagnosed as having a learning disability.[11]

Because homeless students have more school mobility (enroll in different schools more frequently), their educations are disrupted more often and their absenteeism is higher. According to reports from Departments of Education for Colorado, Virginia, Washington, and Wyoming, homeless students are at a much greater risk of dropping out and failing to graduate.[12] High school graduation is a key factor in the ability to earn a living wage.

Elders experiencing homelessness are another particularly vulnerable group among the population of people experiencing homelessness. They have three to four times the mortality rate compared with the general population due to unmet health needs (physical, mental, and chemical).[13] Combining the negative physical and mental health impacts associated with homelessness with the expected consequences of aging (such as greater challenges to physical mobility, higher likelihood of chronic health conditions, etc.) results in a unique set of needs that emergency shelters are not usually equipped to meet.

In addition to the personal suffering described above, there are numerous costs to the larger community when households are unstably housed and living doubled up, moving frequently, and/or experiencing homelessness. As the Culhane Report[14] demonstrated, housing instability is associated with

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[6] Sandel, M, Sheward, R and Sturtevant, L. 2015. Compounding Stress: The Timing and Duration Effects of Homelessness on Children's Health. Center for Housing Policy and Children's Health Watch. http://childrenshealthwatch.org/wp-content/uploads/Compounding-Stress_2015.pdf

[7] National Association for the Education of Homeless Children and Youth, Fact Sheet: Young Children Experiencing Homelessness (September 2016)

[8] Murata J. E., Patrick Mace J., Strehlow A., Shuler P., Disease patterns in homeless children: A Comparison with National Data/ Journal of Pediatric Nursing 7: 196-2014 (1992)

[9] U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (May, 2010) Homeless Children: Update on Research, Policy, Programs, and Opportunities:. Children Separated from Homeless Families. https://aspe.hhs.gov/report/homeless-children-update-research-policy-programs-and-opportunities/children-separated-homeless-families

[10] Perlman, S.(2015). Access to Early childhood Programs for Young Children Experiencing Homelessness: A Survey Report.. http://www.naehcy.org/sites/default/files/pdf/naehcy-survey-report.pdf

[11] Rafferty, Y., Shinn, M., & Weitzman, B.C (2004). Academic Achievement among formerly homeless adolescents and their continuously housed peers. Journal of School Psychology, 42, 179-199.

[12] U.S Department of Education (July,2016) Supporting the Success of Homeless Children and Youths, https://www2.ed.gov/policy/elsec/leg/essa/160315ehcyfactsheet072716.pdf

[13] Corporation for Supportive Housing and Hearth Inc. Ending homelessness among Older Adults and Elders through Permanent Supportive Housing (December, 2011)

[14] Culhane, Dennis P., Stephen Metraux, and Trevor Hadley. 2002. "Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing," Housing Policy Debate 13(1):107-163

higher use of public services, such as shelters and public safety services (such as more police contact, court appearances, and nights in jail).

Housing instability is also associated with higher health care costs through contact with paramedics, rides in ambulances, emergency department visits, and added days in hospital.[15] In a study using random assignment techniques, Los Angeles researchers found the average monthly cost of their supportive housing intervention was $1,110, while the average monthly savings in reduced health care consumption was $2,291. In other words, this supportive housing program was providing stable housing to a needy resident while saving local taxpayers over $14,000 a year.

## III. What Is "Affordable Housing" and Where Does "Subsidized Housing" Fit In?

Discussions regarding affordable housing typically approach the issue either from the perspective of an individual household or from the perspective of a region's policy makers and planners. In both cases, affordability is linked to income.

From a household perspective, HUD has defined housing as "affordable" when a household spends no more than 30% of their income on housing costs. To maintain this ratio, wage increases must match rent increases. In Minnesota, wages are not keeping pace with rising housing costs. Between 2000 and 2014, the median renter's income decreased by 12%, while gross rent increased by 7%.[16]

From a policy and planning perspective, housing affordability is typically linked in some way to a region's Area Median Income (AMI), which is published and updated annually by HUD. The AMI is equal to the annual dollar value at which point 50% of the region's households have more income and 50% have less. The 2016 AMI for a family of four with two parents and two children living in Greater MSP was $85,800[17].

Different policy and planning organizations use different income targets when they discuss "affordable" housing. For instance, the Metropolitan Council defines "affordable" housing as housing within reach of households living on incomes at or below 60% of AMI. In 2015, at or below 60% of AMI for a family of four in the seven-county Metro region would be $51,960 or less.[18]

In contrast, in 2016, the National Low Income Housing Coalition[19] segmented households into five levels of income, each with specific affordable housing needs.

1. Extremely Low Income: Households with income below the federal Poverty Guideline or 30% of AMI, whichever is higher.
2. Very Low Income: Households with income between 31% and 50% of AMI.
3. Low Income: Households with income between 51% and 80% of AMI.

[15] Flaming, Daniel, Patrick Burns, Michael Matsunga, Gerald Sumnet, Manuel H. Moreno, Halil Toros and Duc Doan. 2009 Where We Sleep: Costs When Homeless and Housed in Los Angles. Los Angeles, CA: Economic Roundtable.
[16] Both income and rent are expressed in inflation-adjusted figures. Minnesota Housing Finance Agency presentation at Federal Reserve Housing Data meeting, June 7, 2016.
[17] https://www.huduser.gov/portal/datasets/il/il2016/2016summary.odn
[18] MetroStats, Metropolitan Council, October 2016, https://metrocouncil.org/getattachment/c2a65ba3-89bb-482f-9589-e1b2f2e40547/.aspx
[19] "The Gap: A Shortage of Affordable Homes" National Low Income Housing Coalition. March 2017 http://nlihc.org/research/gap-report

4. Middle Income: Households with incomes between 81% and 100% of AMI.
5. Above Median Income: Households with income above 100% of AMI.

This means that Extremely Low Income households in Greater MSP lived on annual incomes that were below $25,680 (30% of AMI)[20]. Referring to HUD's rule regarding housing affordability, for an Extremely Low Income family to be able to afford their housing, it must not cost more than $642 per month. In contrast, HUD 2016 data shows that the Area Median Rent for a two-bedroom apartment in Greater MSP was $1,027 per month[21].

Households experiencing this size gap between their financial resources and the cost of their housing must turn to subsidized housing to achieve housing stability. From the potential tenant's perspective, there are two types of subsidized housing assistance: tenant-based (such as Housing Choice Vouchers) and project-based (such as housing sites built by a Public Housing Authority or a public-private partnership). Subsidized housing will be discussed in more detail on page 11.

## IV. Background

### A. Why Has Housing Stability Been a Persistent Challenge?

Historical and structural forces have challenged housing stability for Americans over the past 100 years. These challenges were the result of intended consequences of institutionalized forms of bigotry, unintended consequences of a series of public policies, and fallout from major economic and housing market upheavals.

The earliest successful federal housing policy initiatives[22] (during President Roosevelt's New Deal) were aimed at expanding home ownership across a wider range of economic classes, focusing almost exclusively on White and native-born households.[23]

**Discrimination in mortgage lending:** In 1933, as part of Roosevelt's New Deal, Congress passed legislation creating the Home Owner's Loan Corporation (HOLC) to expand home ownership among lower- to middle-income households. HOLC leveraged existing lending and real estate practices to create color-coded maps showing the investment worthiness of urban neighborhoods using four different colors, with red associated with the neighborhoods with the most lending risk. Across the country, "redlined" neighborhoods, where banks would refuse to lend money for property acquisition or improvement, were those including racial minorities, immigrants, and people living in poverty. HOLC records show that 1% of its mortgages were made to households in "Negro" neighborhoods. At that time, redlining excluded half of Detroit and a third of Chicago by refusing credit in Black neighborhoods. HOLC practices continued to drive racial segregation by influencing mortgage, real estate, development, and tax assessment practices, until 1968 when President Johnson signed the Fair Housing Act.[24]

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[20] Since the 2016 Federal Poverty Guideline, 20% income for this size family was lower ($24,300)
[21] 2016 50th Percentile Rental Estimates HUD, https://www.huduser.gov/portal/datasets/50per.html#2016
[22] Early federal efforts to create worker housing had taken place during the Civil War but did not survive those war efforts.
[23] Under the G.H.W. Bush, William Clinton and G. W Bush administrations, programs designed to expand home ownership further, often encouraged lower-income households to place their scarce resources in highly risky investments (in terms of the household's likelihood of maintaining their payments or reselling at a profit).
[24] https://dsl.richmond.edu/panorama/redlining/#loc=11/44.9725/-93.2630&opacity=0.8&city=minneapolis-mn&text=intro

**Development of public housing:** In 1937, Congress passed the United States Housing Act. Its goal, as articulated in its Declaration of Policy, was to "…alleviate present and recurring unemployment and to remedy the unsafe and unsanitary housing conditions and the acute shortage of decent, safe and sanitary dwellings for families of low income."[25] This act created the statutory structure for public housing, beginning with a federal level U.S. Housing Authority and shifting to a local Public Housing Authority (PHA) structure that had full discretion as to whether, where, and how to build subsidized housing. The earliest tenants were typically white, working class, and native English speakers. With time, tenants have become more likely to be people of color, have lower incomes, and be headed by a single parent. The physical characteristics of the buildings in terms of location, number of stories, dispersion throughout a region and so on, have changed according to shifting theories of "how to best help the poor" and through cycles of being built, demolished, and rebuilt.[26]

**Urban renewal:** In the early 1950s, President Eisenhower's administration passed urban renewal legislation that included the destruction of single-room-occupancy hotels, blighted public housing, and older, more affordable housing located in urban centers. The new replacement housing was designed to promote urban living for households with middle and upper incomes (i.e., gentrification).[27]

**De-institutionalization of people with severe mental illness**: With passage of the "Community Mental Health Act" and Medicaid, the Kennedy and Johnson administrations oversaw a period when large mental hospitals were closed, and former residents (people suffering from severe mental illness) were sent out into communities that had not received funding adequate for the needed community-based mental health supports.[28]

**The War on Poverty:** President Johnson's "War on Poverty" included a shift in housing policy towards mechanisms to build public-private partnerships that would drive the creation, preservation, and operation of subsidized and non-subsidized low-income housing.[29]

**Devolution of housing policy to the states:** Subsequent administrations (particularly those of Presidents Nixon and Reagan) devolved housing investment decision-making to states and local jurisdictions through rental assistance and Community Development Block Grant funding structures. In 1981, President Reagan reduced the federal budget for public housing and Section 8 by 50% (to about $17.5 billion). By 1985, the supply of low-cost rental units was 5.6 million, while the number of low-income renter households was 8.9 million. The resulting national affordable rental-housing gap has continued to grow since that time.[30]

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[25] "The United States Housing Act of 1937" https://babel.hathitrust.org/cgi/pt?id=uc1.b3866883;view=1up;seq=5
[26] Edson, Charles (2011), "Affordable Housing: An Intimate History" in *The Legal Guide to Affordable Housing Development*. Edited by Tim Iglesias and Rochelle E. Lento, Chicago: American Bar Association, pp 1-20. http://apps.americanbar.org/abastore/products/books/abstracts/5530024%20chapter%201_abs.pdf
[27] Johnstone, Quintin, "Federal Urban Renewal Program" (1958). *Faculty Scholarship Series.* Paper 1896. http://digitalcommons.law.yale.edu/fss_papers/1896.
[28] Learning from History: Deinstitutionalization of People with Mental Illness As a Precursor to Long-Term Care Reform, Prepared by Chris Koyanagi, Judge David L. Bazelon Center for Mental Health Law, The Kaiser Commission on Medicaid and the Uninsured, 2007
[29] Currently multibillion-dollar housing subsidies are distributed by the IRS to home-owning households, in the form of mortgage interest deductions, regardless of means, although they are not paid directly to taxpayer.
[30] Reagan's Legacy: Homelessness in America, Peter Drier, National Housing Institute, Shelterforce Online, Issue #135, May/June 2004.

**Emphasis on public-private partnerships**: While moving control to the states, Congress also approved a number of efforts to leverage different models of public-private investments. Partners from the private sector came from both for-profit and non-profit entities. Various financing models and tax incentives were tested as to their ability to attract all types of private sector investment to the production of subsidized housing. Market-based approaches (providing tax shelters, etc.) have been successful as long as the economy was growing and there were profits that required tax protection.

**Welfare reform**: In 1996, the federal government dismantled Aid to Families with Dependent Children (AFDC) and created Temporary Assistance for Needy Families (TANF), imposing a five-year limit of family reliance on public support, as well as creating program participation requirements. For families with low education, little job stability, disabilities, and criminal backgrounds and/or sanctions, the new welfare structure and requirements often resulted in increased housing instability and family homelessness.

## B. Impact of Recent Economic Events on Housing Trends

The shadows of the Housing Foreclosure Crisis and Great Recession linger today, continuing to threaten the housing stability of many households with incomes below AMI in the Greater MSP region. The shorter-term reactions to these disruptive macro-level events among upper- and middle-income households (and the housing industry in general) have helped drive broad and sustained negative impacts on lower-income households.

**Widespread foreclosures turn many homeowners into renters**. When the housing market "corrected" in 2006-2007, property values plummeted, home foreclosures were widespread in middle-market neighborhoods, and new home construction essentially came to a halt. The former homeowners immediately turned to the rental housing market and the demand on rental housing began its steep climb.

Some of the foreclosed owner-occupied homes were purchased by local landlords and national rental corporations operating as Real Estate Investment Trusts (REITs), which are modeled after mutual funds. In this way, a segment of homes was removed from the real estate market and additional barriers to entering, or re-entering, homeownership arose.

**Consumer preference tilted toward renting rather than homeownership**. In addition to former home-owning households being forced to seek rental housing, many households began to prefer renting to buying for personal reasons. As Census data indicates, between 2007 and 2015, many middle-income and affluent Greater MSP residents (both old and young) "voted with their feet," seeking to rent, rather than buy, their housing. For example, between 2007 and 2015, the Greater MSP region had a 10% increase in the total population housed. At the same time, there was 42% growth in the total population of people housed in rental housing.

**Both housing markets (rental and purchase) became increasingly tight**. By 2016, the Greater MSP housing market for both homebuyers and renters, with middle incomes or less, had become very tight. The inventory of homes available for sale was at its lowest point since 2003,[31] especially at the lowest price points where first-time homeowners enter the housing market (and leave the rental market). Only two of every five 2015 Twin Cities home listings were priced under $250,000 (the price point considered

[31] Minneapolis Area Association of Realtors (MAAR) and RMLS of MN Inc. 2016 David Arbit, ppt to Federal Reserve Housing Data Luncheon.

“affordable” by realtors), which was lower than any point in the last decade.[32] When households that would prefer to purchase are stuck in rental housing, pressure is felt throughout the rental housing market.

In addition, rental vacancy rates reached historic lows.[33] A “healthy” vacancy rate is between 6 and 8%, meaning that between 6% and 8% of all rental units are unoccupied and available for rent. Among the 75 top U.S. urban areas examined by the Census Bureau,[34] Greater MSP moved from having the 29th lowest vacancy rate in 2006 (when it was 8.4%) to having the 15th lowest rental vacancy in 2015 (when it was 4.9%). Low vacancy rates translate into less consumer choice as to size of unit, neighborhood, and structural quality.

**New construction investment was concentrated in up-market rental housing**. At the same time that more middle- and lower-income households were seeking rental housing, an increasing share of new rental construction was devoted to market-rate and the luxury segments of the market. According to the Metropolitan Council, between 2001 and 2009 there were roughly two market-rate units built for every new unit affordable[35] to households living on incomes that were 60% or less of AMI. Post-Recession, the investment in new housing affordable to these families had decreased, to the point where, by 2014, there were roughly 14 market-rate units built for every new affordable unit.[36] The Metropolitan Council then reported that “…over the first three years of the decade, the {seven-county metro} region added 2,993 new affordable units, meeting just 5% of the decade-long need.”[37]

In 2015, the seven-county area showed positive developments by adding 1,309 new affordable housing units (both rental and for purchase), mostly funded through Housing Infrastructure Bonds approved by the Minnesota State Legislature in 2014. However, in 2015, only 2% of the new housing created was affordable to households with incomes that were 30% AMI.[38]

**The most vulnerable households are the least likely to be able to afford their housing**. The seven-county region has 57,900 publicly subsidized affordable rental units.[39] In addition, there are about 280,000 unsubsidized affordable housing units (also known as “naturally occurring affordable housing”) where the rents are within a non-cost-burdened reach of those households with incomes that are 80% or less of the AMI. However, many of these unsubsidized affordable housing units are occupied by households earning close to, or more than, 80% of the AMI.[40]

As referenced earlier, the National Low Income Housing Coalition (NLIHC) produces an annual analysis of affordable housing supply at the national, state, and metropolitan levels.[41] NLIHC’s 2017 annual report shows that in Greater MSP, there is sufficient affordable rental housing only for the most “affluent” of

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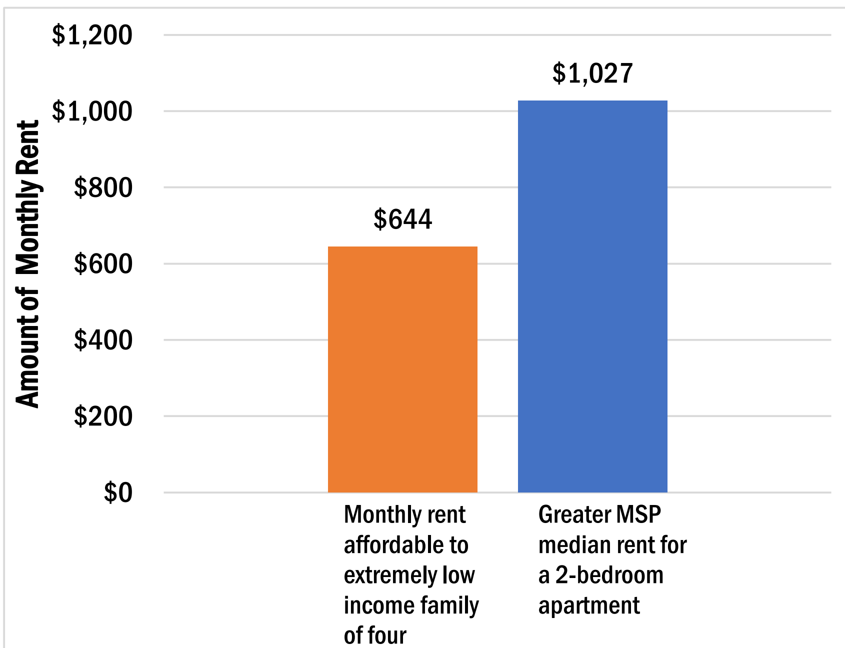
[32] Ibid
[33] American Community Survey, accessed via American FactFinder, Form: B25008: Total Population in Occupied Housing Unites by Tenure, 2007 through 2015.
[34] U.S. Census Bureau’s “Housing Vacancy and Homeownership Rates (CPS/HVS) https://www.census.gov/housing/hvs/data/rates.html
[35] “Affordable” here is defined in terms of meeting the needs of households living on incomes below 60% AMI. For a family of four, this would mean living on an annual income less than $51,960 and having total housing costs less than $1,299 a month.
[36], MetroStats, “Falling Further Behind: Affordable Housing Production in the Twin Cities Region”, Metropolitan Council, (December 2015). http://metrocouncil.org/getattachment/3024fef9-0cce-40e2-998b-fac0f608a484/.aspx
[37] Thrive MSP: Housing Plan 2040, the Metropolitan Council, p 17
[38] MetroStats, (October, 2016) “Twin Cities Region Produces More Affordable Housing in 2015”
[39] Including public housing and units built with capital generated through Low Income Housing Tax Credit financing
[40] Thrive MSP: Housing Plan 2040, the Metropolitan Council, p. 16
[41] “The Gap: A Shortage of Affordable Homes” National Low Income Housing Coalition. March 2017 http://nlihc.org/research/gap-report

lower-income households, those living on incomes that are 81% to 100% of AMI. In 2016, there were 101 affordable rental units in Greater MSP for every 100 rental households living on incomes at this level. However, households in this income group represent only 1% of the "severely cost-burdened" (those spending more than 50% of their income on housing) rental households in Greater MSP.

In contrast, among Greater MSP's Extremely Low Income households, where a family of four (two parents and two children) live on less than $26,000 a year, two-thirds (66%) are severely cost-burdened, paying half or more of their monthly income on housing. There are only 31 affordable rental units per 100 households in this income range and they are scattered across the region. Among Greater MSP's Very Low Income" households, where a family of four lives on 50% of AMI or $42,900 per year, 21% are severely cost-burdened. Only 1% of households with 100% of AMI were severely cost-burdened.

Exhibit 1 illustrates the challenge faced by households living on Extremely Low Incomes (those living at 30% of AMI) in obtaining affordable rental housing. Exhibit 1 shows that the Area Media Rent is 60% higher than the rent that would be affordable to a family with this level of income.

*Exhibit 1: Comparison of rent affordable to family of four living in poverty with the median area rent*[42]




According to NLIHC, Greater MSP has a 78,997-unit deficit of housing affordable to Extremely Low Income households. In addition, they estimate that there is a 66,470 unit deficit for households living on incomes between 30% and 50% of AMI.

**Evictions**. Evictions, which disproportionately affect African American women with children,[43] are often a first step toward homelessness. An eviction order results in both housing dislocation in the short term and a highly undesirable mark against future housing stability, since landlords use previous evictions filings as a tenant-screening device. Filings for eviction remain part of a person's rental history for seven

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[42] 2016 50th Percentile Rental Estimates HUD, https://www.huduser.gov/portal/datasets/50per.html#2016
[43] University of Wisconsin–Madison, Institute for Research on Poverty, "Fast Focus," No. 22-2015.

years, regardless of whether there was a court order. Furthermore, eviction filings can be looked up in court records indefinitely.

In 2016, the City of Minneapolis' Innovation Team and Department of Regulatory Services collaborated with local low-income housing partners (Housing Link and HOME Line) on a study of evictions[44] within the city boundaries. Relying on Fourth District Housing Court records, the City's researchers found that the more than 3,000 evictions filed annually are concentrated in Minneapolis' poorest neighborhoods, predominantly populated by households of color. The data also revealed that:

1. Nearly half (45% to 48%) of renter households in two North Minneapolis ZIP codes (55411 and 55412) had experienced an eviction filing in the past three years.
2. Two-thirds of all eviction cases filed resulted in tenant removal, due to either settlement terms or an eviction order.
3. Almost all evictions filed cite non-payment of rent as the impetus. In one-third of all eviction cases, the renter did not appear in court for the eviction hearing. This usually results in an immediate eviction order.

Lack of access to affordable housing and the experience of evictions are common among people experiencing homelessness. Wilder's 2015 Survey of Homeless Adults[45] presents the following data:

1. Forty-one percent of homeless adult Minnesotans surveyed were on a subsidized housing waitlist, with an average wait of 11 months. Another 14% of the adults surveyed were unable to get on a subsidized housing waitlist because it was closed.
2. Approximately one in every three (32%) adults surveyed reported that being evicted was a reason why they had lost their most recent regular housing.[46]

## V. What Role Does Race Play in the Problem as Identified?

Across Minnesota's jurisdictions, there are large racial disparities in housing stability, as evidenced in rates of homeownership, the likelihood of being extremely cost-burdened, and the likelihood of experiencing homelessness.

1. The state of Minnesota's homeownership disparity is the third largest in the country. Three fourths (76%) of white non-Hispanic households in Minnesota own their own home, while 41% of Minnesota's households of color own their own homes.[47]
2. In Greater MSP, households of color are disproportionately likely to live in rental housing they cannot afford. About one in five (22%)[48] White rental households in Greater MSP devote half or more of their income to their monthly housing costs. In contrast, 29%

[44] "Evictions in Minneapolis" City of Minneapolis Innovation Team, July 2016
[45] "Homeless in Minnesota: Findings from the 2015 Minnesota Homeless Study" November 2016, prepared by Wilder Research, p. 54.
[46] "Ibid p. 24.
[47] Minnesota Housing Finance Agency 2017 Affordable Housing Plan, Draft for Public comment August, 18, 2016. P4
[48] American Community Survey, Form B25070: Gross Rent as a Percentage of Household Income in the Past 12 Months, 1-year estimate 2015, Greater MSP (Minneapolis/St. Paul/Bloomington MSA).

of rental households of color pay over half of their monthly income to cover their rental housing costs.

3. People of color are disproportionately reflected among households experiencing homelessness. Among family members experiencing homelessness in Ramsey County in 2016, 89% are people of color, with 63% being African Americans.[49]

## VI. What Are the Existing Federal Programs Designed to Provide Rent Assistance to Low Income Households?

In terms of government aid programs that help households access subsidized housing, housing assistance is unique among means-tested programs in that only a fraction of eligible households have access to the benefit. To qualify for a housing subsidy, households usually have to get on a waitlist, which as of May 2017 are typically closed to new registrants. Most low-income households eligible for rental assistance do not receive it. For households living in poverty, the lack of rental assistance contributes to a cycle of housing instability, moving from unaffordable housing to eviction, doubling up, being homeless, and returning to unaffordable rental housing.

From the potential tenant's perspective, there are two types of subsidized housing assistance: tenant-based (such as Housing Choice Vouchers) and project-based (such as housing sites built by a Public Housing Authority or a public-private partnership). In the case of the former, the subsidy belongs to the household to use at a location that is mutually agreed-upon by them and their landlord. In Minnesota, a third (33%) of households living in subsidized rental housing are using Housing Choice Vouchers.[50] According to Federal Statute, each Public Housing Authority must ensure that 75% of its vouchers go to households with incomes that are 30% or less of AMI.[51]

In the latter situation, the subsidy belongs to the site or project. In 2013, project-based assistance represented over 70% of the households receiving low-income rental subsidies. Federally authorized funds or credits for project-based assistance include site-based Section 8, USDA Section 521, Housing Trust Fund, and Low Income Housing Tax Credits (LIHTC). Among all of these, the largest rental housing production subsidy is LIHTC, which permits rents in excess of what is affordable to Extremely Low Income households.[52]

Some scholars of economics have argued that site-based models are less cost-effective than tenant-based subsidies and therefore reduce the number of households able to receive rental assistance.[53] This analysis references an additional benefit to households by highlighting the ability of competitive market forces to keep landlords attentive to the quality of their rental stock. In addition, some researchers

[49] 2016 Point-in-Time (PIT) Count which is an unduplicated one-night count of homeless populations mandated by HUD and conducted annually by Continua of Care across the nation during the last ten days of January.
[50] "CBPP 2013-2016 National and state fact sheets data web federal rental assistance and housing choice vouchers, http://www.cbpp.org/research/housing/national-and-state-housing-fact-sheets-data
[51] HUD: Housing Choice Vouchers Fact Sheet https://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv/about/fact_sheet
[52] "The Gap: A Shortage of Affordable Homes" National Low Income Housing Coalition. March 2017 http://nlihc.org/research/gap-report
[53] "Alleviating Poverty through Housing Policy Reform", Olsen, Edgar O, presented at *Innovating to End Urban Poverty Conference,* March 2014.

studying income mobility point to the negative correlation between living in homogeneously poor neighborhoods and the likelihood of a child moving into a higher income quintile than her parent.[54]

In 2016, Minnesota was the nation's 22nd most populous state[55] and had the 19th highest number of households living in federally subsidized rental housing.[56]

## VII. Housing Policies that Support Housing Stability Among Low-Income Households

A number of housing policies support housing stability among low-income households.

**Maintain and protect current affordable housing stock.** The most affordable housing is generally found in the existing housing stock. Existing project-based Section 8 rental units are leaving the affordable housing market through contract expirations, sales to upmarket developers, and demolitions.[57] Maintaining and protecting existing affordable rentals is key.[58]

**Make market-based and subsidized supply-side improvements.** Recent expansion in the numbers of extremely cost-burdened rental households and very low rental vacancy rates suggest that demand-oriented interventions alone (such as producing more housing choice vouchers) will not provide adequate housing opportunity.[59] Increasing the supply of housing affordable and accessible to low-income households is a critical need in Greater MSP.

Across the region, producing luxury rental housing is often viewed as the only way for developers to make a profit. Local regulations regarding land use and construction standards often make the production of even middle-income housing unprofitable. Some suggest that the construction of luxury rental housing actually has beneficial impacts for middle-income households by freeing up older rental units.[60] While this may be controversial, a supply-side approach must include the creation of housing that allows households that no longer need subsidized or naturally occurring low-income housing to move out and upmarket. Clearly some of the building regulations reflecting community standards of attractiveness contribute substantially to a developer's overhead, so communities may have to re-assess the implications of standards of architectural beauty on the costs of building middle- and lower-income housing.

**Reduce evictions**. Services that explicitly address minimizing evictions are needed to prevent housing instability and homelessness and save considerable community resources. Providing lawyers to indigent tenants facing housing court, creating subsidies that households can use in the event of sudden job loss or catastrophic health event, and using pre-court landlord mediation programs all offer ways to reduce evictions.

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[54] " The Effects of Neighborhoods on Intergenerational Mobility I: Childhood Exposure Effects**"**, Raj Chetty and Nathaniel Hendren; *National Bureau of Economic Research* Working Paper No. 23001, 2016

[55] Census Bureau Population Estimates

[56] "CBPP 2013-2016 National and state fact sheets data web federal rental assistance and housing choice vouchers, http://www.cbpp.org/research/housing/national-and-state-housing-fact-sheets-data

[57] "The Gap: The Affordable Housing Gap Analysis 2017", National Low Income Housing Coalition http://nlihc.org/research/gap-report

[58] Thrive MSP: Housing Plan 2040, the Metropolitan Council, p. 16

[59] In fact, it is currently common among homeless families in Ramsey County that their Housing Choice Vouchers expire before households are able to find available housing with landlords willing to rent to them.

[60] "Why aren't we building middle income housing?" Rick Jacobus, in *Rooflines: The Shelterforce Blog*, http://www.rooflines.org/4787/housing_regulations_are_for_neighbors_not_residents/

## VIII. Housing Policies that Support Income Mobility

For the purposes of this literature review, upward income mobility is defined as the degree to which a child's adult earnings are independent of the earnings of her parent(s). Conversely a total lack of upward income mobility indicates that the economic circumstances into which one is born present the environment in which she will spend the rest of her life and in which her own children will be born and raised. For policy makers committed to disrupting intergenerational poverty and improving a child's odds of earning a higher income than their parents had earned, there is a number of active research programs pursuing understanding of how to identify housing and other policy levers that support upward income mobility. The recent research efforts of Stanford University's Professor Raj Chetty and Harvard Professor Nathanial Hendren have played a major role in advancing this discussion.

One stream of Chetty and Hendren's research relies on the data collected in HUD's multi-city "Moving to Opportunity" randomized trials which took place in the 1990s. The households involved were randomly assigned to either a treatment group that received a housing choice voucher and assistance moving to a lower poverty neighborhood or a control group that did not. Several previous data updates and analyses pointed to very mixed outcomes in terms of impacts on parents and children; however, enough time has passed that college enrollment rates among the study's children can now be observed. This research[61] showed that for boys and girls less than 13 years old, moving to a lower poverty neighborhood is linked to increased college enrollment and increased income in adulthood.[62]

Professors Chetty and Hendren also used "big data" from administrative databases in an attempt to identify environmental and social factors associated with higher levels of income mobility. Interestingly, among the dozens of variables examined for strong positive correlation with upward mobility, the single highest correlate was commute time between home and work. Areas where higher percentages of the population had short commutes (less than 15 minutes) were more significantly likely to demonstrate higher levels of income mobility. The positive relationship between transportation and increased social mobility is stronger than the relationship between mobility and other, perhaps more expected, variables (such as the concentration of single parent households, or elementary-school test scores).[63]

The importance of transportation as a means of escaping poverty has been independently identified by researchers in other institutions, such as New York University's Rudin Center for Transportation, which found that regional variations in access to public transit are linked to levels of unemployment. Neighborhoods where workers can walk or take mass transit and get to work within an hour have the highest incomes and the lowest rates of unemployment. Neighborhoods where workers have some access

[61] Chetty, Raj, Hendren, Nathaniel , Katz, Lawrence F. "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," Harvard University and National Bureau of Economic Research (August 2015).
[62] National Bureau of Economic Research, "A Summary Overview of Moving to Opportunity: A Random Assignment Housing Mobility Study in Five U.S. Cities"
[63] Mikayla Bouchard "Transportation Emerges as Crucial to Escaping Poverty" , The New York Times, May 7, 2015 https://www.nytimes.com/2015/05/07/upshot/transportation-emerges-as-crucial-to-escaping-poverty.html?_r=0

to mass transit but the transit in question does not link them to job opportunities, have the highest levels of unemployment and the lowest average incomes.[64]

Other neighborhood variables which Chetty and Hendren found to be highly correlated with income mobility[65] were:

1. Level of income inequality as measured through the Gini Coefficient, a metric expressing the degree to which income is evenly/unevenly distributed within a population.
2. Percent of teenagers (14-16 years old) who are employed.
3. The degree of "social capital" as reflected in affiliation with voluntary groups and organizations (such as civic, sports, religious, labor union, political, business, and others).[66]
4. Fraction of households who have middle-class incomes.

As researchers and policy makers point out, correlates are just clues to policy that can be leveraged to create solutions. Many of the strongest correlates point to culture and are difficult to access directly through policy. Also of interest is the fact that both mean income and "share of community that is foreign born" have some of the lowest correlations, which indicates very little statistical significance between these factors and income mobility.

A range of policy experts (including Professor Chetty and economist Melissa Kierney of the University of Maryland) agree that a sound approach to increasing opportunity must include, but cannot rely solely on, relocating families with low incomes to areas with lower concentrations of poverty. Investments in place must be included in efforts to increase mobility within and across neighborhoods. For instance, social capital occurs when people leverage authentic relationships and work together to invest in their communities. Moving people from their home bases disrupts the development of social capital, which is shown to impact economic mobility, and weakens the communal ties of the area where they had formerly lived.

## IX. Closing

Becoming unstably housed or homeless is based on reaching a tipping point where a person's shortage of personal and social assets (as evidenced through mental illness and isolation) intersects with a larger environment shaped by major social, economic, governmental, and/or historic forces. This literature review has focused on the structural influences that can be leveraged to prevent homelessness and increase housing stability for residents of Greater MSP.

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[64] Kaufman, Sarah M, Mitchell L. Moss, Jorge Hernandez and Justin Tyndall "Mobility, Economic Opportunity and New York City Neighborhoods", November 2015 , New York University, Rudin Center https://wagner.nyu.edu/files/faculty/publications/JobAccessNov2015.pdf

[65] Chetty, Raj and Nathanial Hendren, "The Impacts of Neighborhoods on Intergenerational Mobility II: County Level Estimates", National Bureau of Economic research Working Paper No. 23002, Revised Version (April ,2017). http://www.equality-of-opportunity.org/assets/documents/movers_paper2.pdf

[66] Rupasingha, Anil, Stephan J. Goetz, David Freshwater, "The Production of Social Capital in U. S. Counties", The Journal of Socio-Economics, 35 (2006) pp 83-101.

## X. Recommended Web Sites for Learning More about Affordable Housing and Housing Instability

U.S. Department of Housing and Urban Development, Office of Policy Development and Research

United States Interagency Council on Homelessness

National Alliance to End Homelessness

National Low Income Housing Coalition

National Housing Conference

Stewards of Affordable Housing for the Future

Brookings Institute

Cato Institute

Center for Budget and Policy Analysis

Urban Institute's Metropolitan Housing and Communities Policy Center

Terwilliger Center for Housing (Urban Land Institute)

Hoover Institution

MacArthur Foundation's How Housing Matters

Joint Center for Housing Studies of Harvard University

Minnesota Housing Finance Agency, Housing Policy

Metropolitan Council MetroStats, Research and Housing Plan and Housing Policy Indicator Dashboard

Minnesota Housing Partnership

Housing Link

Greater Minnesota Housing Fund