Increasing the affordability of rental housing (ex.)

There are many approaches that cities and counties can use to increase the availability of affordable rental housing. In fact, the majority of policy tools in the Housing Policy Library work to advance this very goal. This brief describes how policies in each of the four main categories in the Housing Policy Library can be used to address rental affordability challenges.

Increasing affordability with the housing policy toolkit

There are two main ways to expand the supply of affordable rental housing: creating and preserving dedicated affordable units and increasing the overall housing supply. The first two categories of the Housing Policy Library address these two approaches.

1. Creating and preserving dedicated affordable housing units – Most of the policy tools that cities and counties have already adopted to create affordable housing fall into this category. Communities should look to the Housing Policy Library for ideas for additional policies they may wish to adopt to achieve this goal. Policy tools designed to create and preserve dedicated affordable housing for low- or moderate-income households can be structured in several ways, ranging from incentives and requirements to include lower-cost units in new development to direct subsidies that support the creation and operation of affordable developments. Cities can also establish mechanisms to generate revenue for use in affordable housing activities.

2. Promoting affordability by increasing the overall supply of housing and lowering barriers and costs – This category of policies is often overlooked but is extremely important for slowing the growth in housing costs and expanding the availability of housing affordable to households at all income levels. By lowering barriers and costs to increase the overall supply of housing, communities can take pressure off of the housing market and slow the growth of rents and home prices. With the development of new homes, existing units can filter down in price to levels affordable to low- and moderate-income households. Policies in this category also open up opportunities for the development of lower-cost housing types, such as multifamily homes and accessory dwelling units.

Policies in a third category, Helping renters and homebuyers access and afford units they locate in the private market, also have a direct role in promoting affordability. For example, tenant-based rental assistance provided through the local, state, or federal government makes it possible for some of the lowest-income households to find stable housing. Finally, policy tools in the fourth category of Enhancing housing stability and quality help to prevent older housing from being lost to deterioration, ensuring the
continued availability of lower-cost units.

This exhibit describes how policy tools in all four categories can be used to increase rental housing affordability. The policies included here are illustrative of options within each category. Please see the [Housing Policy Library](#) for a full listing and explanation of policy options.

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<tr>
<th>Policy Category</th>
<th>Logic/mechanism</th>
<th>Specific policies</th>
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<tr>
<td>I. Creating and preserving dedicated affordable housing units</td>
<td>Promotes creation of affordable housing by private developers through incentives and requirements. Supports the preservation, development, and ongoing operation of affordable rental housing by generating revenue from public and private sources. Helps to ensure that existing rental housing remains available and affordable to lower-income households. Lowers overall development costs and makes affordable rents more feasible by reducing the cost of land.</td>
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<td>Use <strong>inclusionary zoning</strong> and incentives (density bonuses, reduced parking requirements, expedited permitting and fee waivers, and tax abatements or incentives) to offset the cost of affordability requirements or encourage voluntary development of affordable rental housing. Establish a <strong>housing trust fund</strong> to administer proceeds from local and state dedicated revenue sources set aside for affordable rental housing, such as linkage fees, demolition taxes, bond proceeds, and a share of revenue from tax-increment financing. Use <strong>capital subsidies</strong> and <strong>operating subsidies</strong> to lower the cost of creating and maintaining affordable housing. Create and maintain <strong>preservation inventories</strong> to stay on top of the properties most likely to be lost from the affordable rental stock. Use <strong>publicly owned land</strong>, including through joint development with transit agencies, to bring down development costs.</td>
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<td>II. Promoting affordability by increasing the overall supply of housing and lowering barriers and costs</td>
<td>Expands the overall supply of housing (especially rental housing) lowers rent levels. Changes in land use policies can facilitate and promote higher-density, lower-cost development.</td>
<td>Revise land use policies to make it easier to develop affordable rentals, including by revising zoning policies to allow for higher density residential development and lower-cost housing types, such as accessory dwelling units and micro units. Streamline permitting processes and building codes to lower production costs. Provide tax incentives and benefits to stimulate new construction.</td>
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<td>III. Helping renters and homebuyers access and afford units they locate in the private market</td>
<td>Tenant-based assistance enables families to afford the cost of private rentals that would otherwise be out of reach.</td>
<td>Provide tenant-based subsidies funded through the federal Housing Choice Voucher program, the HOME program, and state or local funds that help families afford private rentals.</td>
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IV. Enhancing housing stability and quality

- Protects against the loss of affordable rental units due to deterioration. Helps renters afford to stay in their homes in the face of short-term crises.
- Use rent regulation and protection from condo conversions to slow the rate of rent escalation and protect residents from the adverse effects of sharp rent increases. Work with owners of small multifamily rentals to keep their properties viable—through tax incentives, expanded access to capital, and education and training programs. Provide counseling, legal assistance, and financial assistance as part of eviction prevention programs.

Combining policies to increase the affordability of rental housing

The specific polices highlighted in the exhibit often can and should be used in combination, as illustrated in the following scenarios:

**Scenario 1:**
A city has rezoned a large former industrial area to permit mixed-use development, including housing. A mixed-use project has been proposed for the area that includes 250 rental apartments. Because the development contributes to the city’s goal of increasing its housing supply, the developers are eligible for a streamlined permitting process that saves time and money. The city’s inclusionary zoning policy stipulates that at least 20 percent of the units must be affordable to moderate-income households. To provide deeper affordability in the new development, the city is project-basing housing choice vouchers at 15 of the “inclusionary” units. This extra layer of subsidy will make the rents affordable to extremely low-income households.

**Scenario 2:**
A local tenant’s rights organization has raised concerns about a 75-unit apartment building occupied mainly by low-income families. While the rents are affordable to
low-income families without any subsidy assistance, the owner of the building has allowed it to fall into disrepair and refuses to make much-needed repairs. Since the building is located in a neighborhood that is rich in amenities and resources and has few other low-cost housing units, the city taps its property acquisition fund to provide a below-market loan to support purchase of the property by a national nonprofit developer, which will work in partnership with the tenants association to redevelop it. They determine the property is in worse shape than previously thought, and will need a gut rehab and new construction—for which it receives a Low Income Housing Tax Credit award to help offset costs. In addition to providing a modest amount of gap funding to help make the Low Income Housing Tax Credit project feasible, the city has set aside HOME funds to provide tenant-based rental assistance for residents who are displaced during the redevelopment and assured residents they will be able to return to the redeveloped property if they wish to do so.