U.S. Housing Policy

Name

Professor

Course

Date

U.S. Housing Policy

**Abstract**

The federal government has been at the forefront of the provision of assistance to low-income households for housing purposes. Initially, the federal government had a central role in determining the market through government-sponsored agencies and the Federal Housing Administration, as well as in determining the construction standards for low-rent housing for lower-income households. The federal government has shifted from the provision of subsidies on construction to the provision of subsidies for rental purposes. This has been assisted by private and homeowners. The federal housing assistance program can be seen to have a focus on three key aspects, which include assistance for rental housing, state and local government assistance, and homeownership assistance (CRS, 2019). The Department of Housing and Urban Development (HUD) administers most of the assistance programs and has a key aim of making housing affordable. Affordable housing is defined as housing that takes up less than 30% of the household's income (CRS, 2019). Through rental housing programs, families are able to pay income-based rents, which makes the homes affordable. There is also assistance that is targeted at different populations in the community, such as elders, disabled persons, and households with children. Various trends can be seen in federal housing policy, especially with shifts to financing models. State and local governments are having increasing access to federal resources to engage in local housing and community development initiatives as key priorities. This has also had an impact on the financing models for developers. Developers are looking into multiple streams to finance projects which include federal, state, local, and private-sector sources.

**Introduction**

One of the core aspects of a society is the housing sector. Both government and private sector play a critical role in this area. According to Olsen and Zabel (2015), there are two key areas of the U.S. housing policy – low-income rental assistance and mortgage homeownership. Both aspects have public-private partnership agreements and provisions which allow for the development and maintenance of social assistance housing (von Hoffman, 2016). However, housing policies cannot be considered in a one-sided lens – especially by focusing on housing as an investment. An emphasis on one aspect creates inequality in the society, especially for low- and middle-income households which do not have the ability to access favorable plans. This inequality can appear at the local level but can quickly spread to be a national-level issue which is visible through various levels of homelessness, predatory lending practices, and increasing mortgage foreclosures. To this end, housing policy has to have a broad outlook.

To have a broad outlook, there is a need to reconsider the view of housing systems in the country, especially as a social welfare issue. The offering of subsidized housing is a key part that should be developed as part of the country's social welfare system. This outlook requires a mindset change in understanding housing as a social welfare aspect. This mindset change has to focus on the key stakeholders in the housing sector, which includes corporate, individuals, and government players and practices. An ethical implication can arise where the housing policies serve to enrich the 'undeserving poor,' thus leading the country to a situation where the needy are sidelined. To this end, we shall have a literature review of the housing policy in the U.S.

**Literature Review**

**Background**

The U.S. housing policy can be considered to have long focused on one aspect of society. The policy has ideally been devoted to the profitability of the sector (Szylvian, 2018). This is evidenced by the continued support for the speculative development of residential buildings, especially in suburban areas, which has also been key in the creation of racial and class segregation (Szylvian, 2018). Federal programs have been developed to assist low- and middle-income households; however, they have been opposed by the private sector in various ways. One of the key ways that the government has been in support of low-cost housing has been through the construction of open-access and affordable housing and encouraging the rehabilitation of urban housing (Szylvian, 2018). With the private sector and government not engaging in a cohesive talk, there has been a continued strain on the development of affordable housing. This has been a key area in which housing has become a political, economic, and social issue that creates lots of division.

A key aspect that has been developed to deal with the housing issue has been a focus on state and local programs. There is a key role that is state and local governments play in developing and meeting the community housing needs. Through the devolution of authority for planning and running housing programs to local governments in the 1970s, the local and state governments have played an increasing role in housing programs (NLIHC, 2015). One key aspect that has been witnessed is the reduction in federal housing resources, which are re-routed to the emergency and ongoing rental assistance programs and housing production programs.

The housing programs are important to the community. The low-income residents in communities where the programs are available have benefitted, but not to the extent that they were envisioned. As such, there has been an increase in cities and counties creating their rental assistance programs and housing development programs (NLIHC, 2015). The programs have a key purpose of meeting the local housing needs and assisting in filling the gap existing due to a decline in the federal housing production and rental assistance programs. This has been assisted by local funding sources that come from specific income groups to meet the needs of specific subsets of the population, especially seniors, veterans, and families transitioning from homelessness (NLIHC, 2015). Other key funding sources include local levies, bonds, and real estate transaction fees.

To this end, the public sector can be seen to play a critical role in the housing sector of the U.S. However, the role is relatively small as compared to the role that the markets play (Schuetz, 2018). This is evidenced by the severity of housing challenges that Americans have to face, especially the low-income class. There is a key aspect of rising housing costs, falling and stagnant incomes for the poor, and declining assistance from the federal assistance programs (Fulwood III, 2016). This also means that the poorest households have to spend nearly half or more of their income on housing. The situation is increasingly worse for Blacks, Latinos, and other minority groups, with 23% and 25% of Blacks and Latinos respectively been seen to spend 30% or more of their income on housing (Fulwood III, 2016). To this end, the U.S. housing policy is seen to have some key underpinnings that cause some fatal flaws in its effectiveness to meet its efficiency.

**Understanding the Policy**

The housing policy in the U.S. is modified by the government using various tools. They include a mix of taxes, subsidies, and regulations. The policies on each of the three tools cause a direct and indirect redistribution effect on the community and industry. The use of taxes is seen to raise the price of goods on consumers, which in turn leads to consumers spending less (Schuetz, 2018). The government is also able to raise revenue to deal with public services efficiently. On the other aspect, subsidies are seen to have an inverse effect on taxes by leading to lowering of costs to consumers and goods and also lead to increased consumption (Schuetz, 2018). Through regulations, the price, quality, and quantity can be altered, which can also have an impact on the impact to the economy.

The local government has a key aspect of assessing the property taxes on housing and buildings within their jurisdiction. The governments often gain the most revenue from property taxes which are essential for school maintenance, developing public safety, transportation, and other public services. Homeowners often pay property taxes directly to the government, while renters have to pay taxes indirectly through rent to property owners (Schuetz, 2018). There is also a key element of homestead exemptions which are offered by many localities to reduce the taxes paid by individuals living in houses they own as compared to renters. Homeowners also have the ability to reduce the amount of local property taxes from federal income tax, while renters do not have a similar option. Local and state governments also impact linkage fees on housing construction and look to tax new developments, which is important to offset the infrastructure costs required to serve housing and extent water and sewer lines. Additionally, this is important for building more schools.

Housing is a key investment for many people. Through ownership of property, there is an opportunity to build wealth where the home values increase over a period. To this end, tax policies are seen to offer owner-occupied housings more generous treats, which include mutual funds and bonds. The sale of primary residences may exclude substantial amounts in capital gains that are subject to federal taxes. In contrast, households can be seen to pay taxes on the full value of capital gains as compared to other assets. The exclusion costs on capital gains have a high revenue impact on the federal government. There is also a consideration of corporate income tax policy for housing markets for investors in rental housing. One of the key aspects of this tax is the 1985 Tax Reform Act which offers several provisions for substantially reducing the tax benefits of owning an apartment (Schuetz, 2018).

**Differences of Homeowners and Renters**

There are key fundamental differences that are seen across the homeowners and renters. As of 2007, the median household income for homeowners was $61,700, which is more than twice that of renters (Buckley & Schwartz, 2011). When looking at wealth, there are increasing differences with renters have wealth equivalent to about only 2% of homeowners (Buckley & Schwartz, 2011). There are many other ways by which property owners and renters have some key differences. Homeowners are seen to reside in detached family homes, unlike renters who live in multifamily settings. Additionally, homeowners often live in suburbs and metropolitan areas outside of the central city. They are also more likely to be white and less likely to come from a minority racial or ethnic class. Homeowners are seen to be mainly married couples, while renters are mainly single-female households. Homeowners are also seen to have some key age differences as compared to renters who are younger. Homeowners also spend a small proportion of their income on housing expenses, and the majority have a car, while an appreciable proportion of renters do not have a car (Buckley & Schwartz, 2011).

The issue of affordability of housing is also of key importance. The affordability of housing is a key concern as compared to the physical condition of the housing. The majority of households reside in majorly deficient housing. There is a great percentage that spends the majority of their income on housing. The issue of affordability has to be considered from multiple perspectives. There is a key focus on the costs and income. To this end, housing becomes affordable when there are changes in housing costs or a change in income. To this end, a household that spends about 30% of their income on housing is seen to have a key issue on housing affordability, and the issue is severe when the cost burden exceeds 50% of the income (Buckley & Schwartz, 2011). To this end, the U.S. considers many renters to have an affordability problem that is severe, and they additionally do not have any assistance from the government. This is an issue that is not experienced by higher-income families.

There are various reasons for the affordability problem. Some of the issues are linked to the functioning of the housing market, while others emerge from a broad economic trend change, especially in income distribution. The market working is a key important factor that has to lead to low responsiveness to the demands of low-income households. This is also ultimately linked to the patterns of distributing subsidies. One of the key reasons for a reduction in real income for renters is due to a shift in more affluent renters becoming homeowners in the past decades, which has seen a reduction in the average income of renters. There is also a key need to understand that the housing market inequalities are also placed at the center of widening economic inequality in the country.

**State and Local Housing Policies**

The federal government has been a key player in U.S. policy, but this has changed drastically. From the late 1970s, there has been a key devolvement of authority to the local and state governments. There has also been a host of non-profit organizations that have been engaged in the implementation of housing programs and policies. Public housing is a key aspect that was decentralized which offered grants to states and localities more authority to develop their own housing programs. This is an important shift that has reflected the scarcity in housing subsidies as well as key changes in the provision of subsidies from the central government. There is a need to understand the landscape of the local and housing policy on this basis.

The Reagan administration saw a sharp cut in federal housing expenses, which was instrumental in pushing states and local authorities to innovate ways to meet the growing housing needs. This approach required a tap into the existing and new sources of revenue for own housing programs. This has the effect of increasing the number of state-funding programs (Buckley & Schwartz, 2011). The state expenditure was still modest but was surpassed by the local government expenditure on local government growth. The state and local governments have engaged in various housing programs. The housing programs have been financed in various ways and have variations in the type, duration, and subsidies of the programs. Additionally, there are variations in the housing activities that are supported, incomes, and the characteristics of households. The key revenue sources for the development of the local and state governments have been federal block grants, inclusionary zoning, trust funds for housing, and tax-exempt bonds.

**Homelessness, Federal, State, and Local Interventions**

Homelessness is a key issue in the U.S. that emerged in the 1980s as an urban phenomenon. The key issue was partly due to a decline in federal assistance to housing issues. The state and local departments were engaged in dealing with the homelessness situation by having an increase in the financial support towards growing affordable housing programs (Weiss, n.d.). Economic recessions that marked the 1980s decade also had a key role in the increasing homelessness. A huge proportion of the population could be seen sleeping outdoors, which created a core moral concern for the nation (Weiss, n.d.). This moral concern created a political platform for elected officials and increased resources for dealing with the issue. The government at various levels was heavily engaged in philanthropy as emergency measures for assisting homeless persons and focused on overnight shelters. However, despite the necessity of the approach, the interventions were not sufficient in dealing with the real cause of the problems. Weiss (n.d.) notes that the key issues came from inadequate individual and family incomes, mental health and substance abuse issues, and social disorders, which compounded the ability of individuals to take care of themselves.

At the time, the Clinton administration engaged the department of Housing and Urban Development to have increased federal support and state and local interventions for dealing with homelessness. Non-profit players were also engaged in the interventions. There was a key streamlining of public-private interventions for comprehensive and integrated strategies for transitional and long-term affordable housing. Job training and placement was a key issue with a variety of education and human services activities being engaged. The net effect was a three-fold increase in addressing homelessness under the administration (Weiss, n.d.).

One of the critical housing policy programs at the time was the HOPE VI program with a vision to transform public housing areas. The initiative was a key response to the Severely Distressed Public Housing of 1992 program. There are about 100,000 units that were identified (Weiss, n.d.). The main focus was in urban centers, and there was a high concentration on inner-city high-rise buildings. Some high-density public housing was also identified and dangerous for occupation at the time. The 100,000 units were to be demolished and a replacement of lower density housing that was mixed-use and ownership to be developed to livable community standards. The program developed a grant for local authorities. The competitive grant was embraced and looked into community planning and design philosophy for new urbanism. The grant was designed to offer improved urban housing for long-term value with key aspects on security for improved housing quality, amenities, and affordable ownership. This would also bring about job and business opportunities and improved market appeal (Weiss, n.d.). The initiative also had a core focus on alleviation of low-income dense concentrations that were sidelined by physical and social divisions from the mainstream city and metropolitan society and economy. This effect was important for reconnecting low-income communities and neighborhoods to the wider societal fabric in the urban centers. The integration of residents in public housing and communities to urban communities would become a key aspect of developing cohesion and elimination of discrimination by minimizing distinguishing aspects of individuals in towns and cities.

**Innovation by State and Local Governments**

There have been some key ways by which the state and local governments have engaged to seek ways of supporting affordable housing. The use of housing trust funds has been instrumental. The trust fund is a dedicated funding source that focuses on real estate taxes such as transfer taxes to create pools of funds (CRS, 2019). The dedicated sources are subject to the alternation of budgets at the state for housing development. There is also the use of inclusionary zoning, which is a process where developers dedicate a percentage of the housing units they develop for affordable housing programs (CRS, 2019). The local and state governments offer incentives as a key motivation for faster expansion and development. Some incentives include the use of density bonuses that offer developers more room to build larger buildings outside the existing guidelines. Additionally, there is expediting of various permits to the developers.

Another important aspect that has been used by local and state governments is the development of multiple funding streams. The streams are dedicated to the development of affordable housing. Initially, the federal government would offer funds through subsidies for the construction and rehabilitation of amenities as well as grants(CRS, 2019). With the government taking a lesser role in the process, there was a need to have multiple sources of funding for local and state governments. Some of the streams include tax-exempt bonds and trust funds such as the housing trust fund. At the same time, it was necessary for owners to seek subsidies for rent which would make rent for low-income households possible.

There has also been a key focus on the preservation of affordable units. Through contracts, homeowners were required to maintain the affordability of housing, but with time, this became unviable. Many homeowners went to seek early termination of their mortgages. Through legislation such as the Emergency Low-Income Housing Preservation Act, Congress looked to halt pre-mature payment of mortgages unless various conditions are fulfilled (CRS, 2019). However, the legislation was and still remains temporary measures and, as such, has not been truly effective in the preservation of affordable housing.

**Current Policy Outlook**

There have been more federal policies and programs that have had a key inclination on creating an integrated system. The policies have supported flexibility and decentralization. The policies have a focus on market-driven, local control, and performance-based aspects to developing sustainability. The key players are the non-profit and for-profit players, including lenders, investors, and developers, among other levels of government operations (Erickson, 2008). The current approach has evolved to the production of better homes for low-income communities and families as a key aspect of the delivery of social services by the government. The current policy outlook demonstrates the variant and multiple perspectives by which groups can develop solution networks for the delivery of high-quality services and housing (Erickson, 2008). This approach is an important part of reclaiming the ideal of an American city and life. The approach has a key focus on the delivery of affordable housing with key perspectives touching on economic development, health, and environmental sustainability.

There is a complex effect that is perverse on housing on living conditions. As such, housing cannot be considered in isolation. This is a key concern that motivates the current housing policies to go beyond affordability and decency in housing. Therefore, offering minimum standards on aspects such as ventilation, sanitation, safety is but the least, and there is a desire to deal with the spread of infectious surroundings and deal with antisocial and other psychological issues to improve living conditions (Erickson, 2008). Looking at housing policy can have a key impact in promoting employment and, as such, act as economic empowerment. The reliance on government agencies for implementation has an effect on the success of the housing policy.

Some aspects such as public housing and rental vouchers are aspects of policies that have a high reliance on the agencies as well as partnerships with private and non-profit players. This progress can be seen in some earlier policies, such as the 1930s national housing programs that offered mortgage insurance and public housing, which were mainly one-sided (Erickson, 2008). State and local authorities had minimum authority, and programs were categorical (Erickson, 2008). However, cities and local authorities were able to develop public housing authorities that developed and managed public housing. The authorities were limited in autonomy but had the authority to purchase land for housing. The authorities also had the ability to issue bonds for the purpose of financing construction. The central government had a key aspect of servicing the debts on bonds while offering the key regulations in regard to the eligibility for tenancy, the rent amounts, construction specifications, and several other aspects of the housing. The authorities in the cities were just another arm of the federal government.

There is a major role that state and local authorities had in the U.S. policies as the decades moved from the 1930s. The 1970s were crucial as the government was able to develop block grant programs which were a new approach (Erickson, 2008). The grant programs offer some key subsidies. To date, the federal government has been keen on funding the majority of the subsidy programs while taking a step back from dictating some of the key aspects of the programs. To this end, state and local authorities are considerably engaged in determining the housing types eligible for a subsidy, the occupants, and the various aspects of the buildings. Additionally, the extent of engaging both corporate and non-profit developers has been a key aspect of a new approach to housing policy. The federal government is also engaged in housing assistance expenditure, but the programs have not had significant growth. There has been a steady decline in the inventory of housing programs in the preceding years which have been reflected in the demolition and redevelopment of new public housing and the expiring of some subsidy contracts.

**Pros and Cons of Current Policy**

To begin with the advantages, the current U.S. housing policy offers a key focus on housing as a social welfare issue. This is probably the greatest advantage as it looks at dealing with the issue of housing from a holistic perspective. This perspective includes dealing with the economic and social aspects that arise in communities. As such, the approach can allow for a consideration in the rising costs of housing in the U.S. vis-à-vis the income rates of the community residents. In this way, the government can have sustainable approach to dealing with housing needs in the country and prevent long-term economic effects such as the economic recession of 2008 resulting from the housing bubble. In the same respect, there is also a key advantage that arises from the decentralization of housing aspects to the state governments. This allows for local communities and authorities to tailor housing aspects that are relevant to meeting their local needs. This can be important in creating long-term sustainability and promoting the engagement of various local innovative strategies to meet local housing issues.

On the downside, the current housing policy has a key focus on the landlord regulation. Rents, in particular, have risen without much consideration of the income of residents. This means there is a need to regulate the rental aspects. Through government interference with the market signals, there is an increased chance of disrupting the market and slowing down the housing growth. The burden of rent regulation on landlords will also bulk on the developers and investors which constrains housing growth further. This can worsen the problem of housing that the policy and policy programs were developed to deal with initially.

**Conclusion**

In conclusion, the U.S. housing policy has had some key changes over the past decades. More so, in the past few years, there have been more changes due to the economic situation. The state and local governments have grown to take up greater roles in the housing needs of the country alongside non-profit organizations. A large portion of the housing and urban development budget has been dedicated to the expansion of programs for increased affordability of housing. This shift is important for the country as it recognizes the inadequacy of relying on markets to regulate the sector. To this end, there is also a key realization that one size cannot fit all aspects of the community. The growth of local and state governments in housing activities is a unique aspect as it goes against the norms of the federal government being able to offer a comparative advantage for the provision of subsidies. The majority of the local and state government expenditures are distributed from the federal government. This highlights the extent to which innovation has been applied to the issue of housing policy in the country. There are some key aspects of the policy environment that require some key improvement. The assistance that is offered at the state and local level should look into the extent to which the subsidies offered can offer some key sufficiency to the poor households in the community. There is a huge population that is eligible for various housing policy subsidies, but they fail to gain the necessary access. As such, there is a need to look into more robust ways of ensuring the subsidies reach the low-income communities. There is also a key realization that many low-income rental payers have to part with more than they can afford. At the same time, there are lots of deductions and tax benefits directed towards homeowners who already have good annual income. As such, there are some key inequalities that have to be considered, and ways of adjusting the inequalities have to be developed.

References

Buckley, R. M., Schwartz, A. F. (2011). *Housing Policy in the U.S.: The Evolving Sub-national Role.* International Affairs Working Paper 2011-06. https://www.files.ethz.ch/isn/129656/Buckley\_and\_Schwartz\_2011-06.pdf

CRS. (Congressional Research Service). (2019). *Overview of Federal Housing Assistance Programs and Policy*. https://crsreports.congress.gov/product/pdf/RL/RL34591

Erickson, D. (2008). The Housing Policy Revolution. *Community Investments, 21*(3). https://www.frbsf.org/community-development/files/erickson\_david.pdf

Fulwood III, S. (2016). *The United States’ History of Segregated Housing Continues to Limit Affordable Housing*. https://www.americanprogress.org/issues/race/reports/2016/12/15/294374/the-united-states-history-of-segregated-housing-continues-to-limit-affordable-housing/

NLIHC. (National Low Income Housing Coalition). (2015). *A Brief Historical Overview of Affordable Rental Housing*. https://nlihc.org/sites/default/files/Sec1.03\_Historical-Overview\_2015.pdf

Olsen, E. O., Zabel, J. E. (2015). *Ask Me Why I Care. (2015, October 14). Ask me why I care: J. Fred Silva, senior policy advisor, California Forward* [Video]. Chapter 14 - U.S. Housing Policy. Handbook of Regional and Urban Economics, 887-986. https://www.sciencedirect.com/science/article/pii/B9780444595317000144

Schuetz, J. (2018). *Under U.S. housing policies, homeowners mostly win, while renters mostly lose*. https://www.brookings.edu/research/under-us-housing-policies-homeowners-mostly-win-while-renters-mostly-lose/

Szylvian, K. M. (2018). Housing *Policy Across the United States*. https://oxfordre.com/americanhistory/view/10.1093/acrefore/9780199329175.001.0001/acrefore-9780199329175-e-596

von Hoffman, A. (2016). *To Preserve Affordable Housing in the United States: A Policy History.* https://www.jchs.harvard.edu/sites/default/files/von\_hoffman\_to\_preserve\_affordable\_housing\_april16.pdf

Weiss, M. A. (n.d.). *National Housing Policy in the U.S. for the 21st Century*. https://globalurban.org/housing\_us.htm