



CENTER ON URBAN AND METROPOLITAN POLICY  
THE BROOKINGS INSTITUTION  
AND THE URBAN INSTITUTE

# Rethinking Local Affordable Housing Strategies: Lessons from 70 Years of Policy and Practice

## EXECUTIVE SUMMARY

*“The federal government’s role in housing policy is shrinking, shifting more responsibility onto the shoulders of state and local actors.”*

*Efforts to provide affordable housing are occurring at a time of great change. The responsibilities for implementing affordable housing are increasingly shifting to state and local actors. The market and demographic changes in the country are complicating the picture, as sprawling jobs-housing patterns and downtown revivals in some places are creating demand for affordable housing for working families and immigrants in both cities and suburbs. To help state and local leaders design fresh solutions to today’s affordable housing challenges, The Brookings Institution Center on Urban and Metropolitan Policy and the Urban Institute joined forces to examine the lessons of seven decades of major policy approaches and what these lessons mean for local reforms. This executive summary of the full report, funded by the John S. and James L. Knight Foundation, finds that past and current efforts to expand rental housing assistance, promote homeownership, and increase affordable housing through land use regulations have been uneven in their effectiveness in promoting stable families and healthy communities. The findings suggest guiding principles for local action, with important cautions to avoid pitfalls.*

**A**cross the nation, state and local government leaders and their partners—in the corporate, civic, real estate, and nonprofit communities—are struggling to identify effective ways to provide affordable housing and homeownership opportunities for families and individuals at the bottom of the economic ladder. The federal government’s role in housing policy is shrinking, shifting more responsibility onto the shoulders of state and local actors. And despite the economic boom and significant innovations in community development that occurred during the 1990s, the affordable housing crisis intensified in most parts of the country. The challenges facing state and local policymakers are further complicated by the suburbanization of jobs, changes in household composition and housing needs, and the growing diversity of our nation’s population. And although every community faces serious housing affordability problems, variations across the country in the existing housing stock, population growth and demographic trends, and economic vitality create stark differences in housing conditions and trends, calling for unique, locally crafted responses.



## Purpose and Approach

**D**rawing on lessons from seven decades of housing policy and practice, this report aims to help state and local leaders take on the realities of today's affordable housing challenge. It examines three broad approaches to affordable housing—rental assistance, homeownership assistance, and regulatory policies—and assesses the effectiveness of each in addressing seven goals for affordable housing:

1. Preserve and expand the supply of good-quality housing units.
2. Make existing housing more affordable and more readily available.
3. Promote racial and economic diversity in residential neighborhoods.
4. Help households build wealth.
5. Strengthen families.
6. Link housing with essential supportive services.
7. Promote balanced metropolitan growth.

Often, the success of affordable housing programs is determined by the extent to which it achieves a narrow set of objectives, such as the number of new units created or the number of households with affordable housing cost burdens. Although important, these narrow criteria do not reflect the array of demands currently being placed on affordable housing programs. Today, affordable housing policies must help promote healthy families and communities. These seven goals thus provide a more comprehensive framework by which state and local leaders should evaluate the effectiveness of past and future affordable housing programs. Although not all housing programs can meet all seven housing objectives simultaneously, this list enables state and local leaders to better align the community outcomes they want to achieve with the housing policy approaches they adopt.

## Summary of Findings and Implications for Local Housing Strategies

**A**lthough there are serious gaps in the housing research literature, evidence on the experience of the past has a lot to offer today's policymakers and practitioners. The accompanying matrix provides an overview of our key findings on the effectiveness of federal housing programs in meeting the seven policy goals.

The following synthesizes the most relevant implications of these findings for local leaders.

***1. Rental assistance programs require deep subsidies if they are to reach the neediest households; moreover, to be successful, rental assistance programs should avoid clustering affordable housing in low-income neighborhoods and include efforts to raise the incomes of low-income households.***

Rental assistance programs—including both subsidized housing production and demand-side assistance (such as vouchers)—clearly play a central role in any housing strategy. However, the effectiveness of rental housing programs is not guaranteed; if poorly targeted or ineffectively implemented, they can actually work against the goals of an effective housing policy. Decisions at the federal level largely determine the resources available for rental housing assistance and set the broad parameters within which state and local actors operate. Some state and local governments allocate their own funds to rental housing assistance, but federal programs constitute by far the lion's share of resources available and in communities all across the country, these resources fall short of meeting needs.

Affordability is the central challenge for rental-assistance policy. This means that building more rental units is not necessarily the solution to the housing problems facing low-income renters. Subsidizing the rents for existing units is much less costly than building new units, and can help stabilize a faltering housing market, enable low-income households to compete in a tight market, provide struggling landlords with sufficient rent revenues to maintain their prop-

## Potential Effects of Housing Programs on Policy Goals

	Rental Housing Assistance			Homeownership Assistance			Land Use and Regulations
	Supply-Side Production	Demand-Side Vouchers	Supply-Side Mortgage Credit	Demand-Side Homebuyers Tax Policies and Assistance	Supply-Side Production		
<b>Preserve and Expand the Supply of Good-Quality Housing Units</b>	Yes—rental stock has been expanded, though more units need to be produced	Somewhat—may encourage landlords to maintain existing housing	Maybe—but impact is indirect	Maybe—but impact is indirect	Yes—primary goal of these programs is expanding owner-occupied stock	Mixed—some programs expand supply while others limit new affordable construction	
<b>Make Housing More Affordable and More Readily Available</b>	Yes—but affordability depends on size and duration of subsidies	Yes—primary goal is affordability; success depends on households' ability to find units	Yes—but impact is indirect	Yes—enhances buying power, but depends on price of housing stock	Yes—primary goal of these programs is affordability and access	Maybe—rent control may moderate rent increases in tight markets	
<b>Promote Racial and Economic Diversity in Residential Neighborhoods</b>	Rarely—depends on where new units are located, and who is eligible to occupy them	Possibly—if recipients can find units in diverse neighborhoods	Possibly—depends on locational decisions of buyers	Possibly—if recipients can find units in diverse neighborhoods	Possibly—depends on the location of units produced and local economy	Mixed—some reforms can expand affordable housing in affluent communities	
<b>Help Households Build Wealth</b>	Generally not—though lower rents may lead to increased family assets	Generally not—though lower rents may lead to increased family assets	Yes—but depends on house price appreciation and individual borrower circumstances	Yes—but depends on house price appreciation and individual borrower circumstances	Yes—but depends on house price appreciation and individual borrower circumstances	Mixed—some programs provide wealth-building opportunities while others do not	
<b>Strengthen Families</b>	Possibly—but little literature exists to confirm programs' ability to strengthen families	Possibly—but less impact if units are located in distressed neighborhoods or occupancy rules discourage family unification	Yes—but less impact if units are located in distressed neighborhoods	Yes—but less impact if units are located in distressed neighborhoods	Yes—but less impact if units are located in distressed neighborhoods	No	
<b>Link Housing with Essential Supportive Services</b>	Sometimes—when units are designed in conjunction with effective supportive services	Generally not	No	Probably not—unless services are explicitly linked with assistance	Probably not—unless services are explicitly linked with assistance	No	
<b>Promote Balanced Metropolitan Growth</b>	Rarely—depends on where the new units are built	Possibly—depends on recipients' ability to find units in suburban areas and close to job opportunities	Unclear—depends on general population's locational choices	Unlikely—though possible if recipients can find units in suburban areas and close to job opportunities	Rarely—the location of units thus far has generally not promoted balanced growth; however, neighborhoods have benefited from homeownership	Mixed—zoning and regulatory reforms can promote affordable development in all jurisdictions, though some do not	



erties, and prevent rental units from deteriorating and dropping out of the housing stock. In some circumstances, subsidizing the production of new rental housing units makes sense. But without deep, long-term subsidies, new rental units will not necessarily be affordable for the households whose needs are most severe.

Location also plays a critical role in the effectiveness of rental-assistance programs. A growing body of research now indicates that living in a high-poverty neighborhood can undermine the well-being of families and children, and that affordable housing alone cannot revitalize a distressed neighborhood. Both supply-side and demand-side programs can potentially play a role in a local rental-assistance strategy that takes location seriously. Using production programs to expand the availability of affordable rental housing in healthy neighborhoods (where it is scarcest) promotes economic and racial diversity and broadens opportunities for low-income households to live in neighborhoods that offer safety, good schools, quality services, and access to employment opportunities. At the same time, vouchers and other demand-side programs can be used to supplement what poor households can afford to pay for market-rate housing in neighborhoods of their choice.

### ***2. Homeownership among underserved populations has increased, mostly through improved access to mortgage credit; efforts to further expand homeownership should proceed cautiously.***

The promotion of homeownership has been a major focus of American housing policy, and although these programs have the potential to yield considerable benefit, they also have serious shortcomings. Homeownership should be promoted with caution among underserved households despite the numerous potential benefits it offers them, because not every homeowner will see all the benefits of homeownership and some may even suffer as a result of making poor housing decisions.

Federal programs that expand the availability of mortgage credit and help families overcome barriers to home buying have done much more to advance homeownership among low- and moderate-income households than programs that expand the supply of affordable housing. In this regard, the literature suggests that the most successful initiatives promoting homeownership have been federal—rather than local—and mostly in the form of the pressure government has placed on lenders and secondary market institutions to meet the financing needs of historically underserved groups.

Just as in the context of rental housing programs, location plays a critical role in the effectiveness of homeownership programs. A home's location will determine whether or not a family sees its value appreciate, and whether children realize social benefits. And although homeownership promotion may play a role in a larger strategy for revitalizing distressed neighborhoods, it cannot be the only tool used. The promotion of homeownership in poor and distressed neighborhoods may not have the hoped-for revitalization and stabilization effects and may even prove costly to the families who purchase there.

Not all households will necessarily benefit from homeownership. Potential first-time home buyers need to be informed about the risks as well as the benefits associated with homeownership so that they can make better-informed housing choices. Clearly, there are those for whom homeownership is not a viable option, and for them, other housing choices should be available in the community, along with assistance in building their income and wealth to prepare for homeownership. And for those who are ready to buy a home, assistance should go beyond the home purchase itself, to ensure that new homeowners are able to keep up with their mortgages and remain in their homes.

### ***3. Land use and other regulatory policies can have profound effects on the location and supply of affordable housing.***

Regulatory policies are often neglected as potential tools for affordable housing policy, because they do not directly subsidize either housing units or households. But state and local regulations have a powerful role in shaping the housing market. Traditional, exclusionary land use and zoning policies—such as banning multifamily housing and zoning for large lots—and growth

controls, which impose strict limits on housing supply without accommodating projected growth, can be big deterrents to building affordable housing, frequently excluding lower income and minority households.. On the flipside, inclusionary zoning programs and well-designed growth management policies, when enforced, can successfully expand the supply of affordable housing while keeping administrative costs low.

Regulatory tools can be of particular importance to localities because, unlike the other programmatic tools discussed in this report, the federal government plays only a limited role in the regulation of local housing markets. Thus, local policymakers enjoy a relative freedom from federal resource constraints and federal program rules and definitions (although they may have to abide by state laws or guidelines). The biggest constraint on the effective use of regulatory tools may actually be the fragmentation of authority among individual cities and counties. This fragmentation makes it difficult to craft regionwide strategies for expanding the availability of affordable housing, promoting racial and economic diversity, or promoting balanced growth.

Historically, local land use and development regulations have undermined the goals of affordable housing policy, whether intentionally or not. Getting rid of these exclusionary regulations works. Even in the absence of a comprehensive regional approach, eliminating (or moderating) regulatory barriers to affordable housing development can be effective. This does not mean that all regulations of land use and residential construction should be eliminated. Many regulations that raise the cost of housing development have legitimate goals, such as protecting health and safety or preserving farmland. Local governments need not abandon these goals, but they can and should reassess their regulatory policies to ensure that they allow for the development of more affordable rental and homeowner housing.

Although simply eliminating exclusionary regulations on a jurisdiction-by-jurisdiction basis can be effective, the most optimal efforts are those that are regional in nature. Well-designed regional growth management or land use strategies are those that use a mix of regulatory tools to increase the supply of affordable, multifamily housing and make way for higher densities, while also advancing other important metropolitan-wide goals, such as open space protection, transportation choice and central-city revitalization.

## Principles for Local Action

State and local policymakers, as well as housing advocates, community-based organizations, and funders, can draw upon the evidence summarized in the matrix as they plan, implement, and evaluate their own solutions to the affordable housing challenges in their communities. But the lessons of the past also offer a set of principles to guide local housing policy in the decades that lie ahead. Some of these principles may seem obvious, but nonetheless are frequently ignored. Others run counter to conventional wisdom, but following them could avoid some of the more dismal failures for which conventional thinking is responsible.

### ***1. Housing strategies should be tailored to local market conditions.***

Housing needs and policy priorities differ from place to place, due to differences in housing market conditions, history, and political realities. Although this report focuses on a comprehensive set of affordable housing goals and the tools that can be used to achieve them, it does not make sense to implement the same strategy everywhere. In hot markets, where population is growing rapidly and housing is in short supply, producing new affordable units may be a top priority. But in markets where the overall demand for housing is weak and vacancy rates are high, new units may not be needed; instead, poor households may need assistance in paying for the housing that is already available. And just as cities and metropolitan areas differ, neighborhoods within a jurisdiction often have very different housing circumstances and needs. Thus, the best strategies are those that match local conditions (and political realities) and respond to community input and expectations.

*“Inclusionary zoning programs and well-designed growth management policies, when enforced, can expand the supply of affordable housing while keeping administrative costs low.”*

## ***2. Housing markets are regional, so housing policies should be.***

While housing strategies must be tailored to local conditions, they should also be crafted with today's metropolitan realities in mind. The decentralization of both jobs and residents has been taking place over the past half century, but accelerated in the 1990s, solidifying the dominance of suburbs and reinforcing the link between city and suburban health in shaping growth and development patterns in a metropolitan area. Concerns over the fiscal, environmental, and socioeconomic consequences of sprawl and uneven growth patterns have sparked growing interest in metropolitan solutions. But for the most part, housing policy discussions remain strikingly local. In an era of population and employment decentralization, the metropolitan area—not the individual political jurisdiction—represents the appropriate level at which to think about and act on access to affordable housing. Enabling low-income families to live closer to employment centers (and stronger schools) in the regional economy not only will benefit those families and their children, but will also help reduce commute times, meet employer needs for workers, and ameliorate other negative consequences associated with current metropolitan growth patterns.

## ***3. Income policy IS housing policy.***

Most affordable housing strategies at the national and local levels are designed to expand the supply of affordable housing, with programs aimed to stimulate the construction, rehabilitation, and renovation of housing that is affordable to low- and moderate-income families. Production is a necessary component of a responsible affordable housing policy, but the lack of income remains the principal barrier to obtaining affordable housing. The U.S. Department of Housing and Urban Development's (HUD's) annual analysis of worst case housing needs generally finds that 80 percent of the problem is not housing inadequacy or overcrowding, but affordability. Thus, policies that help people increase their incomes will help address housing hardship as well.

State and local leaders are increasingly realizing that they can raise the incomes of working families by enhancing access to such federal investments as the earned income tax credit (EITC), nutrition assistance, health care, and child care. Some state and local groups have maximized the potential of the EITC by conducting outreach programs, providing support for free tax preparation services, and helping families use the credit as a gateway to financial services and savings. It is estimated that working families apply one third of their credits to housing needs. Other initiatives that help low-income families find and keep jobs, build skills, and advance economically should also be incorporated into strategies for making housing more affordable.

## ***4. Regulation can be a powerful housing policy tool.***

Often overlooked, state and local regulatory policies offer cost-effective opportunities to make private housing more available and affordable. Regulations such as zoning policies, land use restrictions, development fees, subdivision and design requirements, building codes, rent controls, and other regulations help determine whether and where different types of housing can be developed, how much it costs, and how it is maintained.

The traditional approach to land use and development regulation has resulted in policies that explicitly or implicitly limit or prevent the development of affordable housing in a jurisdiction, through restrictive policies like outright bans on multifamily housing or through requirements for large lot sizes, houses set back from the street, and wide sidewalks. While some of these regulations are valuable in meeting other goals, others can be detrimental and, when eliminated, have proven to open doors to more affordable rental and owner-occupied housing. Moreover, regulatory strategies like inclusionary zoning and thoughtful growth management policies can create powerful incentives for private developers to produce more affordable housing where it is needed most.

## ***5. Race matters.***

Historically, federal affordable housing policies—including Federal Housing Administration homeownership programs and public housing—have contributed to the residential segregation of our communities. More recently, these programs have made some progress in reversing the

isolation of poor and minority residents from neighborhoods of opportunity, but the long-established patterns of segregation persist. Most communities in the United States remain profoundly racially segregated. The 2000 census confirms that nationwide, the residential segregation of blacks from whites remains extreme (declining only slightly over the past two decades); segregation levels for Hispanics and Asians, though lower, are on the rise in many metropolitan areas.

Local policymakers may hope to design and implement “color-blind” housing policies, but if the realities of segregation and ethnic inequalities are ignored, these policies are unlikely to work as intended. For example, a homeownership assistance program may not lead to wealth accumulation for minority households if segregation and discrimination limit their housing options to minority neighborhoods where values are not appreciating. Vouchers fail to give low-income families real choices about where to live if they are excluded from neighborhoods beyond the central city. And the successful revitalization of an inner-city neighborhood may lead to displacement of minority households if no efforts are made to resolve conflicts between groups and to actively promote diversity.

### **6. Implementation matters.**

Even the best housing strategy will fail to accomplish its goals if it is not effectively implemented. The history of housing policy in the United States is replete with examples of well-intentioned programs that produced harmful outcomes because of poor administration. Before launching new programs, policymakers should critically assess the implementing organizations’ operational capacity and ability to build effective partnerships: Do they have sufficient staff and resources? Do they have the skills and experience needed to fulfill their new responsibilities effectively? Is the program designed to provide incentives for effective administrative performance? Sometimes, strengthening organizational capacity can be the most effective intervention to improve policy outcomes. Also, partnerships between organizations with complementary strengths can result in effective program implementation although successful, sustained partnerships also require time and resources.

Implementation agencies must also be held accountable for performance. Clearly defined performance measures and systematic performance monitoring can strengthen implementation. Also, local policymakers can hold agencies accountable by requiring that performance data be collected and published on a regular basis, which creates strong incentives for effective performance. Communities can also enter into performance-based contracts with public agencies, private companies, and/or nonprofit organizations, through which payments, bonuses, and or contract duration are all explicitly tied to the achievement of measurable performance targets.

## **Conclusion**

**A**fter decades of federal housing initiatives that were designed by Washington and administered by HUD or its predecessors, a palpable shift toward state and local control has dominated U.S. thinking about affordable housing policy. For more than a decade, federal policymakers have essentially devolved responsibility for the design and implementation of affordable housing initiatives to the state and local level. Across the nation, state and local government leaders are struggling to use the limited resources available to them in communities that differ significantly in their market conditions, residential patterns, regulatory regimes, and local goals.

Despite the changes occurring in housing policy and programs, and the new challenges posed by today’s economic and demographic trends, the experience of past housing programs has a lot to teach us. As the devolution of housing policies continues to unfold, there is great potential for state and local leaders to build upon the experience of the past while bringing fresh thinking to a new generation of approaches that respond to the diverse needs of our communities and further informs the evolving federal role in housing.

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