Why housing matters
An ample supply of housing affordable to households earning a range of incomes is essential for cities and other localities. It is key to attracting and sustaining economic activity, anchoring vital and inclusive neighborhoods, and providing a critical foundation for individual health and well-being.

Growing needs
Over the past several decades, households across the United States have seen steadily rising rents, while their incomes have stagnated. As a result, the proportion of renter households paying more than 30 percent of their income on housing rose from 24 percent in 1960 to 49 percent in 2014. These trends have accelerated in the past decade and a half, especially in high-cost, growing cities, where supply has failed to keep up with growing demand. Low-income households face the greatest housing cost burdens, but moderate-income households have seen the largest increases in their...
Why does housing matter?
An ample supply of high-quality, affordable housing is critical for cities and other localities. First, and most fundamentally, the existence of housing affordable to a range of households is key to economic growth. Businesses need a diversity of workers in order to thrive and grow; and those workers in turn need a range of affordable housing options. Further, research shows that firms surrounded by more dense and diverse economic activity are more productive. The key to fostering dense and diverse cities is an ample supply of housing, serving a range of incomes. Affordable housing may also help to retain the artists, performers and entrepreneurs who deliver the cultural and economic vitality that makes cities so attractive.

Second, quality housing also helps to anchor and support neighborhoods. The existence of a dilapidated building with unkempt grounds signals that residents are not attending to conditions in the neighborhood and may reduce the value of surrounding homes and discourage investment in them. Improving that dilapidated building and transforming it into an attractive, well-maintained building may boost confidence in the area’s livability and increase property values. Research has documented these spillovers in New York City, showing that investing in removing blight and building affordable housing can breathe new life into distressed communities and increase the value of surrounding properties, through repopulating streets, constructing attractive new buildings, and removing pockets of blight that can discourage other private investment.

In neighborhoods experiencing gentrification pressures, investments in affordable homes are also essential to the fabric and vitality of a neighborhood. Such investments can help to ensure that the homes in a neighborhood are affordable to households earning a range of incomes and thereby lock-in economic and racial diversity in a community over the longer-term. Ideally, those investments should be made when a neighborhood is just starting to experience gentrification.

Finally, housing provides a critical foundation for individual health, well-being and educational success. This matters to cities, towns, and counties not just on equity grounds but because healthier and more educated residents benefit a city’s economy by forming a more robust and productive workforce. Other research summaries and briefs in this series offer far more detail about the evidence showing that higher quality, affordable housing enhances occupants’ health and well-being and supports their educational progress, but in short, housing influences individual outcomes through a number of mechanisms:
• **Housing Quality**: Research shows that poor quality housing increases the risk of injury and heightens exposure to lead paint and other toxins that cause disease and disability.

• **Housing costs**: High housing costs can cause stress and prevent families from having adequate resources for food and health care. Research shows that families that spend excessive amounts of their income on housing spend less on other critical expenditures like food and healthcare.

• **Housing insecurity**: Homes serve as critical havens for families and children, providing them with a safe and secure place of retreat. Families with insecure tenure lack this sanctuary, as they worry about how to pay next month’s rent and about losing their homes altogether. Further, there is ample evidence that unplanned residential moves are harmful to children, as they disrupt important relationships and force them to move schools.

• **Neighborhood**: Homes come together with a neighborhood, and there is very strong evidence that neighborhoods matter. They largely determine access to schools and other critical institutions, shape exposure to violence, and offer access to critical social networks. Recent research findings from the experimental, Moving to Opportunity Demonstration highlight the long-run benefits that young children glean from growing up in lower poverty neighborhoods. Families shape upward mobility too, as does simple luck, but resource-rich neighborhoods offer an important leg up on the economic ladder.

**Disparities in housing and neighborhoods**

Local housing policies are critical in creating diverse and inclusive cities, towns, and counties but they can also serve as powerful tools for exclusion. History offers many cautionary examples. Consider the implementation of the federal public housing program. Many jurisdictions, especially those in suburban areas, refused to participate in the federal public housing program, and those that did participate often chose to build developments in central city neighborhoods that were largely occupied by poor families of color, deepening poverty concentration and racial segregation. In many cities, public housing authorities also allowed developments themselves to be segregated by race, with those in white areas open to white residents and those in minority areas open to black residents.

Many jurisdictions have meanwhile used exclusionary zoning to block any type of affordable housing, and multifamily rental housing more generally, from their borders. While the motivations for such land use regulations may not be explicitly racist or classist, they have served to harden racial and economic segregation. Meanwhile, the neighborhood rating systems used in federal government loan guarantee programs
reinforced local color lines by starving neighborhoods occupied by residents of color of much-needed credit by officially declaring them risky places to lend.

Importantly, racial segregation has not resulted in separate but equal neighborhoods. On average, black and Latino households continue to live in neighborhoods with higher rates of poverty, lower-performing schools and more violent crime than their white and Asian counterparts. These differences in turn shape the ability of children to climb the economic ladder. There is strong evidence that segregation heightens racial disparities in educational and economic outcomes.

Finally, and perhaps most crucially, history matters. The color lines drawn by these previous policies are not easily erased. They are deeply ingrained in the minds of lenders, realtors, and households. Such implicit or explicit images of neighborhoods shape ongoing discrimination, fuel NIMBY fears, and constrain residential choices of households of all races.

Addressing this legacy not only is a moral imperative, but it also may be important for overall economic growth. Some research suggests that racial and economic segregation slow overall economic growth by cutting off opportunities for interaction and reducing economic mobility. Segregation, that is, may harm entire regions. A recent report from the Urban Institute finds that black-white segregation in a metropolitan area is positively associated with homicide rates and negatively associated with the share of the overall population with college degrees. Moreover, the Fair Housing Act requires that local governments to affirmatively further the Act’s goals of promoting fair housing and equal opportunity.

**What can you do?**

Local policymakers should see housing as a critical area for investment that can enhance economic growth, stabilize neighborhoods, and improve individual health and well-being. Investments in housing can potentially reduce costs in other areas. Local policymakers should develop a housing plan that identifies local housing challenges, articulates a clear set of core objectives, and lays out a comprehensive strategy to accomplish them. An effective strategy should engage players inside and outside of government and draw on the full set of tools that local governments have at their disposal, including zoning ordinance, building codes, permitting processes, property tax abatements, and federal, state, and local housing subsidies. As local governments move forward in developing new housing strategies, or reshaping existing ones, they must also be sensitive to patterns of segregation and pay close attention to how their policies and investments affect disparities in services and resources across neighborhoods.
**Key resources**

[https://howhousingmatters.org/](https://howhousingmatters.org/)


[https://www.huduser.gov/portal/pdredge/pdr-edge-featd-article-012317.html](https://www.huduser.gov/portal/pdredge/pdr-edge-featd-article-012317.html)

**See also:**

What is affordable housing?
Why is housing unaffordable?
Learn