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AFFORDABILITY OR DISPLACEMENT: THE CONTEMPORARY HOUSING PROBLEM

Jasvir Singh
Urban Studies
June, 2016

Faculty Adviser: Dr. Ali Modarres

Essay completed in partial fulfillment of the requirements for graduation with Global Honors, University of Washington, Tacoma

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Approved:

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Faculty Adviser Date

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Director, Global Honors Date

1. Introduction

Access to quality and affordable housing is a human need and, by some standards, a human right. However, as a commodity, housing is not available to all individuals at an affordable price. Affordability is known to be the key building block for a more equitable city, where all residents have equal access, without discrimination to good quality housing. Rental housing affordability is not a recent phenomenon. It has been with us since ancient times, dating back at least to Roman times (DeLorme, Isom, & Kamerschen , 2005). Recovered archives indicate that Romans had adopted various policy constraints on landlords' abilities to raise tenants' rent payments, which formally came to be known as rent control in the modern era (,(Ambrosius, Keating, Gilderbloom, & Steele, 2015, p.121). In the United States, rental housing affordability had been mainly tackled through local rent control measures. In the early 1970s, it became part of the Economic Stabilization Act, which authorized the president to stabilize prices, rents, and wages (Jenkins, 2009, p. 74). Over time, rent control regulations have evolved to regulate the rental markets in unique ways, in order ensure the availability of affordable housing for low-income population.

Despite their common goal of providing affordable housing, rent control regulations have varied greatly from one municipality to another. However, a significant number of economists claim that, regardless of the nature of rent control policies, they are no different than contagious outbreaks that slowly paralyze the city's everyday functions. These objections suggest, "that even in moderate forms, rent control policies lead to inefficiencies in the rental housing markets and have adverse effect on the quantity and quality of housing stock" (Ambrosius, et al., 2015, p.121). It is commonly believed that any type of interference in the private housing market will lead to fewer housing units being supplied than demanded, which will further lead to shortages and lack of investment in the rental units. These fears have paralyzed many cities, leading them to ignore the need for affordability and continue to depend solely upon private markets to provide solutions.

It is very important to note that there are variety of strategies that have been used throughout the world to tackle issues of rental affordability, however rent control has been a widely accepted method, regardless of its controversy. Demand for rent control only tends to rise when there is a severe competition on the supply side of the hot private market (Downs, 1988, p.413). Downs (1988) argues that these two conditions did not prevail until the wartime era when there was a rapid increase in demand for rental units (p.413). These conditions had played a crucial role in putting the owners of the existing units in monopolist hierarchy, where the tenants were competing against each other to inhabit the existing rental units. Thus, the wartime conditions were very suitable for government intervention in the private housing market, since the market itself showed no signs of solution (Downs, 1988, p.412-413). Without rent controls, owners in the booming markets are able to profit at remarkable levels, while the availability of affordable units slowly diminishes for low income households. For this main reason, several cities across the United States have adopted rent controls to protect tenants from exploitation. The fundamental goal of rent control is to prevent owners that enjoy a monopolist market position from taking unfair advantage of tenants. Rent control regulations often consist of holding rents below the market equilibrium, in order to make the rental units more affordable *(see figure 1-1)*. The size of the derived benefit from the price ceiling is equal to the difference between the market price and the controlled rents. Downs (1988) argues that preventing owners from raising rents above a certain price ceiling, principally adds that amount to the purchasing power that tenants can use to further improve their quality of life (p.413). However, from the perspective of landlords and developers price ceilings reduce their incentives to develop and

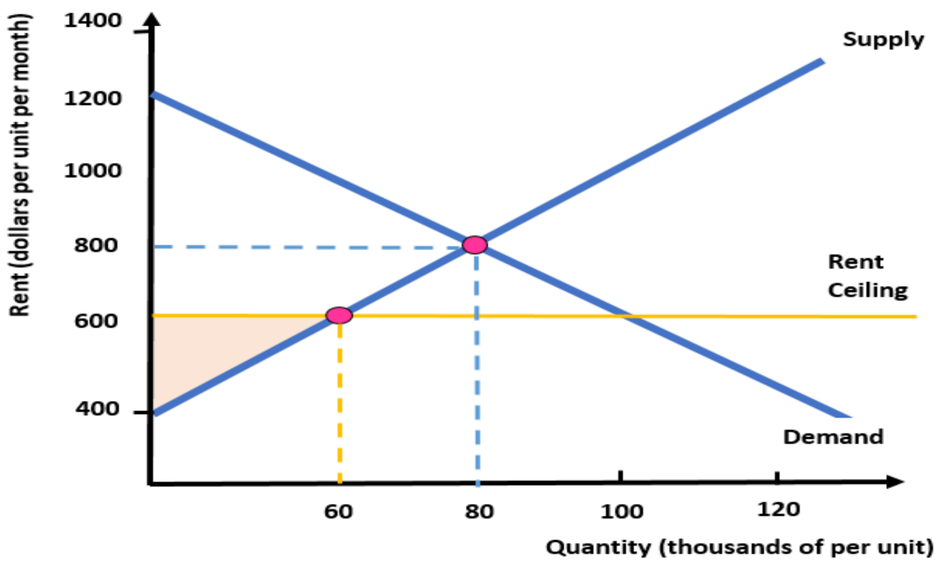

Figure 1-1: Price Ceiling Supply and Demand Curve (Investopedia)

maintain the existing rental units to decent levels, thus hampering the stability of the supply and demand curve. This condition poses two questions: (1) Have contemporary rent control mechanisms been effective in addressing the core issues concerning equitable rental affordability, while maintaining the nature of the supply and demand curve? (2) Are there any alternative methods to tackle rental affordability crises? When consumer prices rose expeditiously during the 1970s, many tenants in the United States called for the adoption of rent controls to help them cope with their shrinking purchasing power (Jenkins, 2009, p. 74). Many local elected representatives replied by passing ordinances that came to be known as second generation controls, in order to limit owners' ability to increase rents considerably. Instead of simply freezing rents, these policies allowed for minor increases. By 1986, more than 200 municipalities across the United States had adopted some sort of rent control regulation to help ease the worsening rent hikes (Downs, 1988, p. 415). The distinctiveness of this situation is that the majority of the municipalities were located in only five states, New Jersey, Massachusetts, New York, Connecticut, and California (Downs, 1988. p.415) (see figure 1-2). It is very crucial to know that not all rent control ordinances were similar in nature throughout the states. In most municipalities across the United States, rent control ordinances often ranged from stringent to temperate in nature, however regardless of their nature, they shared the common purpose of

Figure 1-2: States with rent control by 1986 (Created by ArcGIS)

providing affordable housing units with slightly different mechanisms (Downs, 1988).

There is a huge debate that rent controls induce landlords to reduce the maintenance of controlled units. With lower rental rates and excess demand, why should a landlord maintain an $800-value property for which they can only collect $600? Instead, they might as well sit and let it deteriorate to a $600 value. This basic logic is confirmed by several researchers across the world, but of course the reality is more complicated, and there are models in which positive maintenance effects are found (Jenkins, 2009, p.80). Kutty (1996) developed a “dynamic model to analyze various cases of rent control” in an attempt to analyze the relationship between rent control and rental maintenance (p.7). She applied her model to typical first generation strict controls which were implemented after WW1, as well as to numerous forms of second generation rent controls. Her results indicated that first generation rent controls had negative maintenance holds unambiguously versus second generation controls. (Kutty, 1996, p.8).

This paper will first summarize the changing features of the American housing market that are at the root of rental affordability housing crises. This will be followed by a section on the key frameworks of rent control ordinances across several American cities and states, in order to critically understand their functioning dynamics in-conjunction with rental affordability crises. To better escape the wrath of developers, many municipalities across the United States are now leaning more toward temperate controls, to help increase the supply of rental units in the market, which often become scarce under strict controls (Early, 1999, p. 186). Second, I will focus on the key consequences and challenges of rent ceilings in improving the availability of good quality affordable housing units. The next section will concentration on several affordable housing alternative case studies in the United Kingdom and Netherlands, to further analyze the nature of social housing provisions globally, in relation to rent control regulations. In the final section of this paper, I will explore the affordable housing situation in the City of Tacoma, Washington, while drawing on alternative mechanisms to tackle the issues of affordability.

2. Important changing features of American housing

America exemplifies a number of key features of contemporary housing provision which are useful to identify. Each country contains its own unique set of housing values and policies. This highlights that housing markets remain solely local to the American Dream in its character. The ideal of the American Dream is that every US citizen should have an equal opportunity to achieve success and prosperity through hard work, which has firmly embedded the idea of owning a suburban style house, as opposed to renting, in the popular imagination. My point here is not to undermine the ambitious nature of the American Dream, instead it is to bring light to the anti-renting environment. The anti-renting environment has greatly undermined the perceived value of renting as a form of shelter, which goes against the core values of American homeownership culture.

Though basic needs of shelter and health are generally met to some extent, affordable housing shortages continue to flourish. A prime cause is the desire of American ideology and loyalty toward private capitalism, to operate at economic efficiencies regardless of the consequences. Therefore, scarcity is to a considerable degree socially created, with values prompted by the American Dream, having pre-eminence over housing affordability and renting. Thus, inequality is further exacerbated by competition for this single family landscape, and the poor are often locked between the suburban fringe and luxury inner city apartments, where they are derived of their right to rent decent units.

However, the new generation is more open to rental housing, which is becoming home to a growing share of the nation's increasingly diverse households. In mid-2015, 43 million families and individuals lived in rental housing, which is up nearly 9 million from 2005—the largest gain in any 10-year period on record (America's Rental Housing, 2013, p. 1). In addition, the share of all US households that rent rose from 31 percent to 37 percent, its highest level since the mid-1960s (America's Rental Housing, 2013, p. 5).

A number of factors have fueled soaring demand. The bursting of the housing bubble played an important role, with nearly 8 million homes lost to foreclosure since the homeownership rate peaked in 2004 (America's Rental Housing, 2013, p. 1) Household incomes have also fallen back to 1995 levels and access to mortgage credit has tightened, making the transition to home-ownership more difficult for many who might otherwise buy homes (America's Rental Housing, 2013, p. 1). In response to record growth in demand, the rental housing stock expanded by approximately 8.2 million units in 2005 to 2015 (America's Rental Housing, 2013, p. 2). While new multifamily construction was responsible for roughly a fifth of this increase, conversions of single-family homes from owner-occupancy and other uses accounted for the lion's share of growth (America's Rental Housing, 2013, p. 2).

But even with the strong rebound in multifamily construction, tight rental markets make it difficult for low and moderate income renters to find housing they can afford (see figure 1-3).

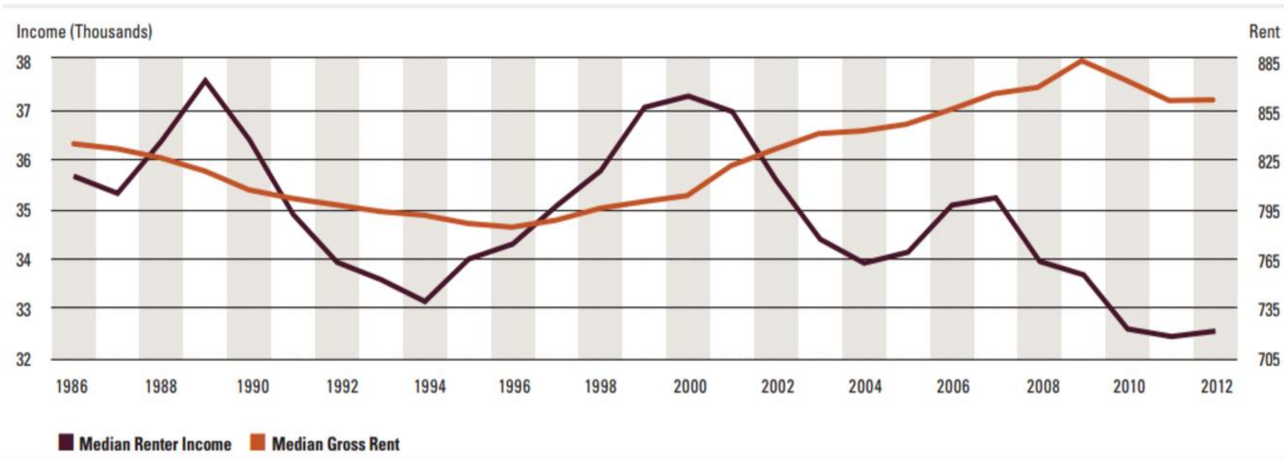

Figure 1-3: Median Renter Income Comparison with Median Gross Income (America's Rental Housing, 2013, p. 29)

Between 2001 and 2014, real rents rose 7 percent while household incomes fell by 9 percent. In combination, these trends pushed the number of cost-burdened renters (paying more than 30 percent of income for housing) up from 14.8 million to a new high of 21.3 million (America's Rental Housing, 2013, p. 4). Even worse, the number of these households with severe burdens are paying more than half of income for housing has jumped from 7.5 million to 11.4 million, also setting a record (America's Rental Housing, 2013, p. 4-5).

Since 2000, rents have risen while the number of renters who need low-priced housing has increased. These two pressures make finding affordable housing even tougher for very poor households in America. Nationwide, only 28 adequate and affordable units are available for every 100 renter households with incomes below 30 percent of the area median income (America's Rental Housing, 2013, p. 32) (see figure 1-4). Not a single county in the United States has enough affordable housing for all its extremely low-income (ELI) renters. According to America's Rental Housing (2013), families who pay more than 30 percent of their income for

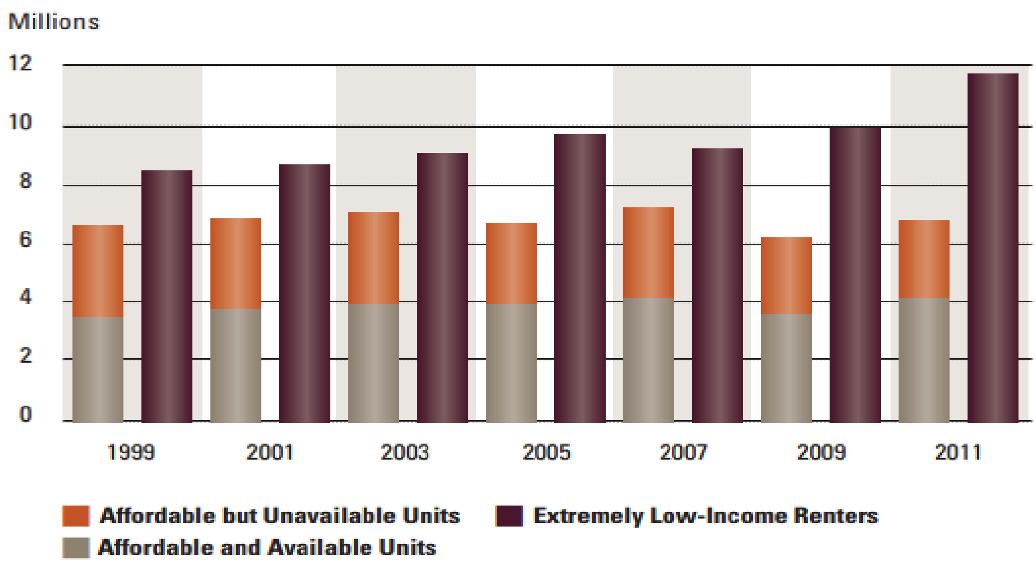

Figure 1-4: Affordable Housing Gap (America's Rental Housing, 2013, p. 32)

housing is considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care. An estimated 12 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing (America's Rental Housing, 2013). For example, a family with one full-time worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States. Therefore, we can conclude that in order to maintain the regular supply of multifamily units to accommodate new renters, cities and federal government needs to look toward unique strategies to mitigate rental affordability regionally.

3. America as a case

America has a rich history of housing policy that has often been used as prototypes for elsewhere. This is especially true for states (e.g., New York) with a strong preference for affordability policies. The postwar rapid economic growth made rent control policies more feasible, so that they slowly became entrenched by the last quarter of the twentieth century in the United States (David, 1985). It was not until the 1970's that rent control became the topic of a heavily heated debate in the United States. Major arenas included Boston and New Jersey in the early part of the decade, followed by Washington, D.C (David, 1985, p.1). By 1979, about a third of all Californians lived under rent controls, including the residents of Los Angeles and San Francisco (David, 1985, p. 1).

In the mid-1980’s, it was very common to see municipalities across the United States practicing two types of rent control ordinances (Downs, 1988, p.12). The individuality of these ordinances was that they were not similar, instead they varied by local context and the existing housing rental market. Stringent ordinances were characterized as the most extreme model by the critics, which required owners to petition tenants to approve increases. Rent control boards often required the computation of the permitted recapture rent increase by amortizing costs over a time long period, such as 15 years (Downs, 1988, p. 416). However, temperate ordinances on the other hand, were very moderate in nature, and did not require owners to get permission from tenants and usually used relatively short periods for recapture of investment (Jenkins, 2009, p. 13).

It is true that rent control ordinances have performed well across cities such as New York and Los Angeles to some extent, but they have created an unfriendly environment where developers and owners feel skeptical to invest (Downs, 2009, p.13-14). Stringent rent controls are often associated with preventing owners from earning the benefits from their assets. As a result, it has discouraged developers and investors from building new rental units, therefore obstructing the overall expansion of rental housing supply. The consequences of such ordinances are that they not only hamper future investment, they also undervalue the existing properties within the rent control buffer. As result, overtime many States across the U.S. slowly began to adopt ordinances that allow some type of flexibility, while others such as Massachusetts have completely abandoned rent control out of fear of ill effects (Sims, 2007).

3.1 New York

New York is often referred to as the father of rent control policies in the United States, and since the 1940s many states have looked up to it as a leader in affordability crises. David (1985) argues that throughout the debates, New York City's experience was held up as evidence that rent control would certainly lead to housing shortages, quality deterioration, and accelerated abandonment (p.1-2). But advocates responded by asserting that these ill effects could be avoided by the means of soft or second generation rent controls (David, 1985, p. 5). The uniqueness of second generation controls is that they greatly differ from wartime and New York City versions, since they do not freeze rents, instead they generally contain instruments for regulated rent increases (David, 1985, p.2).

While rent control is the law in over several hundred municipalities across New York state, the attention is usually concentrated on New York City's two separate rent programs: rent control, first passed in 1942 as a temporary measure, and rent stabilization, enacted in 1969 (Walter, 1981, p.11). Currently, as rent controlled units are vacated in New York City, they are moved into the stabilization program (second generation). As of 2011, there were more units under stabilization than control. The basic difference between the two is that stabilization requires an annual increase in rents with relatively few restrictions attached (Walter, 1981, p.11). Units under controls, on the other hand, include only pre-1947 buildings which originally provided no annual increase in rents, and that now allow smaller increases with greater complications under the Maximum Base rent program (Walter, 1981, p.11-12). The program helps ensure that apartments under rent control provide enough income for their maintenance and for building improvements (NYC Division of Housing and Community Renewal, 2014).

Nevertheless, many developers and investors are often very cynical about the laws that exempt new rental units from rent control in municipalities. For example, New York City had twice imposed stringent controls on exempt units, which had further created a tense environment between the developers and the city (Downs, 1988, p.13). Thus, it is very logical to postulate that no developer anywhere in the United States could reasonably believe in the consistency of any local rent control program's guarantee of permanent exemption for new construction (Walter, 1981, p. 11).

3.2 Massachusetts

Of all the Massachusetts cities that adopted rent control in the late 1960s and early 1970s, only Boston (1969), Cambridge (1971), and Brookline (1970) have maintained rent control ordinances past the early 1980s (Sims, 2007, p. 131). According to Sims (2007), even though the laws in each city varied in some details, all rent control policies shared four common elements. The first was a centralized board or a commission which was empowered to set maximum rents (Sims, 2007p.131-132). There were only a few ascending adjustments that were made to the rents in the 1970s and early 1980s, despite high inflation (Sims, 2007). However, in the late 1980s rent control boards often approved general rent increases for all controlled apartments in the cities (Sims, 2007, p.132). For example, Boston made several general rent adjustments of about 5%, Brookline gave a usual annual increase of 4%, and Cambridge indexed increases to a multiple (0.85) of CPI growth (David, 2007, p.131).

The second common element was a set of laws to reduce condominium conversions that had a possibility of taking apartments out of the rental housing stock (Sims, 2007). In Cambridge, for example, condominium conversions required the express approval of the rent control board. In Boston, "the Bar Association noted that owners of buildings intended for condominium conversion were also required to give tenants up to three years advance notice before conversion, in order to help the tenants find new housing and pay a severance fee" (Sims, 2007, p. 132-133). These regulations made it very difficult to remove a controlled unit by converting it into a condominium.

Throughout the early 1990s, the fight to end rent control was mainly led by the Small Property Owners Association (SPOA) (Sims, 2007, p.132). Massachusetts cities with rent control had a majority of tenant residents, as well as government officials with a favorable attitude toward rent control (Sims, 2007, p.132. Therefore, SPOA had a very little success in repealing rent control laws through local action initiatives. It wasn't until 1994, that SPOA altered tactics and proposed a statewide ban of rent control in the form of a ballot initiative (Sims, 2007, p.143). The resulting political campaign was severely contested on both sides of spectrum, with a number of rental tenant groups organizing opposition to the proposed initiative (Sims, 2007).

In the November election of 1994, the voters approved a ballot by a narrow margin of 51% to end the rent control era (Sims, 2007, p.132). After failing to obtain court involvement, tenant advocates sought help from the state legislature. They argued that the end of rent control on January 1, 1995 would lead to extensive evictions of the poor and elderly, which would give massive rise to homelessness across the state (Sims, 2007, p. 132-133). Later, the governor brokered a compromise whereby tenants that met certain age or poverty guidelines could retain their controlled unit status for a 1 to 2-year transition period (David, 2007, p. 132). Thus, most units were immediately decontrolled, but a few remained in control until January 1997.

3.3 New Jersey

Unlike, Massachusetts most municipalities in the State of New Jersey embraced temperate (moderate) rent controls, which attempted to stabilize annual rent increases for tenants while ensuring that landlords receive ‘‘fair” returns on their investments, in the 1970s (Ambrosius et al, 2015, p.121). Despite its moderate nature, rent control in New Jersey faced severe controversy from policymakers, analysts, and meanwhile the public discussed its qualities. Advocates argued that, in some markets, rent control policies are a necessity to ensure affordability, tenant stabilization, and the rights of tenants (Ambrosius et al, 2015, p.121). Critics, including many economists and landlords, counter that these policies, even in mild soft forms create inefficiencies in the rental housing market and have adverse effects on the quantity and quality of rental housing.

The aftermath of the 2008 housing market crash caused many New Jersey municipalities, motivated by fears that rent controls were holding back the recoveries of their local housing markets, to resume the rent control debate (Ambrosius et al, 2015). For example, the November 2012 referendum of the City of Hoboken planned to eliminate rent control for smaller properties (Ambrosius et al, 2015, p.121). However, this ballot was rejected by voters twice by very small margins (Ambrosius et al, 2015, p.121-122). It is safe to assume that cities and voters may have been influenced to support rent control by a desire to ensure affordability in a rental market oversupplied with new renters who lost their homes during or after the housing bubble crash. For example, many residents feared the high surge in tenants looking for rental housing will cause the owners of units to gain a monopolist position, since there was a shortage in rental housing units.

Most recently, Gilderbloom and Ye (2007) compared 76 New Jersey cities with rent controls to 85 New Jersey cities that lacked temperate (moderate) controls (p.211-212). They found out that moderate rent control had no or minimal significant impacts on measures of rents, housing size, quality, and quantity of rental housing stock (Gilderbloom and Ye, 2007, p.217). However, Gilderbloom and Ye (2007) demonstrated statistically significant adverse effects of rent control on unit sizes and positive effects on rent per room, but no effect on median rents (p.211). Therefore, it is very clear that if rent control policies are moderate in nature, they are less likely to interfere with the private market supply and demand dilemma.

3.4 California

California is a very unique example of rent control, since prior to the passage of Proposition 13 (Jarvis/Gann) in June 1978, no apartments in California were continuously subject to local rent controls (Walter, 1981). Significantly, a series of local rent control initiatives were defeated by the voters in this period, and city councils had continually refused to enact such legislation (Walter, 1981, p.16). In 1972, Berkeley became the first California community in the post-World War II period to enact a rent control law. However, the proposal was rejected by the city council, but enacted via an initiative vote of 27,000 to 25,000 at the height of the antiwar student protests (Walter, 1981, p.16-17). In June 1976, the State Supreme Court, in the Birkenfeld case, ruled that although the specific Berkeley law was unconstitutional, there was nothing in existing state law to prevent a local community from controlling rents, as long as they permitted some undefined fair return (Walter, 1981, p.16).

On June 6, with the passage of the Jarvis/Gann initiative, the politics of rent control in California abruptly changed (Walter, 1981). Proposition 13, which was passed by a two-to-one margin in a statewide election, limits property taxes to 1 percent of the 1975 assessed fair market value if a property had not changed hands since 1975. Most owners expected that the passage of Jarvis/Gann would result in an initial 60 percent reduction in current property taxes (Walter, 1981, p. 17). While renters were not specifically mentioned, Jarvis himself, and his supporters implied that passage would result in substantial rent reductions (Walter, 1981). For a number of reasons, rents continued to increase at the same rate as before the election. This led many communities in California to pass rent control laws within the next few years to directly address the issue of high rents.

In California, only residential properties with two or more units can be rent controlled. These exclusions from rent control have been in effect since 1995 when a state law, the Costa Hawkins Rental Housing Act, took effect. Newly constructed units also cannot be rent controlled unless it was built before the year the rent control ordinance goes into effect. Under Costa-Hawkins, any housing built after February 1995 is exempt from rent control. Housing that was exempt from a local rent control ordinance when Costa Hawkins was adopted cannot later be rent controlled. For example, in San Francisco, because buildings built after 1979 were exempt from rent control at the time Costa Hawkins passed, San Francisco cannot put rent control on buildings built later than 1979.

In California, rent controls are limited to in-place tenancies. This means that while someone occupies a unit, their rent increases may be limited, but once a tenant moves, with limited exceptions, the landlord can increase the rent asked of a new tenant to any amount. This is called “vacancy decontrol” and is the law in California due to the previously mentioned Costa-

Hawkins Act. Before this law was passed, Berkeley, East Palo Alto, Santa Monica, and West Hollywood had rent control ordinances where the rent could only be increased by a limited amount when a unit changed tenants.

4. Key challenges and consequences of price ceilings

There are many tenant organizers and property owners who believe that political pressures are such that rent control is unescapable. The supporters believe such controls will give birth to a bright new day, and the critics wonder who will invest in new rental units or maintain existing ones. Given the evidence above in section three, it is very clear to imagine that many municipalities are in favor of more flexible forms of control that don't re-aggravate the affordable rental housing problems. The real question that has to be decided is whether we base our political decision for or against rent control on the known effects of such programs or on the emotional desire to find some temporary fix to provide lower rental housing costs to consumers.

The primary goal of rent control is to provide affordable housing. Yet the controls affect other facets of a community. Glaeser (2002) states, "if the city is getting poorer, then rent control may tend to exacerbate poverty and stop rich people from renting the more desirable apartments" (p. 6). Glaeser (2002) noted the correlation between rent controls and poverty in New Jersey. He suggests that rent controls result in decreased growth, "because rent controls limit new construction or because other factors make these places less attractive" (p.18). Navarro (1985) on the other hand argues that rent controls can negatively affect a community by diminishing the community's tax base. Because tax assessments are based solely on a property's market value, thus the amount of taxes the owner pays shrinks with the reduction in rents" (Navarro 1985, p. 92). In an attempt to replace the taxes lost from rent control, taxes in the uncontrolled sector might be increased (Navarro, 1985, p. 96). In effect the tax burden is often shifted not only to single family homeowners, but also to tenants in the uncontrolled market. This situation remarkably suggests that rent control has a potential to make one place affordable, while others unaffordable depending on the spectrum level of the housing market.

The change in capital value is the difference between the purchase price and the selling price of an asset. The price at which a residential structure will sell is determined by the discounted value of the future stream of net income that it will yield. Often, when municipalities implement rent control ordinances to make it affordable, many developers tend to limit construction in the city, while investing in the neighboring city without rent controls. The uniqueness of this situation is that developers assist in spatially gentrifying, only the rent control cities with warm housing markets like Hoboken, NJ versus hot markets like New York City.

As a result of gentrification, many American cities have experienced a sharp decline in the supply of affordable housing for low and middle-income families, although demand for such housing continues to rise. The resulting increase in rents has left the low-income population often displaced or homeless. Rent control, typically proposed as a solution, frequently meets with strict opposition from the landlords and developers. Many of the attacks on rent control center on its economic effects and assert that rent control is both inefficient and counterproductive. In the gentrifying market, upper-income groups displace lower-income groups in existing housing stock, instead of building new homes or moving into homes formerly occupied by wealthier families.

First, landlords have an incentive to convert their rental units to condominiums for middle class newcomers. This directly displaces low income tenants and increases rental prices by reducing supply. As middle class consumers convert low-income rentals to condominiums luxury housing, and as little low-income housing is built, the supply of low-income rental units decreases, driving up rental prices. Because, government subsidies supporting the only low-income housing construction have declined greatly since these lost units go largely unreplaced.

Second, even when apartments are not converted, gentrification indirectly displaces tenants through rent escalation. As the average income of families demanding housing in a neighborhood rises through urban middle class newcomers, landlords raise the rents (temperate controls) of existing tenants to reflect the higher market rates caused by more demand. In a market characterized by gentrification, rent housing prices may rise more than the market fundamentals would predict. For example, if investors expect demand to continue to propel rental housing prices upward, they may engage in bidding to drive up prices to fulfill their profit motives.

5. Alternative methods to affordability

5.1 American subsidy approach to affordability

Without the help of subsidies, it is nearly impossible to build and operate rental housing that is affordable to ELI (Extremely Low Income) renters in most markets. Developers cannot make developments targeted to ELI renters, because the expected revenue stream from rents is too low to cover the costs of maintaining the property and to pay back the debt incurred in development. The largest subsidy source for low-income housing development is the Low-Income Housing Tax Credit, which is designed to make units affordable to households with incomes at 50–60 percent of area median income (AMI) up to twice the ELI limit (Malpezzi & Vandell, 2002). The assistance available through federal block grant programs (such as the Community Development Block Grant) and most state and local programs cannot keep housing affordable to ELI renters over the long term (Leopold, Getsinger, Blumenthal, Abazajian, & Jordan, 2015). Meanwhile, the stock of nonsubsidized housing that is affordable to ELI renters has steadily declined. Thirteen percent of unassisted units with rents at or below $400 in 2001 had been demolished by 2011 (Leopold at el, 2015, p.4). Nearly half (46%) of the remaining units were built before 1960, putting them at high risk of demolition (Leopold at el, 2015, p.3). HUD's rental assistance programs are increasingly the only source of affordable housing for ELI renters in many areas. As a result, millions of low-income individuals and families face serious challenges ranging from severe cost burdens to overcrowding to homelessness.

5.2 Section 8 Housing Choice Voucher Program

The Section 8 Housing Choice Voucher (HCV) Program is another dominant federal program, with over $19 billion in spending in 2014 (Leopold at el, 2015, p.4). Through vouchers, it provides households the opportunity to find eligible housing in the private rental market. Approximately 2.1 million low-income families use these tenant based vouchers, administered by a network of 2,230 public housing authorities (Leopold at el, 2015, p.4). Vouchers typically help pay the difference between what a family can afford and the actual rent of a unit that meets HUD's health and safety standards, up to a locally determined rent limit. Families are expected to contribute the larger amount of either 30 percent of family income or the minimum rent amount of up to $50 (HUD). The program particularly targets extremely low-income families; by law, 75 percent of newly admitted households must be ELI. Public housing authorities can dedicate up to 20 percent of their vouchers for linking vouchers to a specific unit; these "project-based" units are sometimes embedded in affordable multifamily buildings funded through the Low-Income Housing Tax Credit to provide an ongoing operating subsidy (Leopold et el, 2015, p.4).

5.3 Section 8 Project-Based Rental Assistance

Section 8 Project-Based Rental Assistance, unlike other programs, operates through an agreement between a private property owner and HUD, which now currently serves 1.2 million families (Leopold at el, 2015, p.4-5). Tenants must contribute the greatest of 30 percent of their income or a minimum rent of $25, while the subsidy compensates the landlord for the remaining costs of operating and maintaining the property (Leopold at el, 2015). Like the HCV program, project-based rental assistance targets ELI households. By law, at least 40 percent of the assisted units in a development must be designed for ELI households (Leopold at el, 2015, p.4). However, approximately 73 percent of units with project-based assistance are occupied by ELI households (Leopold at el, 2015, p.4). The vast majority of developments were built between the 1960s and 1990s, and the program hasn't added to the supply of new rental homes in many years (Leopold at el, 2015, p.4-5).

6. Social Housing and Support for low income groups in Europe

There is no clear European definition of social housing or its character. Many classifications range across providers, subsidies, rent setting and recipients (Ball, 2015). Sweden and the Netherlands have traditionally taken an open to all approach, which was combined with strict controls in private renting, while others target low-income or special needs groups (Ball, 2015, p.5). Subsidy sources in Europe vary from direct ones for building, land subventions, non-profit tax breaks, public and cross-tenant rent subsidies, and loan guarantees (Ball, 2015).

Only a handful of countries have particularly large social housing sectors, which illustrate widely different views on its costs and benefits (Whitehead & Scanlon, 2007). The variety partly specifies historical differences, with social housebuilding being particularly fashionable in the decades after the two world wars in several North-Western European countries and for particularly some city governments within them (Ball, 2015, p.5).

Social housing has been in numerical decline for several decades, as building has been limited and demolitions and sales frequent (Ball, 2015). However, in several countries the tenure remains a major provider of homes, particularly of rental properties (Pawson, Lawson, & Milligan, 2011). The Netherlands respectively has the largest sector, with social housing accounting for over 30% of all dwellings; in Austria and the UK around one fifth of households live on contract; while Denmark, Sweden, Finland and France have shares of more than 15% (Ball, 2015, p.5).

Advocates of social housing argue that it is an effective way of ensuring good quality, low-cost housing with benefits in terms of social integration and re-engaging people into work (Frontier Economics, 2014). Others focus on the not for profit nature of providers (Rhodes & Mullins, 2009). Suggestions are also made in regards to urban regeneration and facilitation of intermediate/ hybrid tenures with mixes of owning and renting (Pawson et al., 2011). Critics have pointed out that social housing is costly and poorly targeted. They also question the evidence on spillover benefits, which tends to be very subjective. The social costs include both the risk of negative neighborhood externalities and spatial segregation of ethnic minorities into large, broken down estates (Ball, 2011, p, 5).

Competition with the private sector has raised issues at the European level because of conflicts with the principle of fair competition when social providers receive subsidies which are unavailable to others. “The European Commission has recently required 90% of Dutch social housing to be targeted on lower income groups (capped at 33,000 euros) in effect abolishing previous policies” (Ball, 2015, p.5). Approximately 75% of the 3 million rental homes in the Netherlands belong to housing associations (Government of the Netherlands, 2016). It is responsible for homes for which the initial monthly rent is under the rent limit for liberalized tenancy agreements (private sector), and the current limit is €710.68 in 2016 (Government of the Netherlands, 2016). Each year, housing associations must let 80% of their vacant social housing to people with an income of up to €35,739 (Government of the Netherlands, 2016). The remaining 20% is divided evenly between people with an income between €35,739 and €39,874 and the households with higher incomes, with strict agreements on rent hikes and maintenance (Government of the Netherlands, 2016).

6.1 UK rental payments

Direct rent payment support for both social and private tenants is offered as part of low-income housing policies, though in a limited way in most countries (Ball,2015, p.6). The UK stands out as the exception, where 1.5% of GDP is spent on 'Housing Benefit', according to 2009 Eurostat data (Ball, 2015). The current UK government is trying to cap it and to incorporate it into an overall income support.

Rent payment social benefits cannot be sensibly detached from wider country welfare policies and have been growing as a means of targeting welfare support in a number of European countries (Ball, 2015, p.6). The UK's Housing Benefit covers a third of private and two-thirds of social tenants, with an average payment of 72percent with respect to private rent levels (Ball, 2015, p.6) (see figure 1-5). This clearly raises demand significantly, particularly in high cost areas where such households would otherwise be squeezed out (Ball, 2015, p. 6). The uniqueness of this program is that there's no set amount of Housing Benefit and what you get will depend on

Property	Weekly amount
1 bedroom (or shared accommodation)	Up to £260.64
2 bedrooms	Up to £302.33
3 bedrooms	Up to £354.46
4 bedrooms	Up to £417.02

Figure 1-5: UK Rental Payments Program (Gov.UK, 2016)

whether you rent privately or from a council). How much you get depends entirely on your 'eligible' rent, having a spare room, household income and demographics (Gov.UK, 2016).

7. Tacoma as a special case

Ensuring a fair and equitable housing market is essential to providing the opportunities and security people need to live a healthy lifestyle. Economic, social and physical barriers continue to limit many Tacoma, Washington citizens access to satisfactory housing. The City of Tacoma is a very unique case in its context, because when compared regionally it is a very affordable place to live. It is this delusion that has made many to ignore the shortage crises of affordable rental housing units. The reality is that many of its residents do not have enough affordable rental housing. The problem, in broad terms, arises from a mismatch between the cost of housing in Tacoma and the incomes of Tacoma's residents. Large portions of Tacoma's population do not have enough income to afford the housing available in Tacoma's private market, because residents are spending more than 30% of their income on housing (One Tacoma, 2015) (see figure 1-6). Thus, many residents are left on the edge of being displaced from the city.

The City is planning to accommodate up to 59,800 new housing units and 127,000 new residents by the year 2040 (One Tacoma, 2015, p. 5). Tacoma's current housing continues to favor predominantly single family homes, which account for 65% of the housing units (One Tacoma, 2015, p. 5-5). Therefore, accommodating planned growth will require predominantly multifamily construction over the next several decades, which makes new units very hard to be available to the growing population of tenants at an affordable price, due to the high cost of construction. In 2014, the Fair Market Rent (FMR) for a one-bedroom apartment in Tacoma was about $776 a month (HUD, 2014). The FMR for a two-bedroom apartment was $999 a month (HUD, 2014). To afford the FMR for the two-bedroom apartment a household would need an annual income of about $39,000, or the full time equivalent of $20.31/hour. Yet, on average 1/3 or 35 percent of Tacoman household income is below the threshold mark of $35,000 and cannot spend more than $835 per month on rent (One Tacoma, 2015, p. 5-14) (see figure 1-6 and 1-7). As of the (2010) US census, 61% of extremely low income households are paying more than 50% of their gross income for housing and utilities; and 22% of its very low income households.

MONTHLY COSTS	UNITS	% OF UNITS
Less than $499	3,477	9%
$500 to $749	7,304	20%
$750 to $999	10,757	29%
$1,000 to $1,499	9,851	26%
$1,500 or more	5,919	16%

Figure 1-6: U.S. Census Bureau, 2009–2013 5-Year American Community Survey

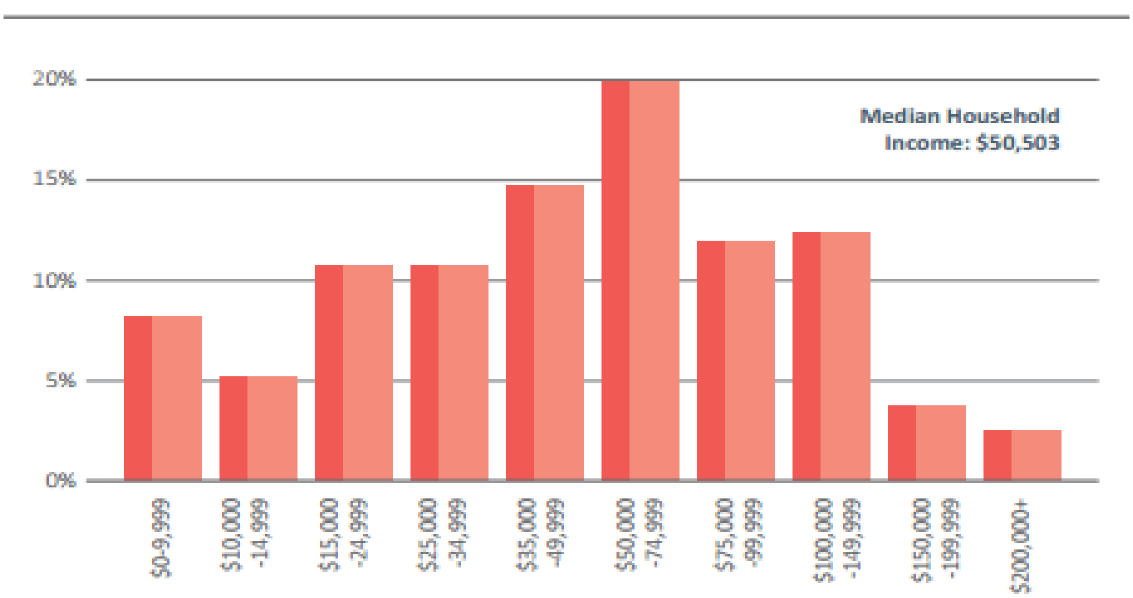

Figure 1-7: Tacoma Rental Housing Inventory + Monthly Costs (One Tacoma, 2015)

The situation clearly highlights that the City of Tacoma has a severe rental affordability crisis, which is ignored due to it being labeled as an affordable place to live compared to other places in the region. There are several strategies that the city could take to help ease down the crises, however rent control by no means will be feasible. The housing market in Tacoma is relatively not lucrative compared to Seattle, thus implementation of rent control policies will further lead to loss of new construction to the neighboring cities without controls, such as Lakewood. In order to ensure affordable rental housing, the city can adopt a variety of measures such as funding the Tacoma Housing Authority voucher program and provide incentives to developers that provide affordable housing. However, by all means these steps are water droplets in a large ocean, indeed cities need more support from the federal government to support these kind of strategies.

8. Conclusion

It is evident that many cities across the United States have implemented rent controls as a mechanism to help ease their housing affordability crises, particularly in the rental market, while at the same time continuously modifying them to better suit the changing economic circumstances. Regardless of the nature of rent controls, municipalities have faced tough push back from developers, politicians and economists. However, the changing features of the American housing toward a more urban based multifamily rental style have made affordable rental housing more important than ever before. To solve these problems and provide alternatives to rent control, the United States Department of Housing and Urban Development and several other municipalities are now experimenting with programs such as the Housing Choice Voucher Program. However, the reality is that these alternative approaches to rent control are not heavily funded by the federal government, thus it is very hard to sustain them on a long term basis like in the European context of the United Kingdom and Netherlands. Locally, the City of Tacoma is no exception to the pattern of a shortage of affordable rental housing units, where 1/3 of its households cannot afford rents above the eight-hundred-dollar range. In this respect, it is very crucial that the federal government should invest more in voucher based programs at a regional scale, as an alternative to rent control strategies of the past era.

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