

Housing More People More Effectively through a Dynamic Housing Policy

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Introduction

In a world of limited public funding, how can the United States substantially increase the number of households benefiting from stable, affordable housing?

Given the diverse array of housing needs and the multilayered complexity of federal, state, and local housing policy, there is no single answer to this question. But it is clear there *are* innovative policy approaches that could help the nation house more people within current funding levels. This is not to say that housing subsidy programs could not serve even more households if they had more funding. Of course they could. But under any realistic funding scenario, there will remain large numbers of households with unmet housing needs. To meet these pressing needs, the nation must deepen its commitment to identifying and developing innovative approaches that increase the number of households served within a limited budget.

One way to make progress toward this goal is to move from a static, transaction-focused housing policy to one that focuses on a broader time horizon and considers how things change over time at the property, household, and neighborhood levels. Specifically, in order to identify opportunities that reduce the cost of providing affordable housing over the long term, practitioners and policymakers should ask:

- How can the affordability of properties be secured over their full lifecycles?
- How can housing strategies respond to the changing needs of households over time?
- How can housing strategies respond to and take advantage of the dynamics of neighborhood change?

This paper describes an initial set of dynamic housing strategies that address these questions, underscoring their ability to serve more households at a lower cost—and in some respects, more effectively—than a housing strategy focused on individual transactions or narrower time periods. Future work might focus on other benefits of a dynamic approach to housing policy, such as the benefits of universal design policies in facilitating aging in place and the possibility of portable mortgages that make it easier for homeowners to build wealth over time.

Much work will be needed to refine the housing strategies discussed here and overcome obstacles to their implementation. This work will be challenging and will require some initial commitment of resources to the policy development process. (If it were easy, it would have been done already.) But given the sophistication and experience of practitioners in the housing field, these goals are achievable, allowing the nation to house potentially hundreds of thousands of additional families within current funding levels.

Shifting the Focus from Transactions to Lifecycles

Most housing policy is transaction-oriented: States and cities fund the construction of new affordable housing developments; public housing agencies provide applicants with housing vouchers; nonprofit service providers provide shelter to individuals who are homeless. These are all essential activities that meet important needs.

Under a dynamic approach to housing policy, these transactions will still take place, but they will occur within a broader framework designed to maximize the benefits of limited resources over the full lifecycle of a building, household, or neighborhood. By extending the time horizon of interest from a single point in time to a full lifecycle, opportunities for cost-savings arise that if capitalized upon could help us serve more people more effectively within current resources.

To illustrate this approach, it is helpful to consider a number of housing strategies that have gained popularity in recent years that reflect a similar lifecycle approach. One example is *permanent supportive housing*, which is geared toward individuals with severe mental illness who are frequent users of emergency rooms, prisons, and other social and safety-net services. Historically, the approach to meeting the needs of these individuals in the U.S. has been transaction-oriented; government agencies and service providers serve these individuals as they present themselves within the various social and safety-net systems. But, it turns out—at least among frequent users of these services in communities with a strong safety net—that this approach costs the same or more than placing the individuals into permanently supportive housing, which sharply reduces their dependence on these other, expensive services.¹ It may cost more up front to fund the development of a permanent supportive housing facility. But in the long run—a portion of the lifecycle of the individual—it may cost less, or at a minimum, provide much better care at roughly the same cost.

A second example is *energy-efficient construction practices*. Traditionally, buildings are built using the construction methods that lead to the lowest initial costs that meet the quality standards specified—essentially, a transaction-oriented approach. In many cases, however, a focus on reducing initial costs can lead to higher long-term costs for operating the building due to missed opportunities for improving the building's energy efficiency. To ensure the lowest costs over the long run, one needs to weigh the higher initial costs of energy-efficient construction against the savings that accrue from lower utility costs over the course of the building's lifecycle and choose the approach that lowers the combined costs over time.^{2,3} This lifecycle approach leads to a different calculus that will not only save money,

but also lead to environmental benefits from reduced energy use and emissions of greenhouse gases.

Notably, both of these approaches were motivated initially by a desire to advance other social goals, rather than by a desire to save money. In the case of permanent supportive housing, the goals were to improve the individual's quality of life and mental health outcomes, and in the case of energy-efficient construction, the goals were to reduce energy use and emissions of greenhouse gases. Nearly all of the dynamic housing strategies covered in this paper exhibit a similar overlap with other social-policy goals. A focus on lifecycles rather than on transactions facilitates the advancement of a number of broader social-policy goals in addition to the important goal of housing more people within current subsidy levels.

While there is still much that could be done to further the implementation of these two strategies, both have entered the mainstream of housing policy and are well supported by intermediaries, funders, and others. For this reason, this paper focuses principally on other approaches that have not yet gained similar traction but merit consideration for heightened investment.

Anticipating and Addressing Changes at the Property, Household, and Neighborhood Levels

The examples above illustrate the benefits of focusing on lifecycles rather than on transactions. But they actually each focus on a different lifecycle. Permanent supportive housing meets the needs of a particular household type over time—individuals with severe mental illness—while energy-efficient construction techniques focus on generating benefits over the lifecycle of a building. Neighborhoods also have lifecycles, providing a third context for the development of a dynamic housing policy.

Each of these three contexts gives rise to a core question that can help identify promising approaches for serving more households within current resources. These questions are:

- How can the affordability of *properties* be secured over their full lifecycles?
- How can housing strategies respond to the changing needs of *households* over time?
- How can housing strategies respond to and take advantage of the dynamics of *neighborhood* change?

The pages that follow highlight specific strategies that respond to each of these three questions. While these strategies cover a diverse array of topics, they share a number of core characteristics. One common characteristic, of course, is their focus on lifecycles. A second, related characteristic is their shared focus on anticipating change and establishing a framework to preemptively address it. For example, a newly developed affordable housing property is generally financed to provide 15 to 20 years of viability, after which a new infusion of capital is needed to ensure the property can be maintained in good condition.

Because of the high transactional costs associated with recapitalization transactions, an approach that assumes the need for a second transaction is inevitably less efficient than one that anticipates this problem and provides a framework to address it from the outset.

The focus on anticipating and preemptively responding to change makes these dynamic strategies promising vehicles for improving efficiency. At the same time, this feature often adds a level of complexity that can make them more challenging to implement than traditional transaction-focused housing strategies. The added complexities obviously need to be factored in to determine whether they are truly more efficient. In many cases, however, these complexities do not actually add to the costs of administering the strategy but rather pose policy-development challenges that need to be addressed through investments in analysis, research, rules development, and technical assistance. These initial investments are likely to be modest in size compared with the savings these strategies promise, which will then enable the nation to house more people within current resources.

How can the affordability of *properties* be secured over their full lifecycles?

This section describes two approaches for maximizing the impact of limited subsidy dollars by extending the duration of affordability secured through an initial program subsidy to cover a property's full lifecycle:

- *Shared-equity homeownership* is a mechanism for ensuring that an initial subsidy used to reduce the purchase price of a home creates a lasting asset that can help one generation of homebuyers after another. It is an alternative to down-payment assistance grants (or forgivable loans that convert to grants), in which a subsidy is permanently transferred to a single household, providing little or no assistance to future homebuyers.
- *Lifecycle-underwriting* is an approach that ensures an affordable multifamily rental development has the resources needed to meet expected capital needs over a full 50-year lifecycle without the costly recapitalizations that are often required of assisted properties after 15 to 20 years. While it will sometimes increase initial development costs, lifecycle-underwriting will save money over a property's 50-year lifecycle, allowing existing funding to serve more households.

Other approaches for reducing costs by focusing on a property's full lifecycle include energy-efficient construction (see prior section) and universal design (see final section).

SHARED-EQUITY HOMEOWNERSHIP⁴

How does it work?

Shared-equity homeownership is a term used to describe a range of housing policies that seek to expand homeownership opportunities for low- and moderate-income households while balancing two competing goals: (a) preserving the long-term affordability of homes

originally made affordable through a public subsidy and (b) providing homebuyers with a significant opportunity to build wealth. The main mechanisms for implementing shared-equity homeownership are community land trusts, deed restrictions, and limited-equity cooperatives.⁵

Under a traditional down-payment assistance program, the program sponsor provides a subsidy to the homebuyer in the form of a grant or a “forgivable loan” that converts to a grant over a period of time (generally between five and 15 years). This approach makes homeownership affordable to the initial homebuyer, but provides no lasting benefit to the community to assist future homebuyers in need.

Under shared-equity homeownership, by contrast, the public subsidy is retained as a community asset so that it can help both the initial buyer and subsequent buyers. When a buyer purchases a home through shared-equity homeownership, a subsidy is used to reduce the purchase price of the home and then stays “with” the unit, so that the home remains affordable over time to future buyers.⁶ When the owner sells the home, a formula is applied to determine the sales price. Typically, the sales price is calculated in a way that ensures the home is affordable to the next purchaser while also allowing the original homebuyer to receive a healthy return on his or her initial investment. Different programs use different formulas, reflecting different balances between the competing goals of preserving affordability for future homebuyers and facilitating the accumulation of wealth by assisted homebuyers.

For example, assume a homebuyer can afford to pay \$140,000 for a home, but the market value of a decent-quality home is \$175,000. Under a shared-equity homeownership program, the buyer would purchase the home for \$140,000—essentially receiving a \$35,000 subsidy—but agree to sell it to the next buyer for an affordable price as determined by the program’s resale formula. Let’s say that, after seven years, the buyer decides to sell the home, at which point the home has a market value of \$215,000. If the shared-equity program allows the homebuyer to keep 25 percent of the home’s price appreciation, the homebuyer would keep \$10,000 of the \$40,000 appreciation, and would thus be allowed to sell the home for \$150,000. The departing homeowner would walk away with \$10,000 in home price appreciation, plus his or her original down payment and the benefit of the principal paid down on the first mortgage, for a total of around \$32,500 under the assumptions described in the footnote⁷—more than four times the homebuyer’s initial investment.⁸

How many more households could be served?

One way to expand the number of people able to purchase homes with a fixed amount of subsidy is to make shared-equity homeownership the default approach whenever large amounts of down-payment assistance are provided to a single household. Currently, there are thousands of down-payment assistance programs across the country. Many provide amounts of funding that are so small as to make shared-equity homeownership impractical. But others provide large amounts of assistance (e.g., \$20,000 or even \$40,000 or more)

that would make them suitable for a shared-equity approach. Homes made affordable through inclusionary zoning could also be kept affordable over time through a shared-equity approach.⁹

Over 30 years, shared-equity homeownership could help about two to three times as many homeowners as the same amount of down-payment assistance provided as grants to individual homeowners. Over 50 years, shared-equity homeownership could help three to five times as many homeowners. The outcomes for forgivable loans fall somewhere in between the outcomes for grants and shared-equity homeownership and will depend on how they are structured.

These statistics are based on modeling that assumes a set amount of new funding is allocated each year to fund homebuyer assistance through either a grant or a shared-equity model. At the outset, the two approaches serve the same number of homeowners, but as the original homebuyers sell their homes, the shared-equity models re-use the existing subsidies to serve new households, leading to gains in the number of households served. The size of the increase in the number of households assisted will vary depending on how long the shared-equity homeowners stay in their homes. The range specified above assumes homeowners stay in their homes between six and 12 years.¹⁰

What other social-policy goals does it help achieve?

Among other benefits, shared-equity homeownership substantially expands asset-building opportunities for low- and moderate-income households. Traditional down-payment assistance has the effect of transferring large amounts of wealth to a small number of beneficiaries; by contrast, shared-equity homeownership transfers smaller (but still sizable) opportunities to build wealth to a larger number of households by offering beneficiaries both a share of home price appreciation and the opportunity to build wealth through the forced savings of a fixed-rate mortgage.¹¹

Relative to unsubsidized homeownership, shared-equity homeownership also reduces the risks associated with a housing-market decline. Because buyers purchase their homes at levels that are well below market levels, they can avoid losses—and sometimes experience gains—even if home prices decline modestly. While shared-equity arrangements do not insulate buyers entirely from risks, they do mitigate risks substantially, leading to more predictable levels of asset accumulation.

Shared-equity homeownership can also be used to help ensure that neighborhoods experiencing sharp increases in rents and home prices retain housing options affordable to low- and moderate-income households. Once a home enters a shared-equity program, it remains affordable over time, notwithstanding increases in surrounding home values.

What evidence is available on the program's effects?

A study by the Urban Institute of seven shared-equity homeownership programs found that they achieved their core goals of helping low- and moderate-income households to purchase

homes while keeping the homes affordable over time to subsequent homebuyers. For all but one of the programs, the return on investment of the homebuyer's initial down payment exceeded that of the S&P 500, in most cases by a substantial amount.¹²

There is also evidence that at least some shared-equity homeownership programs had much lower foreclosure rates than traditional homeownership during the foreclosure crisis.¹³ It is not clear to what extent this outcome is related to the structure of the program, the fact that a program sponsor was monitoring the initial home purchase to ensure it was affordable, or the presence of a program sponsor to intervene to help homeowners who may be in trouble.

What are the principal obstacles to its expanded use (aside from more funding)?

One important challenge to expanding shared-equity homeownership is the difficulty of accessing conventional mortgage channels for first mortgages of homes purchased through a community land trust or other shared-equity mechanism. The community land trust movement has negotiated an agreement with Fannie Mae to address concerns and allow mortgages of homes bought through a community land trust to be sold to Fannie Mae.¹⁴ Today, however, it is much more difficult for low- and moderate-income buyers to qualify for Fannie Mae financing and so buyers have turned to the Federal Housing Administration (FHA). While FHA is studying the issue, it has yet to definitively indicate that it will insure mortgages on homes purchased through community land trusts or other shared-equity mechanisms.

Other challenges include:

- Lack of awareness and understanding of shared-equity homeownership among program sponsors.
- The administrative complexity and expense of monitoring the ongoing affordability of a stock of owner-occupied homes. Among other challenges, practitioners report difficulty using federal housing funding streams, such as HOME, to cover the costs associated with preserving the long-term affordability of shared-equity homes.
- A lack of standardization as well as multiple shared-equity models and formulas make it harder for national banks and other national players to be involved.
- Consumer confusion in light of the model's complexities.
- Local political opposition, in some cases motivated by a concern that shared-equity homeownership is a form of "second-class citizenship" relative to traditional homeownership.¹⁵

What are the most important next steps for developing or supporting this policy?

These four steps would encourage the greater use of shared-equity homeownership:

1. Authorization to use FHA insurance—as well as financing from Fannie Mae and Freddie Mac—in connection with the first mortgages for homes purchased through community land trusts and other shared-equity mechanisms.
2. The development of a supportive regulatory framework by the U.S. Department of Housing and Urban Development (HUD) and by state and local funders that facilitates the use of existing housing subsidies for shared-equity homeownership and ensures that program sponsors have the ability to cover the reasonable stewardship costs of maintaining an inventory of shared-equity homes.
3. Guidance from HUD encouraging the use of shared-equity homeownership mechanisms to preserve long-term affordability whenever a jurisdiction uses HUD funding to invest more than a threshold amount of funds in affordable homeownership. Currently, HOME program rules require that affordability be maintained for five to 15 years (depending on the size of the investment) and permit funds to be forgiven proportionally each year.
4. The development and use of performance standards that recognize the value of long-term affordability by measuring the number of unit-years of affordability created (rather than simply a count of the number of affordable units developed).

LIFECYCLE-UNDERWRITING

How does it work?

Lifecycle-underwriting is an approach to structuring the finances of a multifamily property that focuses on the capacity of the property to finance the replacement of building systems (e.g., the roof, the heating system, etc.) as they age over the course of the property's expected lifecycle. The duration of the lifecycle used in the underwriting process can vary based on the interests and expectations of the property's owners and funders. This discussion focuses on a 50-year lifecycle, but a similar approach could be used to examine a property's ability to finance a 40- or 60-year lifecycle.¹⁶

Under a lifecycle-underwriting approach, the underwriter—which could be a bank that is extending a loan or a government sponsor that is awarding a subsidy, such as Low-Income Housing Tax Credits (LIHTC)—models the projected finances of a property to determine if the property appears likely to have sufficient resources (from reserves, cash flow, or the proceeds of a mortgage-refinancing) to finance the replacement of aging building systems over its full lifecycle. If the analysis indicates the property will not have sufficient resources, the underwriter requires a change in the property's financial structure to make it more likely that this outcome can be achieved. This can be done by increasing the size of the initial deposit into the property's reserves or by restructuring the finances in another way to increase the projected size of the annual reserve deposit.

In the context of financing an affordable multifamily development, the important outcome of this process is that the development begins its life with an expectation that it will have sufficient funding to remain in decent physical condition over the course of the full lifecycle

without the need to inject additional equity or subsidy midway through the project's lifecycle. This substantially reduces the likelihood that an additional recapitalization of the property through a new LIHTC transaction will be needed, freeing up LIHTC funds to go toward the development of additional LIHTC units.¹⁷

By contrast, under the traditional approach to underwriting multifamily affordable rental housing, the focus is generally on ensuring a property can meet its repair and replacement needs during the initial 15-year period during which LIHTCs can be recaptured if not properly used, with an expectation that the property will be recapitalized after around 15 to 20 years. This recapitalization is typically accomplished through a new LIHTC transaction. While the recapitalization will often use 4 percent LIHTCs, which are less costly to the federal government than the 9 percent credits generally used for the initial development, they nevertheless consume substantial resources both for the credits themselves and for the fees for attorneys, accountants, financial institutions, consultants, and others needed to complete the transaction.

During a 50-year lifecycle, a property may be recapitalized two or even three times, utilizing resources on each occasion that could be targeted instead toward the development of additional affordable rental units. By avoiding these recapitalization costs, a lifecycle-underwriting approach frees up funds to develop additional affordable rental units.

How many more households could be served?

A conservative estimate suggests that lifecycle-underwriting could increase the number of multifamily affordable rental housing units produced each year by about 10 percent.¹⁸ This increase will begin once newly underwritten properties reach year 15 and no longer need to consume resources for recapitalization. During the initial 15 years, some additional resources will be needed to increase the size of initial reserve deposits to ensure the properties can finance replacement needs over a full lifecycle, reducing production levels in initial years by perhaps 2 to 5 percent annually. So the ultimate payoff is over the long run, once the higher production levels are reached and offset the somewhat diminished production levels from the initial years.

There are a number of reasons to believe this estimate understates the impact of lifecycle-underwriting on production levels of affordable housing. First and foremost, the estimate assumes that transactions to preserve the affordability of existing multifamily rental units will account for about one-third of LIHTC transactions throughout the analysis period, rather than rising over time as would be expected as more and more previously developed properties reach year 15. Assuming the share of properties in need of preservation through recapitalization will rise over time, the estimated benefits of lifecycle-underwriting in boosting production levels would increase accordingly.

If the share of LIHTC units in need of preservation does not rise over time, this would suggest the loss of existing LIHTC units through some other mechanism—such as owners choosing to take their properties to market levels after initial required affordability periods end—a problem that could be avoided by combining lifecycle-underwriting with

requirements that LIHTC properties remain affordable over their full lifecycles. The ability to reduce leakage out of the affordable housing inventory by imposing and enforcing these long-term affordability requirements is another mechanism through which lifecycle-underwriting can help boost the supply of affordable rental housing.

At present, some states impose long-term affordability requirements through the Qualified Allocation Plans that govern the allocation of LIHTCs *without* using lifecycle-underwriting to extend projects' financial viability beyond year 15, leading to what is essentially an unfunded mandate. The implicit but generally unstated assumption is that, once a property subject to the mandate is ready to be recapitalized, the state will assist by facilitating a new LIHTC transaction. Without the ability to recapitalize, the project's owners will argue they have no way of keeping their promise to maintain long-term affordability.

What other social-policy goals does it help achieve?

At present, the preservation of existing affordable rental housing is an all-consuming passion for many developers and regulators. Apart from the financial resources dedicated to preservation transactions, there is a considerable amount of time and energy devoted to tracking projects that are in need of preservation, assembling the resources needed to consummate these transactions, and obtaining control of properties in need of preservation.

If lifecycle-underwriting were combined with long-term affordability covenants, this energy could be devoted to other goals, including the development of new affordable housing units as well as efforts to help residents of the properties achieve other life goals, such as making progress toward economic security (for non-elderly households) or living more independently (for older adults).

Reducing or eliminating the situation in which affordable properties run out of funding for replacing aging building systems could also lead to improved housing quality for residents who might otherwise suffer the consequences of aging roofs, boilers, or sidewalks, pending the closing of a recapitalization transaction to meet the backlog of accumulated repair and replacement needs.

What evidence is available on the program's effects?

An analysis of the finances of 269 affordable multifamily properties found that 47 percent of them would need an increase in their initial project reserves to permit them to have sufficient resources to replace aging building systems during a 50-year lifecycle. Among those that needed to boost their initial reserves, the median amount of that increase was \$5,412 per unit, about 4 percent of the average initial costs to develop a unit. This increase amounts to about \$2,544 per unit across the full sample (including those that did and did not need an adjustment), a bit less than 2 percent of the initial development costs.¹⁹

These properties represent a convenience sample and are not necessarily representative of the full universe of LIHTC transactions. Nevertheless, this analysis suggests that the conventional assumption that multifamily affordable properties need to be recapitalized at

year 15 or 20 may be misplaced, as a substantial number of properties appeared to have sufficient financing to avoid this expense. The analysis also suggests the cost of putting properties in a financial position to avoid recapitalizations during their full lifecycle is fairly small compared with both the initial total development costs and the public funds saved by reducing the need for recapitalization. Among the properties examined for the study, 4 percent LIHTC transactions consumed an average of \$63,985 per unit in LIHTC equity and other public funds, which provides a rough estimate for the savings of public funds from each recapitalization transaction avoided.²⁰

What are the principal obstacles to its expanded use (aside from more funding)?

Perhaps the two biggest obstacles to the increased use of lifecycle-underwriting are its novelty and how fundamentally it proposes to change the status quo. There is no formal obstacle to a housing finance agency deciding to implement lifecycle-underwriting tomorrow, and in fact, some agencies already require increased reserve deposits. However, there are a host of practices and expectations that have grown up around the current underwriting approach that will need to be revisited. For one, it is often expected that some of the cash flow that an affordable property may generate be used to pay deferred developer fees; in addition, property owners may not have full access to the cash flow under the financing agreements. Under a lifecycle-underwriting approach, by contrast, it is expected that cash flow will be used on occasion to help meet a property's replacement needs. Lifecycle-underwriting also assumes the proceeds of mortgage refinancing would be available to meet replacement needs, but current practice may place limitations on the use of these funds for this purpose.

A second set of issues relates to the need to develop mechanisms to repurpose the full value of savings from lifecycle-underwriting to expand the number of affordable units developed. A substantial reduction in the need for recapitalization transactions to preserve existing affordable multifamily properties would free up HOME and other "gap" financing resources to fund new development. However, existing law does not allow states to take the 4 percent LIHTCs that would have been used for the preservation transactions and convert them to the 9 percent credits often needed for new development. This prohibition applies even if the conversion would result in no additional cost to the federal government. While some projects can be developed initially with 4 percent credits, many will require 9 percent credits.

What are the most important next steps for developing or supporting this policy?

The initial work of developing a lifecycle-underwriting model—building a model, testing it with a sample of properties, and considering the ensuing policy implications—has already been done. The results of this work, including an online calculator to allow practitioners to apply the lifecycle-underwriting model to their specific projects, are available online.²¹ The next logical step would be to assemble a working group that is tasked with identifying the specific policy changes that would be needed to implement the model at the state level. It would also be useful to identify one or more states willing to try out the model to determine

how best to incorporate it into their standard practice. The working group could be focused on a single state with an interest in applying the model or focused on representatives from multiple states interested in investigating how the model could be applied to expand the number of properties assisted.

How can housing strategies respond to the changing needs of households over time?

Just as properties have lifecycles, so do people. Over the course of an individual's lifecycle, his or her needs may change. A dynamic approach to housing policy encourages strategies that respond to these changing needs over time. The result is a more efficient system that is able to help more people within current funding levels.

This section describes two approaches for strengthening housing policy to better respond to the changing needs of households over time:

- *Family Self-Sufficiency*—This policy focuses on helping households living in subsidized rental housing to take advantage of the stability that housing assistance provides to make progress toward economic security by taking steps to boost their earnings and assets and strengthen their financial capability.
- *Eviction-Prevention*—Eviction-prevention strategies focus on improving the ability of households to weather short-term crises that jeopardize their ability to maintain residential stability.

Universal design (see final section) is another approach for ensuring that a single housing unit can meet the changing needs of households over time.

FAMILY SELF-SUFFICIENCY

How does it work?

Family Self-Sufficiency (FSS) is the name of a specific program administered by HUD that aims to boost earnings and assets of individuals who have housing vouchers or live in public housing. But as used here, the term is broader, referring to the full spectrum of programs for helping residents of subsidized housing increase their earnings, build assets, and improve their financial capability. Because it is already authorized by Congress and in operation across the country, FSS is an important vehicle for advancing this goal, but it is also important to explore other approaches, including the "saturation" approach pioneered by Jobs Plus and variations on FSS that may be more easily scaled.

The context for these programs is the limited availability of rental subsidies, which currently serve only a portion of those in need. With prospects dim for dramatically expanding funding for rental assistance, attention naturally turns to whether it is possible to help some of the existing beneficiaries of rental assistance increase their earnings so as to free up subsidy dollars to help additional households—either by reaching a position in which they no

longer need their rental assistance or by reducing their subsidy needs by being able to afford to pay a larger share of their rent on their own. Other reasons to be interested in housing-based self-sufficiency initiatives range from a belief that recipients of government assistance have a responsibility to do their part to reduce the government's expense to a desire to help individuals more holistically than simply by reducing their monthly rent.

Given this alignment of interests, there has been a longstanding focus on helping households in subsidized housing to increase their earnings. A series of demonstrations during the 1980s paved the way for enactment of FSS in 1990. Based on a proposal by President George H.W. Bush, FSS combines three components thought to be important for helping households increase their earnings: (a) stable, affordable housing through a housing voucher or public housing; (b) a financial incentive for increased earnings in the form of an escrow account that grows as participants' earnings grow;²² and (c) case management or coaching to help participants access services that may be needed to help them overcome barriers to increased work. FSS currently serves more than 69,000 households, mostly in the housing-voucher program.

While the importance of asset-building in supporting the well-being of low-income households was not widely recognized until well after FSS was adopted, FSS incorporated an asset-building component from its inception in the form of the FSS escrow account. Even though FSS serves fewer than 5 percent of the non-elderly non-disabled households in federally subsidized housing, it is *likely the largest program in the United States focused specifically on helping poor and near-poor households to build wealth*. This makes FSS simultaneously a very small program by HUD standards but of substantial size from the perspective of the asset-building field.

FSS is not the only effort underway to increase the earnings of participants in subsidized housing. An initiative known as Jobs Plus utilizes an alternative approach focused on reaching out to every adult in a particular public-housing development, seeking to achieve a "saturation" effect that adjusts expectations for everyone in a development. Like FSS, Jobs Plus provides both a financial incentive for increased earnings and some level of one-on-one support; but it does not include an asset-building component. Jobs Plus was administered on a demonstration basis in the early 2000s, and \$15 million was appropriated by Congress for FY 2015 to fund replication.

A third set of efforts has been undertaken through the Moving to Work Demonstration, which vests participating public-housing authorities with the legal authority to adjust traditional HUD rules to achieve a range of objectives, including promoting economic self-sufficiency. Moving to Work agencies have adopted a wide array of different strategies to advance this goal,²³ including moving to a less frequent schedule for recertifying income (which is thought to reduce disincentives for increased work by delaying rent increases associated with increased earnings),^{24,25} substantially increasing the minimum rent, and adopting variations of FSS intended to facilitate efforts to take it to scale. In Portland, Oregon, for example, participants only earn escrow once their income-based rent passes a minimum "strike point" of \$350 per month, while in Cambridge, Massachusetts, participants

receive half of the traditional escrow account. There is reason to believe that both of these modified escrow incentives may be more cost-effective than the standard FSS incentive (and may even be cost-neutral),^{26,27} allowing the agencies to substantially expand participation. The Cambridge program—a partnership between the Cambridge Housing Authority and the nonprofit organization, Compass Working Capital—also incorporates a specific focus on helping individuals to build financial capability, pay down debt, and increase their credit scores.

How many more households could be served?

There are two general approaches to expanding participation in these types of programs. Under the incremental approach, current programs such as FSS or Jobs Plus would be increased through improved outreach to residents, by leveraging local funding and partnerships to provide the needed services, and by expanding eligibility for FSS to residents of project-based Section 8.²⁸ A back-of-the-envelope estimate would suggest that an incremental approach could boost participation by perhaps 20,000 to 40,000 households.

A second approach—which could be used in conjunction with the first—would develop a model for FSS that could be incorporated into the very fabric of housing assistance and offered to ALL households living in subsidized housing. The financial incentives offered through FSS variations being utilized in Portland and Cambridge are examples of models that could potentially be incorporated into the basic bundle of rental assistance at little or no additional cost due to the use of incentives designed to be cost-neutral or close to cost-neutral. Roughly two million of the five million households living in subsidized rental housing are families with children,²⁹ providing a rough estimate of the upper limits of potential impact of such an approach. Realistically, a low-touch intervention that relies solely or primarily on financial incentives will not be sufficient to help all or even most of these households. But even if the program were to help only one in five families with children, that's still 400,000 households, with the potential for a deeper impact if complementary services to promote work and financial capability could be added by leveraging local partnerships.³⁰

As existing residents increase their earnings and transition off of assistance, new households can take their places. To the extent participants do not give up their assistance, but subsidy needs decrease due to residents paying a higher share of their own rent, a new policy mechanism will be needed to give housing agencies the ability to use these savings to assist new households.

What other social-policy goals does it help achieve?

Households that experience earnings gains will have more money available for nutritious food, work-related expenses such as transportation and child care, and health expenses. The FSS escrow account also provides an opportunity to build assets that program graduates can use to advance key life goals such as purchasing a home, starting a business, investing in their education or the education of their children, and saving for retirement. Households that experience gains in financial capability will experience substantial gains to

their household balance sheets from increased savings, reduced credit-card debt, lower borrowing costs (due to increased credit scores), and improved budgeting.

What evidence is available on the program's effects?

Available research indicates that subsidized housing does not, in and of itself, boost or lower earnings over the long term, with the weight of the evidence suggesting there is a short-term negative impact on earnings caused by the initial receipt of assistance, which fades to insignificance within a few years.³¹ However, an evaluation of the Jobs Plus demonstration provides support for the proposition that, when well executed, a self-sufficiency initiative can materially boost the earnings of residents of subsidized housing. In the three sites that most completely implemented the demonstration and sustained it over time, Jobs Plus caused the average annual earnings among non-disabled working-age residents of the targeted public-housing developments to increase by 16 percent (an average gain of \$1,300) during the seven-year study period, which included three years of follow-up after the initiative ended.³²

A national evaluation of FSS using random assignment is currently underway so results are not yet available. HUD's most recent national study of FSS tracked 170 families in the housing-voucher program who enrolled in FSS at 13 housing authorities over a four-year period.³³ After four years:

- About one-quarter (41) of the families had graduated from FSS. Their annual earnings had increased from an average of \$19,902 in 2006 to \$33,390 in 2009 (all in 2009 dollars). Thirty-five had positive balances in their FSS escrow accounts, which averaged \$5,294 per family.
- Forty-three were still enrolled in FSS and mostly employed during the study period. Their average hourly wages had increased from \$11.84 to \$13.61 (again, in 2009 dollars) and their average weekly hours of employment had risen from 29.4 to 34.9. The overwhelming majority had positive escrow balances, averaging in the range of \$3,500.

Of the remaining families, 63 were no longer in the FSS program, which includes families who gave up or lost their housing vouchers, and 23 were still in FSS but not making progress. Unfortunately, there was no control group to provide a benchmark for gauging these results.

There have been a number of evaluations of individual local FSS programs. The most rigorous of these evaluations found mixed results during the early years of an experimental FSS program in New York City with moderately significant gains reported for some subgroups (those not working at entry and those on food stamps at entry) but not for other subgroups or for the sample as a whole.^{34,35}

What are the principal obstacles to its expanded use (aside from more funding)?

The single biggest obstacle to the success of local FSS programs is the lack of centralized support for program operations, such as guidance and training on how to run an excellent FSS program, the identification and sharing of best practices across FSS programs, and the networking of FSS practitioners to facilitate peer-to-peer learning. The field also lacks benchmarks against which to evaluate progress and data systems to help practitioners understand the extent to which their programs are succeeding. Other challenges include a lack of evidence on which approaches are most effective for which clients and under which circumstances, a lack of clear guidance on the importance of financial capability as a core programmatic outcome of family self-sufficiency initiatives, a lack of funding stability for the coordinators who run the program, the isolation of FSS coordinators within larger bureaucracies that do not always share their mission and passion, and the increasingly common practice of asking FSS coordinators to assist with administrative work not related to FSS due to decreases in housing authority administrative fees. More broadly, it is also unclear to what extent there is a shared vision across the field for using subsidized housing as a platform for economic mobility—an issue that may make it difficult to secure the investments these programs need to succeed.³⁶

What are the most important next steps for developing or supporting this policy?

The launch of the national evaluation of FSS and the rent-reform demonstration are important steps in the direction of building the field's knowledge base. The following are four additional steps that would help the field move forward:

1. Convene a community of practice of leading FSS coordinators together with experts in workforce development and financial capability as well as representatives of key partners for local FSS programs (e.g., Temporary Assistance for Needy Families agencies and Workforce Investment Boards) to develop guidelines on what constitutes an excellent FSS program, the performance measures and benchmarks that FSS practitioners should use to assess the strength of their programs, and what centralized support the field needs to encourage excellence.
2. Provide ongoing technical assistance to local FSS programs to boost their skills, facilitate peer-to-peer learning and the dissemination and adoption of best practices, and ensure data are being collected and analyzed to inform program-monitoring and support.
3. Allow residents in the project-based Section 8 program to participate in FSS.
4. Continue to experiment with new approaches to taking family self-sufficiency to scale in a cost-effective manner through rigorously evaluating models that are currently underway as well as new models that build on learning from earlier ones. Ideally, this work would eventually lead to the incorporation of family self-sufficiency features into the basic delivery model of subsidized rental housing for all participants. Progress is being made on this front, but there is a need to pick up the

pace of learning, conducting multiple activities simultaneously and sharing information liberally among innovators.

EVICTION-PREVENTION

How does it work?

Under current housing policy, households with incomes up to 80 percent of the area median income (AMI) are eligible for federal rental assistance, but the supply of rental assistance falls far short of the demand, leading to lengthy waiting lists and lotteries in which rental assistance is awarded to households selected at random. The BPC Housing Commission recommended a reformed voucher program that over time would limit eligibility to households with incomes at or below 30 percent of AMI—on a national basis, close to the federal poverty line—while ensuring that all eligible households requesting assistance would be served.³⁷

This raises the question of how to help renters with incomes above 30 percent of AMI that face housing challenges. One potential solution, included in the Housing Commission’s report, is to establish an *eviction-prevention* system that helps renters weather short-term crises, such as a pending eviction due to the loss of a job or an unexpected medical bill or the imminent shut-off of utilities due to nonpayment.³⁸ This system could be structured in a number of ways. One approach would be to provide a sliding scale of assistance, with households at the higher end of the income spectrum eligible to borrow funds from a revolving loan fund at low interest rates with patient repayment terms, while households with incomes closer to 30 percent of AMI would receive one-time grants. Services could be added for households at the low end of the spectrum, if needed and desired by the applicants, to help them build financial capability and develop and adhere to budgets. The system could be funded by reallocating some of the federal assistance for which these households would no longer be eligible, by treating it as a form of insurance in which renters pay a premium each month for the opportunity to access the fund when needed,³⁹ or through some other funding source.⁴⁰

This type of eviction-prevention system would be quite different from the traditional rental assistance for which these households are currently eligible, though rarely receive, due to limited funding and a required preference for households with incomes below 30 percent of AMI. Instead of receiving a large income-based subsidy that continues month after month, so long as these households meet the eligibility requirements, they would receive assistance on a one-time basis, when needed to weather a short-term crisis. In essence, this approach utilizes a risk and resilience framework, creating a system that boosts people’s resilience to crises by providing them with access to resources to help them manage crisis situations to avert destabilizing outcomes. While eviction-prevention programs do not work as well as rental-assistance programs in helping to close systemic gaps between income and expenses, they are actually superior to traditional rental-assistance programs in helping households meet imminent crises because they can be made available with little or no

delay. By contrast, to receive rental assistance in most parts of the country today, you either need to wait on a list for years or win a periodic housing lottery.

The eviction-prevention programs described here have more in common with an approach currently being used to prevent homelessness, which relies on a combination of one-time grants, shallow time-limited rental subsidies, counseling, and other services to help individuals and families in imminent danger of becoming homeless. In essence, these homelessness-prevention programs represent the extreme end of the continuum of eviction-prevention programs. The difference is that the eviction-prevention programs are aimed at a higher-income cohort that is more likely to be able to achieve long-term residential stability once their immediate crisis is addressed. Another difference is that these eviction-prevention programs would be set up to have clearly transparent terms with minimal case-manager discretion. They would be more like insurance programs than diversion programs intended to reduce the use of more expensive services, such as homeless shelters or TANF.

How many more households could be served?

It is difficult to say with certainty. On a per-household basis, it seems likely that eviction-prevention is more cost-effective than a long-term rental subsidy, even if the one-time eviction-prevention payment were made as a grant (and especially if some were administered as a revolving loan fund and/or funded through insurance premiums). Exactly how much would be saved cannot be determined without further study.

The number of beneficiaries will also depend on how many jurisdictions adopt this policy. At least at first, the policy would likely be adopted by individual states, cities, or public-housing authorities, rather than nationally. However, if proven to be successful in certain communities, it could be replicated in others.

What other social-policy goals does it help achieve?

The chief goal advanced by eviction-prevention programs is residential stability. Residential stability is considered important for a range of individual and family outcomes, such as improving adult mental health by reducing stress and helping children progress in school by minimizing disruptions associated with unplanned moves. Researchers have struggled to disentangle the effects of residential stability from those of housing affordability and instability of the household roster. A new study being launched by the MacArthur Research Network on How Housing Matters for Children and Families hopes to unpack these intertwined components to separately estimate the effects on children and their parents of each dimension of housing.

What evidence is available on the program's effects?

There does not appear to be any formal evidence available about the efficacy of one-time payments or loans to help residents with moderate incomes to overcome short-term crises and maintain residential stability. This is partly because efforts to use one-time payments to promote residential stability have been focused primarily on a lower-income population, as

part of broader strategies to prevent imminent homelessness or divert households from applying for TANF cash assistance. Practitioners report that most individuals in this situation need more than simply a one-time cash transfer to remain stably housed, and much of the rigorous research in this area has focused on the impacts of providing shallow time-limited subsidies through rapid rehousing. Fortunately, there is at least preliminary evidence suggesting that evictions can be reduced among this harder-to-serve population; Matthew Desmond estimates that the Homelessness Prevention and Rapid Rehousing Program reduced evictions by 15 percent in Milwaukee, Wisconsin.⁴¹

In the absence of experimental evidence of the impacts of eviction-prevention programs on moderate-income households, it would be useful to examine research on the extent to which unassisted renters with these incomes manage to maintain residential stability and what types of circumstances jeopardize it. Unfortunately, there is a gap in the research literature here as well. Despite the fact that the overwhelming majority of low-income renters are unassisted, we know very little about how they manage their housing situations over time.⁴²

What are the principal obstacles to its expanded use (aside from more funding)?

In addition to the lack of evidence about whether and under what circumstances eviction-prevention works, a key challenge is the fact that this activity falls between the crevices of the housing bureaucracy. Housing authorities and private owners of multifamily affordable rental properties focus on managing their housing-subsidy programs, which consist of specific subsidized-housing developments and (for housing authorities) vouchers that people use to rent housing on the private market. The homelessness system, by contrast, focuses primarily on helping individuals and families who have already become homeless to regain some measure of housing stability and secondarily on preventing homelessness. But no agency has clear responsibility for ensuring residential stability for lower-income households who lack rental assistance and are not in imminent danger of becoming homeless.

What are the most important next steps for developing or supporting this policy?

The following are three steps that could materially advance the field in this area:

1. The “lowest hanging fruit” is to thoroughly document what can be learned from the various programs undertaken to date that are similar, if not identical. This would include homelessness-prevention programs funded through the Homeless Prevention and Rapid Rehousing demonstration and other funding sources, including more recent efforts like those of the Siemer Institute for Family Stability and its associated United Way partners; emergency programs that fund back rent and utility payments through TANF; and the experience of housing authorities with Moving to Work status, such as King County, Washington, that are experimenting with eviction-prevention programs. A key focus of this review would be to document the experience of practitioners in working with households in different situations to better understand the types of households or situations that could benefit from a one-time cash transfer and the types that require more intensive intervention.

2. A second step is to design and execute a research demonstration to test one or more approaches to promoting residential stability for moderate-income households through a rigorous experimental or quasi-experimental methodology. Among other strategies to consider is a revolving loan fund and a rental-insurance program, or a combination of both. Public-housing authorities with Moving to Work authority are natural candidates to administer these programs. The Siemer Institute could be another potential partner, to the extent that one or more of their partner United Way agencies are interested in expanding their services to households beyond those in imminent danger of becoming homeless.
3. Finally, the nation should establish a broad long-term research goal to better understand how unassisted renter households at different income levels maintain residential stability, what factors jeopardize their stability, and what impact the loss of residential stability has on the well-being of both adults and children. A clearer understanding of the nature of the problem would help us craft more effective solutions.

How can housing strategies respond to and take advantage of the dynamics of neighborhood change?

A third dimension of change to consider in developing a dynamic housing policy is at the neighborhood level. This section will address one particular type of neighborhood change—an influx of higher-income households driving up rents and home prices—where the timing of the community’s response plays an important part in both the cost and feasibility of implementing an effective solution. Future analyses may wish to examine other dimensions of neighborhood change from a lifecycle perspective.⁴³

PRESERVING AND EXPANDING AFFORDABLE HOUSING IN AREAS EXPERIENCING AN INFLUX OF HIGHER-INCOME HOUSEHOLDS

How does it work?

A growing interest in urban living among relatively higher-income households is increasing demand for housing in many urban neighborhoods, leading to higher rents and home prices that are hard for low- and moderate-income households to afford. This issue is most pronounced in high-cost cities such as Boston, New York, San Francisco, Seattle, and Washington, DC. However, there is preliminary evidence that similar trends are becoming apparent in particular neighborhoods in cities like Denver and Minneapolis and even Cincinnati, St. Louis, and Tampa, suggesting this issue may not be limited to high-cost cities.^{44,45}

In some ways, the renewed interest in urban living is good for cities, leading to increased development, a larger tax base, and the enhanced ability of cities to provide the amenities

and deliver the services that improve residents' quality of life. At the same time, to the extent that the supply of housing in popular neighborhoods does not keep pace with increased demand, rents and home prices inevitably rise, raising the question of whether low- and moderate-income households will be priced out of these neighborhoods (or be forced to pay exceedingly high shares of their income for housing).

Ensuring the continued availability of housing affordable to low- and moderate-income households in high-demand urban neighborhoods in the face of this growing demand is arguably one of the signature equity issues of our day. There is no magic formula for doing so, but there is a cluster of local housing strategies that cities can use to respond to this challenge, which fall generally into the six categories identified below. A comprehensive and effective strategy will likely need to include at least one policy in each of these categories, and possibly more, requiring a high degree of coordination across local government agencies. The following are illustrative examples of policies within each category:⁴⁶

1. **Preservation—preserve existing affordable rental units.** Examples include: tax incentives and capital subsidies to encourage the preservation of subsidized rental units; policies that provide local housing agencies, nonprofits, or residents with a right of first refusal to match offers to sell a previously subsidized property; and preservation catalogs that track properties at risk of loss from the subsidized inventory.
2. **Protection—help long-time residents have greater choice over whether and under what circumstances they wish to move.**⁴⁷ Examples include: rent-stabilization policies that limit the rate of increase of rents of existing residents; policies that require owners to demonstrate “good cause” to evict a resident; property-tax circuit-breakers that limit the rate of increase of property taxes for long-time homeowners with low incomes; and protection for renters living in units that owners wish to convert to condos.⁴⁸
3. **Inclusion—ensure that a share of new development is affordable.** Examples include: mandatory inclusionary zoning and voluntary inclusionary policies, such as density bonuses. These policies either require or create incentives for developers to include affordable units within newly developed properties.
4. **Revenue Generation—harness growth to expand financial resources for affordable housing.** Examples include: tax-increment financing with a mandatory set-aside for affordable housing; housing trust funds; and linkage fees that assess a charge (generally on a per-square-foot basis) for non-residential development to help pay for affordable housing.
5. **Incentives—create incentives for the development of affordable housing.** In addition to density bonuses (cited above), examples include: tax abatements, parking incentives, and expedited permitting policies.

6. Land Acquisition—facilitate the acquisition of land for affordable housing.

Examples include: property acquisition funds to help nonprofit developers compete with private developers and the use of publicly owned land for affordable housing.

In addition to these six categories of policies, communities will also need to find a way to build public support for affordable housing, ensure that affordable units remain affordable for the longest possible times, increase maximum densities to accommodate the new demand, and find a way to reduce barriers to new development to allow supply to keep pace with demand.⁴⁹

These steps are not easy, and they also can be expensive. But as a general rule, *these policies are likely to be less expensive and more effective if adopted earlier in the lifecycle of neighborhood change.* Policies that build affordability into new development (such as inclusionary zoning) as well as policies that capitalize on new development to generate revenue for affordable housing (such as linkage fees) are arguably self-financing strategies that do not require the appropriation of funds; they only generate affordable units and funding for affordable units while growth is taking place. They are thus most effective when adopted before the bulk of new development has occurred. Similarly, policies that rest on the acquisition of parcels to preserve existing affordable rental housing or to create new affordable housing will be substantially less expensive if implemented before land prices increase sharply.

To take advantage of the dynamics of neighborhood change to build affordability into new development, two things are necessary: the right set of policies as well as the right timing in the neighborhood's lifecycle.⁵⁰ With these two things in place, communities can use market-rate development to generate affordable units and funding for affordable housing, while minimizing the costs of property acquisition to support a broader affordable housing strategy.

How many more households could be served?

It is hard to say for sure, but it is certainly a very large number. One study found that inclusionary zoning produced an estimated 29,281 affordable units in California between 1999 and 2006.⁵¹ Another analysis estimates that taking a broad approach to mandatory inclusionary zoning could create up to 32,000 affordable units in New York City alone over the next ten years.⁵² And this is just one tool in the policy toolbox. The extent of affordable housing produced through the broad set of policies described here will depend on the breadth and depth of the strategies that cities adopt, the timing and location of their implementation, and the extent to which they are paired with policies to expand density to accommodate increased demand.

What other social-policy goals does it help achieve?

Policies that ensure the availability of housing affordable to low- and moderate-income people in urban neighborhoods experiencing rising rents and home prices advance a number of goals beyond housing affordability, including:

- Equity and Diversity goals—ensuring that low- and moderate-income households and racial and ethnic minorities have equitable access to mixed-income neighborhoods and the amenities they provide (such as improving schools), while enhancing the diversity and vitality of the community.
- Environmental goals—by increasing the share of low- and moderate-income households that can afford to live in these neighborhoods, these policies maximize opportunities to accommodate the U.S. population within urban neighborhoods and reduce the share of low- and moderate-income households that need to leapfrog out to outer-ring suburbs and exurbs to afford their housing costs.⁵³ This will lead to less driving and fewer greenhouse-gas emissions.⁵⁴
- Public transit—increases in the number of low-income households living in urban neighborhoods generate greater ridership for public transit, both through increased population and because low-income households are more likely than higher-income households to use public transit.
- Child and family well-being—families forced to relocate far from employment centers to afford their housing costs will often experience higher transportation costs, reducing the residual income available for nutritious food, health care, and other essential expenses. Policies that provide affordable housing in locations near transit and/or job centers help families lower their combined costs for housing and transportation.

What evidence is available on the program's effects?

For the most part, the evidence of the effectiveness of these policies comes from local practitioners who are using them in different situations to preserve and expand affordable housing in high-demand neighborhoods. The principal question for research in this context is not whether these strategies produce affordable housing units dedicated to low-income households—they clearly do—but whether any particular strategy or combination of strategies is the most efficient way to do so. In other contexts, there are legitimate questions about whether the development of affordable housing crowds out market-rate development and whether lower-income segments could be served by older housing that filters down in price. But in the context of neighborhoods where the demand among higher-income households greatly exceeds the available supply of housing, the private market has a strong incentive to focus on meeting the demand of the higher-income segments, often by upgrading the older developments that would otherwise serve lower-income residents.

What are the principal obstacles to its expanded use (aside from more funding)?

Key obstacles include: the complexity of the policy framework needed to address the challenges; the fragmentation of responsibility for these policies, which cut across housing, planning, zoning, tax, permitting, and other departments and agencies; the lack of strong regional planning focused on ensuring that the region can accommodate households of all incomes; local Not In My Backyard (NIMBY) sentiment; and an overall lack of political will.

Another challenge is the lack of a normative framework that would help local policymakers and practitioners understand whether they have a comprehensive and effective local housing policy in place to address these issues, and if not, how they might develop one.

What are the most important next steps for developing or supporting this policy?

One way to move policy forward in this area is to convene a national community of practice tasked with developing a roadmap and guidelines for local policy officials to use in developing a comprehensive local housing strategy to meet these and other locally identified housing challenges in high-cost cities. This community of practice would bring together leading practitioners, thought leaders, and representatives of key constituencies whose support is needed to encourage adoption of the roadmap and guidelines produced through this process. The consensus generated through this process would create the normative framework needed for high-cost cities (and those on their way to becoming high-cost)⁵⁵ to develop an assessment tool to help measure the strength of local housing policies and a training curriculum and system of technical assistance for local officials and practitioners on how to develop effective local housing strategies. This process would also identify best practices that could be shared with practitioners and policymakers interested in adapting them for their communities.⁵⁶

Other Applications of a Dynamic Housing Policy

A shift in thinking from transactions to lifecycles can also help to advance a range of goals beyond efficiency. The following are brief overviews of two other applications of this principle:

1. *Universal design*—an approach to producing housing that is versatile enough to serve households of all ages and abilities, reducing the need for retrofits at later stages and maximizing the integration of people with disabilities into the broader community.
2. *Portable mortgages*—an idea for boosting the potential of homeownership to substantially increase household wealth by eliminating the resetting of the clock that occurs every time a household moves.

UNIVERSAL DESIGN

As applied to housing, the principle of universal design focuses on ensuring that residential development is fully accessible and usable by people of all ages and abilities, including older adults and people with disabilities. Examples of universal design features include: no-step entries; wide doorways and hallways to allow people in wheelchairs to get around easily; floors and bathtubs with no slip surfaces and grab bars to reduce falls; and door handles that are easy for everyone to use, including people with poor hand strength.⁵⁷ Multifamily buildings that incorporate universal design also ensure that residents of different abilities can safely navigate the halls and elevators inside the building and pathways and sidewalks outside.⁵⁸

Housing that adheres to universal design principles can help older adults age in place and increase opportunities for independent living by people with disabilities. More broadly, universal design aims to reduce the isolation and segregation of people with disabilities by ensuring they have opportunities to live throughout the community. Indeed, if universal design were actually applied universally, people with disabilities would be able to live in virtually any housing unit, maximizing their housing choices and reducing their isolation. A related set of principles seeks to further reduce the isolation of people with disabilities by promoting the “visitability” of all residences. “A visitable home has a main level that is easy to enter and exit. The three key features are at least one zero-step entrance; wide interior doors; and at least a half bathroom on a home’s main level.”⁵⁹

While universal design is not generally promoted because of its cost, an argument can be made that it saves money in the long run. The integration of universal design features into a home as it is built will eliminate the need to retrofit the home later to accommodate the needs of aging adults while increasing the potential universe of households that may be interested in renting or purchasing it. Incorporating these features at the outset will certainly be less expensive and more effective than having to go back and redo features and replace appliances, sinks, etc., at a later date.⁶⁰ Over time, as universal design becomes more widely accepted, even the up-front costs are expected to diminish as developers become more adept at building in this manner and suppliers become accustomed to providing the necessary appliances and fixtures.⁶¹

While one does not need to embrace a lifecycle approach to housing to care about universal design, a lifecycle perspective provides helpful context as it emphasizes the importance of considering both the needs of current residents as they change over time as well as the needs of future residents who may live in the unit. With the population of older adults expected to rise dramatically in the coming decades,⁶² it is important to get ahead of the curve and start building to meet their needs today.

Proponents have developed a range of policy recommendations for encouraging the greater use of universal design and visitability features in housing, including the adoption of local or state policies to require or create incentives for the use of universal design and/or visitability in the construction of new housing units as well as certification programs to promote greater awareness of these approaches and encourage the market to value them.⁶³

PORTABLE MORTGAGES

Portable mortgages are not generally available in the United States,⁶⁴ but their wider use should be considered. Portable mortgages could substantially increase the amount of assets that households accumulate over their lifetimes by reducing the requirement that the mortgage clock reset each time a household moves to a new home. Because payments are weighted heavily toward interest in the initial years of a mortgage, the resetting of the clock upon the sale of one home and the purchase of another leads to a substantial reduction in the amount of wealth a homeowner may accumulate through the payment of principal.

To illustrate the potential of this innovation, consider a household that takes out a 30-year fixed-rate mortgage for \$300,000 at 4.5 percent interest. If they have a portable mortgage and do not refinance, they will accumulate \$300,000 in equity due to the repayment of their principal balance over a 30-year period, not counting any increase in home price due to appreciation. By contrast, a household that moves to a new home every 7.5 years during the same 30-year period would still owe \$164,000 on that original \$300,000 after 30 years, thus accumulating only \$136,000 in equity through the repayment of principal—less than half the amount they would gain through a portable mortgage.⁶⁵ The relative advantage of the portable mortgage is even greater for homeowners who move more often or buy at higher interest rates.⁶⁶

There is a growing body of research on the importance of asset accumulation in helping individuals and families to meet key objectives in their lives, including paying for school and retirement, starting a small business, and paying for their children’s education.⁶⁷ Few policies would promote asset-building more effectively than a portable mortgage, providing a mechanism for a broad share of America’s households to build wealth over their lifetimes, which they could use or pass onto their children.

Of course, there are numerous obstacles that would need to be overcome, including how to finance the mortgages, the need to account for differences in the purchase price of subsequent homes,⁶⁸ and the desire by some residents to refinance their mortgages if rates go down or they need to access some of their equity. These and other obstacles should be surfaced and addressed to determine the feasibility of a portable mortgage and how it could be delivered. It would also be useful to consider the extent to which this innovation could be utilized in conjunction with mortgages with shorter duration, such as 15-year fixed-rate mortgages, to further accelerate opportunities to build wealth through the pay-down of mortgage principal.⁶⁹ The use of the related concept of an assumable mortgage should also be considered as this could likewise advance the goal of increasing the share of a household’s monthly payment going toward paying down the principal balance of a mortgage.

For this policy, the next step is conceptual and requires fleshing out the potential and limitations of portable mortgages as well as considering how to overcome potential obstacles.

Conclusion

This paper describes a range of strategies for housing additional people more effectively within current funding levels. While there is no grand theory that knits all of them together into a single whole, they do share a number of key characteristics that outline a framework that may be of value for further policy development efforts. They all achieve, or seek to achieve, their impact by focusing on a longer time horizon than traditional housing policy by shifting the focus from transactions to lifecycles. Second, they all require the establishment of frameworks that are flexible enough to accommodate change. These include changes in what individuals need over time, changes in the ownership or occupancy of a housing unit, the changing repair and replacement needs of a building over its lifecycle, and the changes in the economic and demographic life of neighborhoods. Finally, they all advance social goals that extend beyond housing affordability, such as asset development, financial capability, increased earnings, child well-being, reduced energy use and greenhouse gas emissions, and the improved ability of older adults and people with disabilities to live independently.

These policies are at different stages of development. Some are already being implemented at modest scale while others represent an extension of current practice, and still others remain at the conceptual level. In each case, however, there is a logical next step for advancing the policy development process. By taking these steps, we can accelerate the policy development process in each of these areas to maximize opportunities for housing more people more effectively.

Endnotes

¹ See, e.g.: Culhane, Dennis P., Stephen Metraux, and Trevor Hadley. 2002. "Supportive Housing for Homeless People with Severe Mental Illness." LDI Issue Brief 7(5).

² A concerted effort to reduce a building's energy use can also lead to different approaches to construction that may lower or even eliminate the increased up-front costs of energy-efficient construction. When these more holistic approaches to redesigning buildings to improve energy efficiency are implemented through an integrated design approach, the upfront costs may well approach those of conventional construction.

³ For information on the cost savings of integrated design, see: Energy Design Resources. N.D. *Integrated Building Design: Teamwork Leads to High-Performance Buildings* and Precourt Energy Efficiency Center of Stanford University. N.D. *Energy Efficient Buildings*. Available at: <http://peec.stanford.edu/buildings/>.

⁴ For a comprehensive overview of shared-equity homeownership, see: Lubell, Jeffrey. 2014. "Filling the Void between Homeownership and Rental Housing: A Case for Expanding the Use of Shared Equity Homeownership." In: *Homeownership Built to Last: Balancing Access, Affordability, and Risk after the Housing Crisis*, edited by Eric S. Belsky and others, pp. 203-227. Joint Center for Housing Studies at Harvard University and Brookings Institution Press.

⁵ In a traditional community land trust, the trust retains ownership of the land, while the homebuyer purchases the structure on the land; this helps keep the home affordable while also providing a mechanism for retaining long-term affordability. Deed restrictions are legal restrictions added to a traditional deed that provides a legal basis for ensuring long-term affordability. In a housing cooperative, a property is owned by the cooperative and members purchase shares entitling them to live in specific units; in a limited equity cooperative, the legal documents provide for the retention of long-term affordability.

⁶ Under an alternative approach, the subsidy is provided in the form of a shared-appreciation second mortgage that the buyer uses to finance a home of his or her choice. While living in the home, no payments are due. On resale, the owner repays the principal balance along with a share of home price appreciation so that the program sponsor can use the repaid funds to assist future homebuyers. Opinions differ within the field about whether this alternative approach is a form of shared-equity homeownership or a closely related cousin.

⁷ This assumes the homebuyer purchased the home for \$140,000 with a 5 percent down payment (\$7,000) and a 30-year fixed-rate first mortgage of \$133,000 at 4.5 percent interest. On resale, the home is sold for \$150,000 with the program sponsor charging a 3 percent commission to cover the ongoing costs of qualifying new buyers and monitoring affordability. The homebuyer receives \$145,500 net of the commission and owes approximately \$113,000 on the mortgage, for a net of \$32,500.

⁸ Under the alternative approach of providing the homebuyer with a shared-appreciation second mortgage, the homebuyer would purchase the home for \$175,000, using a \$133,000 30-year fixed-rate mortgage, a \$35,000 second mortgage from the program sponsor, and the borrower's \$7,000 down payment. Upon resale, the homeowner would repay the \$35,000 principal owed on the second mortgage to the program sponsor plus 75 percent of home price appreciation, for a total repayment of \$65,000. This would give the program sponsor a larger pool of funds to help the next homebuyer, helping the subsidy keep pace with the housing market. The original homeowner comes out more or less the same as in the earlier example, subject to potential differences in transaction costs.

⁹ Many inclusionary zoning programs appear to be already using shared-equity homeownership to retain affordability. See: Hickey, R., Sturtevant, L., & Thaden, E. (2014). *Achieving Lasting Affordability Through Inclusionary Housing* (Working Paper). Cambridge, MA: Lincoln Institute of Land Policy.

¹⁰ For the calculations underlying this estimate, see: <http://tinyurl.com/SEH123>.

¹¹ As practitioners and policymakers learned during the foreclosure crisis of the late 2000s, the ability of homeowners to take equity out of their homes during refinancing can increase foreclosure risk and reduce the long-term accumulation of assets. One additional benefit of shared-equity homeownership is that program sponsors can require that homebuyers obtain the sponsor's approval before refinancing their first mortgage, helping to reduce the chances that homeowners are victimized by predatory practices and providing an opportunity for counseling at a key decision point.

¹² Temkin, Kenneth, Brett Theodos, and David Price. 2010. "Balancing Affordability and Opportunity: An Evaluation of Affordable Homeownership Programs with Long-Term Affordability Controls: Cross-Site Report." Washington: Urban Institute. The Cornerstone Partnership has collected additional data on the performance of shared-equity programs and included them in its new Social Impact Report (Oct. 2014). Available at: <http://myhomekeeper.org/news/just-released-the-2014-homekeeper-national-data-hub-social-impact-report>.

- ¹³ Thaden, Emily. 2011. "Stable Home Ownership in a Turbulent Economy: Delinquencies and Foreclosures Remain Low in Community Land Trusts." Working Paper. Cambridge, Mass: Lincoln Institute of Land Policy.
- ¹⁴ For information on Fannie Mae's requirements for mortgages used in connection with community land trusts, see: <https://www.fanniemae.com/content/guide/selling/b5/5.1/04.html>.
- ¹⁵ For a discussion of and response to this concern, see: Jacobus, Rick, and Ryan Sherriff. 2009. "Balancing Durable Affordability and Wealth Creation: Responding to Concerns about Shared Equity Homeownership." Washington: Center for Housing Policy.
- ¹⁶ Fifty years is an appropriate time period to consider for lifecycle-underwriting because it is "the longest period over which a typical property might remain competitive without needing re-development (i.e., reconfiguration of the unit layouts and/or unit mix)." Brennan, Maya, Amy Deora, Ethan Handelman, Anker Heegaard, Albert Lee, Jeffrey Lubell, and Charlie Wilkins. 2013. "Lifecycle Underwriting: Potential Policy and Practical Implications." Working Paper. Washington: Center for Housing Policy.
- ¹⁷ It is important to distinguish between requirements that LIHTC units remain affordable over a long period of time (such as 30 or even 50 years) and a financial structure that allows them to do so for that same period of time without the need for an injection of additional equity or subsidy midway through.
- ¹⁸ Ibid.
- ¹⁹ Brennan, Maya, Amy Deora, Anker Heegaard, Albert Lee, Jeffrey Lubell, and Charlie Wilkins. 2013. "Comparing the Costs of New Construction and Acquisition-Rehab In Affordable Multifamily Rental Housing: Applying a New Methodology for Estimating Lifecycle Costs." Working Paper. Washington: Center for Housing Policy.
- ²⁰ Ibid.
- ²¹ Available at: www.HousingPolicy.org/Lcycle.
- ²² Under the traditional FSS program, an amount roughly equal to any increase in rent due to increased earnings after a participating family enters the program is credited to the family's escrow account each month; the housing authority keeps these funds in a single consolidated account. To receive their full escrow account, participants must graduate from the program, which means becoming and staying employed, becoming independent of Temporary Assistance for Needy Families cash assistance, and achieving any other goals they set out for themselves at program entry. Some FSS programs also allow interim disbursements of FSS escrow funds if needed by participants to stay on track for graduation—for example, for car repairs or to pay for community-college tuition. The standard program length is five years, with some participants graduating sooner and extensions available for up to two years.
- ²³ In a project for the HAI Group, Abt Associates has compiled an inventory of self-sufficiency (and other) programs adopted by Moving to Work agencies. This report should be available shortly.
- ²⁴ For a description of the rent-reform demonstration, see Riccio, James A. 2014. "An Alternative Rent Policy for Housing Choice Voucher Recipients." A Working Paper prepared for the 2014 APPAM Annual Meeting in Albuquerque, New Mexico.
- ²⁵ With support from HUD, researchers at MDRC will be conducting a randomized trial evaluating the impacts on earnings and program costs of shifting from annual recertification to recertification every three years. The model included in this "rent-reform demonstration" also includes a higher minimum rent and a number of features to simplify the rent calculation.
- ²⁶ For a discussion of why these types of models are more likely than the traditional FSS model to be cost-neutral and thus scalable, see: Cramer, Reid, and Jeffrey Lubell. 2009. "Rental Assistance Asset Accounts: An Opportunity to Support Work and Savings among Recipients of Federal Housing Assistance." Washington: New America Foundation and Cramer, Reid, and Jeffrey Lubell. 2011. "Taking Asset Building and Earnings Incentives to Scale in HUD-Assisted Rental Housing." Washington: New America Foundation and Center for Housing Policy.
- ²⁷ Broadly speaking, these approaches seek to achieve cost-neutrality (or close to it) by using the increased rental contributions that come from higher earnings by participants to pay for the rent incentives. Note that these models only seek to make the rent incentive cost-neutral; the cost of services to support the program must be covered elsewhere.
- ²⁸ Currently, FSS is available only to residents of public housing and participants in the Section 8 housing-choice voucher program. For these programs, there is no statutory limitation on the number of households that may be served. By an accident of history, residents served by HUD's third major rental-assistance program—project-based Section 8—are not eligible for the program. A number of legislative proposals have been introduced during the 113th Congress to correct this oversight.
- ²⁹ Center on Budget and Policy Priorities. 2013. *Policy Basics: Federal Rental Assistance*. Washington: Self.
- ³⁰ The Cambridge Housing Authority and Compass Working Capital are planning a demonstration of such an enhanced model that would automatically enroll all families in public-housing developments into a modified version of FSS, allowing families to "opt out," rather than requiring them to "opt in." Two variations are planned for the demonstration—one with financial coaching services and one without—to examine the differences between low- and high-touch models.

- ³¹ See, e.g.: Mills, Gregory, Daniel Gubits, Larry Orr, David Long, Judie Feins, Bulbul Kaul, and Michelle Wood. 2006. *Effects of Housing Vouchers on Welfare Families*. Prepared by Abt Associates, Amy Jones & Associates, Cloudburst Consulting, and the QED Group for the U.S. Department of Housing and Urban Development. Washington, and Newman, S., C. Scott Holupka, and Joseph Harkness. 2009. "The long-term effects of housing assistance on work and welfare." *J. Pol. Anal. Manage.* 28: 81–101. The main outlier is a study of voucher-holders in Chicago, which found a persistent negative impact on earnings. Jacob, Brian A., and Jens Ludwig. 2012. "The Effects of Housing Assistance on Labor Supply: Evidence from a Voucher Lottery." *American Economic Review* 2012, 102(1): 272–304. For a brief overview of key themes of the research in this area, see Lubell, Jeffrey. 2011. "Rental Assistance: A Drag on Work or a Platform for Economic Opportunity?" *Spotlight on Poverty and Opportunity: The Source for News, Ideas and Action*. Washington. Available at: <http://tinyurl.com/olwn5gy>. Taking a different view, Larry Rosenthal argues that the balance of evidence tilts in the direction of housing assistance having a net negative effect on earnings, but suggests FSS and Jobs Plus may be promising ways to counteract this disincentive. See Rosenthal, Larry A. 2007. "A Review of Recent Literature on Housing Assistance and Self-Sufficiency." Berkeley: Institute of Business and Economic Research, Fisher Center for Real Estate and Urban Economics, Program on Housing and Urban Policy Working Paper Series.
- ³² Riccio, James A. 2010. *Sustained Earnings Gains for Residents in a Public Housing Jobs Program: Seven-Year findings from the Jobs-Plus Demonstration*. New York: MDRC.
- ³³ De Silva, Lalith, Imesh Wijewardena, Michelle Wood, and Bulbul Kaul. 2011. *Evaluation of the Family Self-Sufficiency Program: Prospective Study*. Prepared by Planmatics and Abt Associates for the U.S. Department of Housing and Urban Development.
- ³⁴ The early findings from this evaluation are summarized in Verma, Nandita, Betsy Tessler, Cynthia Miller, James A. Riccio, Zawadi Rucks, and Edith Yang. 2012. *Working Toward Self-Sufficiency: Early Findings from a Program for Housing Voucher Recipients in New York City*. New York: MDRC.
- ³⁵ While the evaluation was rigorous, the implementation was idiosyncratic and thus does not provide a strong basis for understanding the effects of a typical FSS program. In addition to recruiting a different population from most FSS programs, the evaluation occurred during the start-up phases of a newly expanded FSS program run by a vendor who did not have previous familiarity with the program. During the initial years, the approach to case management shifted several times and an implementation assessment found that the escrow accounts were not being marketed effectively as a work incentive. Another challenge was the overlay of FSS with a second intervention (conditional cash transfers), which complicated both the program and the evaluation. By contrast, the national FSS evaluation now underway will focus on evaluating the results of established FSS programs.
- ³⁶ The voluntary nature of FSS is also an obstacle to increased participation, though it is not yet clear whether and to what extent the same model could work if applied to a less motivated population.
- ³⁷ Bipartisan Policy Center Housing Commission. 2013. *Housing America's Future: New Directions for National Policy*. Washington: Bipartisan Policy Center.
- ³⁸ The BPC Housing Commission recommended that the government: "Provide short-term emergency rental assistance to assist families who suffer temporary setbacks that threaten to force them out of their homes and from which recovery can be difficult." The commission recommended that this assistance be provided on a one-time basis to households with incomes between 30 and 80 percent of AMI.
- ³⁹ Brendan O'Flaherty has proposed a rental insurance fund that would be backed by the federal government and offered as an entitlement to all qualifying households. See O'Flaherty, Brendan. 2011. "Rental Housing Assistance for the 21st Century." *Cityscape* 13(2): 127–45.
- ⁴⁰ Mary Cunningham, Josh Leopold, and Pamela Lee propose an alternative approach in which severely rent-burdened households with incomes between 31 and 50 percent of AMI receive a shallow flat subsidy equal to 35 percent of the fair-market rent for five years. Such an approach would clearly cost more than one-time eviction-prevention assistance, but the authors justify the increased cost by arguing it is unlikely these households could achieve stability with a one-time payment. This assumption could and should be tested through future research. What types of households could achieve residential stability through one-time payments or loans? What types of households will require greater levels of assistance, and could their needs be met through a shallow subsidy program? See: Cunningham, Mary, Josh Leopold, and Pamela Lee. 2014. "A Proposed Demonstration of a Flat Rental Subsidy for Very Low Income Households." Washington: What Works Clearinghouse.
- ⁴¹ Desmond, Matthew. 2012. Eviction and the Reproduction of Urban Poverty, *American Journal of Sociology* 118: 88-133.
- ⁴² The MacArthur Research Network on How Housing Matters for Children and Families will provide a framework for studying this question with respect to families with young children, as part of the sample for this longitudinal study will be drawn from the general population. The study will also include an embedded housing-voucher experiment, allowing for the comparison of the housing trajectories of: (a) households that apply for rental assistance and receive it; (b) households that apply for rental assistance and do not receive it; and (c) the general population living in the same cities.
- ⁴³ For example, the phenomenon of poverty increasing in the suburbs—in some ways, the mirror image of the one discussed in the body of this paper—could also be examined from a lifecycle perspective. To address this issue,

communities might develop policies aimed at retaining middle-income and high-income households in the face of an influx of low-income households so as to achieve or preserve a diverse mix of incomes, races, and ethnicities.

⁴⁴ Hartley, Daniel and Daniel Kolliner. 2014. *Economic Trends: Neighborhood Gentrification during the Boom and After*. Research Note. Cleveland: Federal Reserve Bank of Cleveland.

⁴⁵ The policies described here have the most direct application to high-cost cities where the pressure on rents and home prices exists throughout most of the city. Cities that have a greater mix of neighborhoods—some experiencing signs of strong demand for housing among higher-income households and others showing signs of concentrated poverty and/or abandonment—will need to think differently about how to design their overall housing strategy. Nevertheless, the tools described here may be useful almost anywhere when applied to particular neighborhoods experiencing housing cost pressures.

⁴⁶ This policy framework is based on a forthcoming paper from ChangeLab Solutions, co-authored by Jeffrey Lubell.

⁴⁷ Policies in this category are designed to maximize residential stability for existing residents by giving them greater choice over whether and under what circumstances they wish to move. They are not intended to help all existing residents to stay in their homes indefinitely, as this is unlikely to be feasible in the face of strong demand for housing.

⁴⁸ One flashpoint of debate around these issues is the extent to which low-income households (often, people of color) are being pushed out of “gentrifying” neighborhoods against their will. The racial, ethnic, and cultural dynamics of this process are important to discuss, as is the question of whether the community should focus on helping particular people to stay in a neighborhood or rather work more generally to ensure that housing opportunities remain available for low- and moderate-income households. In this connection, it is important to remember that low-income households tend to be highly mobile, even in neighborhoods where rents are stable. Given this pre-existing mobility, an argument could be made that it is most important to focus on ensuring that housing units are available at rents affordable to low- and moderate-income households, rather than on helping particular people stay in particular units.

⁴⁹ Some would argue that the relative prioritization of these strategies should be inverted, with efforts to reduce barriers to new development and to boost supply taking the lead. While these supply-boosting strategies are essential for slowing the rate of increase in housing prices at the metropolitan level, they are unlikely to be sufficient to meet the affordability challenges of high-demand neighborhoods. Without explicit affordability requirements or incentives, efforts to boost the supply of housing in a high-demand neighborhood will most likely lead to the increased production of high-end housing, accelerating the pace of neighborhood change. Explicit affordable housing policies are also needed to bring housing within reach of the lowest-income households.

⁵⁰ Identifying neighborhoods *before* they start to experience rent and home price increases is very difficult. Better tools for analyzing neighborhood change would help, but it may make sense for communities that expect to see this type of pressure (but don’t know exactly when it will occur) to act preemptively to put the right set of policies in place so that they are ready when the demand comes.

⁵¹ Nonprofit Housing Association. 2007. *Affordable by Choice: Trends in California Inclusionary Housing Programs*. Available at: <http://calruralhousing.org/drupal/sites/default/files/SampleIHReport.pdf>.

⁵² See Dulchin, Benjamin, Moses Gates, and Barika William. *How Much Housing Can Inclusionary Zoning Produce?* New York: Association for Neighborhood and Housing Development Inc. Blog. Available at: <http://www.anhd.org/?p=4876>.

⁵³ A thought experiment helps to illustrate the impact of these policies on environmental objectives. Let’s say you were to pass a law that prohibits anyone whose birthday falls between January 1 and September 30 from living in a city. If you assume a constant demand for urban living across the range of birthdates, it is clear this policy would reduce the effective demand for urban living by 75 percent, which would likely lead to fewer people overall living in the cities. The same point applies to people of different incomes. In order to realize the full potential of urban living as a means of reducing America’s carbon footprint, cities across the United States will need to both (a) allow density to increase to accommodate more households and (b) ensure that housing options are available for households at all income levels.

⁵⁴ People living in cities can meet more of their transportation needs by walking, biking, and public transit and generally need to drive shorter distances because key destinations are closer together.

⁵⁵ Focusing on high-cost cities would help give coherence to the exercise and increase the chances of generating a consensus around the policy framework. As noted at the outset, however, a much wider range of cities that are experiencing similar problems within particular neighborhoods (though not necessarily city-wide) could apply these same tools at the neighborhood level.

⁵⁶ A concept paper for such a community of practice is presently under development by Mark Willis and Ingrid Ellen of the Furman Center and Jeffrey Lubell of Abt Associates.

⁵⁷ See: Center for Universal Design. n.d. *Universal Design for Housing*. Annapolis: Maryland Department of Disabilities, and “What is Universal Design,” a webpage produced by the National Association of Home Builders, available at: <http://www.nahb.org/generic.aspx?genericContentID=89934>.

⁵⁸ For an example of comprehensive universal design specifications, see: *2012 Enterprise Green Communities Single & Multifamily Universal Design Specifications*. Columbia, MD: Enterprise Community Partners. Available at: <http://www.enterprisecommunity.com/resources/ResourceDetails?ID=0084050>.

⁵⁹ Salomon, Emily. 2010. "Expanding Implementation of Universal Design and Visitability Features in the Housing Stock." Washington: AARP Public Policy Institute.

⁶⁰ Federally funded multifamily developments are required by law to make "reasonable accommodations" for people with disabilities. When done on a retrofit basis, this can be expensive, drawing down reserves that may have been planned for replacement needs, like boilers or roofs. The incorporation of universal design features at the outset reduces the need for more expensive retrofits later.

⁶¹ As with energy efficiency, the key to efficiently and effectively incorporating universal design into construction is not to think about "add-ons" to existing designs but rather to think comprehensively and holistically about how to incorporate universal design principles into the basic design for the property. This will require broader experience with universal design principles among architects and builders.

⁶² Lipman, Barbara, Jeffrey Lubell, and Emily Salomon. *Housing an Aging America: Are We Prepared?* Washington: Center for Housing Policy. Available at: <http://www.nhc.org/media/files/AgingReport2012.pdf>.

⁶³ See: Salomon, supra.

⁶⁴ Preliminary research by Christopher Mayer has identified two examples of portable mortgages in the United States: a moveable mortgage offered by Provident Credit Union in California and a product formerly offered by E-Trade Financial Services. Mayer says portable mortgages are more common overseas, but generally with shorter durations than the mortgages commonly issued in the United States. E-mail correspondence with author on December 15, 2013.

⁶⁵ Here are the calculations: After 7.5 years, a household with a 30-year fixed-rate mortgage of \$300,000 at 4.5 percent interest would have reduced its principal outstanding balance to \$257,802.21. If the household took out a new 30-year fixed-rate mortgage for \$257,802.21 at the same interest rate, it would have a principal balance of \$221,539.93 after another 7.5 years. Following the same process, the household would have a principal outstanding balance of \$190,378.28 after the third 7.5-year period, and a final outstanding balance of \$163,599.80 after the last 7.5 years.

⁶⁶ With interest rates of 7.5 percent, the homeowner moving every 7.5 years would pay down only \$94,000 of the \$300,000 original principal balance over 30 years. The benefits of a portable mortgage would be even greater if it allowed for a reduction in transaction costs associated with taking out a new mortgage each time a household moves and allowed for adjustments in mortgage rates in the event they fall substantially.

⁶⁷ See, e.g.: McKernan, Signe-Mary, and Michael Sherraden. 2008. *Asset Building and Low-Income Families*. Washington: Urban Institute Press.

⁶⁸ One approach would be to layer the original permanent mortgage with a conventional fixed-rate mortgage for the difference, using the shortest duration the homeowner could afford.

⁶⁹ Shorter-term mortgages like 15 or 20 years have the potential to accelerate the accumulation of assets even without portability due to the fact that a greater share of each monthly payment goes toward principal than would be the case in a 30-year mortgage. While the shorter terms will not work for everyone or in every market, in general, it would be helpful to encourage broader use of these shorter-term products to facilitate asset-building.



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