Nihar and I negate Resolved: The United States should promote the development of market rate housing in urban neighborhoods.

**Housing expert Ron** [**Lenshower**](https://www.thespruce.com/market-rate-apartment-155986) **defines**

**Market-rate housing [as]** is **an apartment that has no [restrictions on what landlords can charge for the] rent.**A landlord who owns market-rate housing is free to attempt to rent the space at whatever price the local market may fetch. In other words, the term applies to conventional rentals that are not restricted by affordable housing laws.

### Our first contention is Protecting Affordable Living

**Market rate housing hurts affordable housing in three ways.**

**The first is by ending the LIHTC**

[**The National Housing Law Project in 2017 writes**](https://www.nhlp.org/resource-center/low-income-housing-tax-credits/)

**The Low Income Housing Tax Credit [or] (LIHTC) program** was created in 1986 and **is the largest source of new affordable housing in the United States**. There are about 2,000,000 tax credit units today and this number continues to grow by an estimated 100,000 annually. The program is administered by the Internal Revenue Service (IRS). The LIHTC program does not provide housing subsidies. Instead, the program **[since it] provides tax incentives,** written into the Internal Revenue Code, **to encourage developers to create affordable housing**. These tax credits are provided to each State based on population and are distributed to the State’s designated tax credit allocating agency. In turn, these agencies distribute the tax credits based on the State’s affordable housing needs with broad outlines of program requirements from the federal government. This is done through the Qualified Allocation Plan (QAP) process.

**However, T. R.** [**Goldman of Health Affairs in 2018**](https://www.healthaffairs.org/do/10.1377/hpb20180313.398185/full/) **explains that under the LIHTC,**

[Under federal law](https://www.huduser.gov/publications/pdf/what_happens_lihtc_v2.pdf), **there is a fifteen-year** compliance **period, during which the property must keep its rents restricted and must remain open to low-income tenants** if the investors are to recoup their tax credits. Projects built in 1990 or later must remain affordable for an additional fifteen years and sometimes longer, depending on individual state requirements.

**Definitionally, promoting market rate housing would prevent rent restrictions and destroy the LIHTC**

Emmanuel 2018 from the [NLIHC](https://nlihc.org/sites/default/files/Balancing-Priorities.pdf) finds that

The expiring **[affordable] LIHTC units in neighborhoods of** very-high or **high opportunity could be at greater risk for converting to higher cost market-rate** or owner-occupied**housing, because demand for housing tends to be stronger in higher opportunity neighborhoods.**

**That would be disastrous as,** [**Corianne Scally in 2018**](https://www.urban.org/sites/default/files/publication/98761/lihtc_past_achievements_future_challenges_finalized_0.pdf) **finds that**

The Low-Income Housing Tax Credit has become the most enduring and prolific source of funding for new affordable rental units and a key resource for preserving public housing and other federally assisted housing units. **Since its creation in 1987, LIHTC has created** or preserved 37,727 unique properties and an estimated **2.3 million [affordable housing] units**. It works through the federal tax code and not the budget, funds more units than any other federal housing program, and enjoys bipartisan support.

**Which are at risk of disappearing.**

The Second way Market Rate Housing hurts low-income individuals is by increasing the cost of living

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[Chew 2018](https://inequality.org/research/luxury-development-making-housing-crisis-worse/)Even worse, however, new construction actually fuels displacement in the short term – even when no already existing housing is knocked down. Why? [Numerous](https://drum.lib.umd.edu/bitstream/handle/1903/4205/umi-umd-4016.pdf;sequence=1)[studies](http://journals.sagepub.com/doi/pdf/10.1068/c08126) show[**market-rate housing**](https://wordpress.clarku.edu/mdavidson/files/2012/02/Davidson-Lees-2010-New-Build-Gentrification.pdf) **development has price effects on surrounding neighborhoods – driving up rents and** [**increasing the burden**](http://www.urbandisplacement.org/sites/default/files/images/udp_research_brief_052316.pdf) **on lower-income households.** Many residents in communities transformed by gentrification can already attest to the connection between for-profit development, rising living costs, and the [mass exodus](http://journals.sagepub.com/doi/10.1068/a3739) of [lower-income residents](https://wordpress.clarku.edu/mdavidson/files/2012/02/Davidson-Lees-2010-New-Build-Gentrification.pdf)

[Hurst 13](http://sci-hub.tw/https://doi.org/10.1016/j.jpubeco.2013.02.001)

Given the base gentrifying rate was 11 percentage points**, a poor [neighborhood]** census tract being within 0 and 0.5 miles **[in close proximity to a rich neighborhood] is associated with a 64% increase in the probability of gentrification**. During the 1990s,poor census tracts that were within 0.5 mile of a rich census tract were 97% more likely to gentrify than poor census tracts that were more than 3 miles away from the rich census tracts. We then present a model which links house price movements across neighborhoods within a city and the gentrification of those neighborhoods in response to a citywide housing demand shock. A key ingredient in our model is a positive neighborhood externality: individuals like to live next to richer neighbors. This generates an equilibrium where households segregate based upon their income. In response to a city-wide demand shock, higher income residents will choose to expand their housing by migrating into the poorer neighborhoods that directly abut the initial richer neighborhoods. **The in-migration of the richer residents into these border neighborhoods will bid up prices in those neighborhoods causing the original poorer residents to migrate out.**

Third is through a demolition disaster

In cities right now,

Patrick [Clark of Bloomberg](https://www.bloombergquint.com/onweb/america-s-cities-are-running-out-of-room#gs.HBhVMUo1)

A shortage of homes for sale has bedeviled U.S. house hunters in recent years, so why **builders [are]] build[ing] more [houses]? One problem is that [since] they’re running out of lots to build on [since]—**at least in the places that people want to live.Cities that were sprawling before the Great Recession have begun to sprawl again. **Space-constrained cities, meanwhile, have run out of room to build.** That reality has spurred developers to focus on center-city neighborhoods where high-density building is allowed—and new units command exceedingly high prices.

With no cheap land left,

[Becker ‘18 of The Star Tribune](http://www.startribune.com/the-market-will-not-fix-twin-cities-affordable-housing-crisis/498361491/)

**to develop new [market-rate] housing, companies [will] have to tear down old housing. [However,] The [cheapest] housing to tear down is lower-value housing — exactly the affordable housing we need.**

Already,

Further, according to**the** [**National Low Income Housing Coalition**](https://www.housingwire.com/blogs/1-rewired/post/40202-fannie-mae-exclusive-the-crisis-in-affordable-rental-housing-part-1), finds that about**360,000 privately owned,** federally subsidize**d [affordable housing] units have been converted to market-rate housing since 1995,** with another 10,000 to 15,000 units leaving this inventory every year. In addition**,[and] more than 2 million units are at risk of [could be lost] over the next decade.**

This is problematic, since

[Amee Chew -](https://shelterforce.org/2018/11/05/heres-what-we-actually-know-about-market-rate-housing-development-and-displacement/) Shelterforce 18

the high cost of development means that any

For one, **for-profit new construction [will be] overwhelmingly geared toward the luxury market** But it’s lower-income households who face the most severe affordable housing shortfalls. While our high-end stock has steadily grown, since 1990 on balance we’ve lost over 2.5 million affordable units renting for under $800. To what? In large part, rent increases. Secondly, new construction takes decades to depreciate down to rents that are actually affordable to most renters. “Trickle down” isn’t happening fast enough. [See: “Trickle Up Housing: Filtering Does Go Both Ways.”] Even worse, however, new construction actually fuels displacement in the short term, even when no already existing housing is knocked down. Why? Numerous studies show that market-rate housing development has price ripple effects on surrounding neighborhoods, driving up rents and increasing the burden on lower-income households. Many residents in communities transformed by gentrification can already attest to the connection between for-profit development, rising living costs, and the mass exodus of lower-income residents. Maybe this won’t play out in Malibu, or a sparse neighborhood with very few low-income folk, but otherwise the above effects are widespread in our cities.

**[that the poor cannot afford].**

In other words, for each new luxury apartment that is built, an affordable apartment will be destroyed, meaning that the poor will be disproportionately harmed.

**There are two impacts.**

#### The first impact is Food Insecurity

The more people have to spend on housing, the less they have left to spend on other necessities.

[Andrew Aurand](https://nlihc.org/sites/default/files/gap/Gap-Report_2018.pdf) of the NLIHC reports 2018 that

A household is considered cost-burdened when it spends more than 30% of its income on rent and utilities, and severely cost-burdened when it spends more than 50%. **Cost burdens directly result from the shortage of affordable and available rental homes and low incomes.**

**Severe housing costs[cause]** burdens can have negative consequences for household members’ physical and mental well-being. **Poor households [burdened by severe housing costs] cost-burdened spend** 75% less on healthcare and **40% less on food than similarly poor households who are not cost-burdened**

Data from the 2013 American Housing Survey (AHS) show that households in poverty with severe cost burdens are more likely to fThe Second way Market Rate Housing hurts low-income individuals is by increasing the cost of living

all behind on rent payments and be threatened with eviction than poor households with no cost burdens (Figure 5).

[**Garacci in 2019**](https://sci-hub.tw/https:/sciencedirect.com/science/article/pii/S1047279718308019) **from the University of Wisconsin found this food insecurity leads to**

Results: 11.6% of the 20,918 participants (representing 208,789,244 US residents) 15 were food insecure. When food insecurity was dichotomized, there was a **49% higher** 16 **odds of mortality** after adjusting for demographics (HR=1.49, 95%CI 1.19-1.87). After 17 adjusting for comorbidities the HR remained significant, but lost significance with 18 adjustment for lifestyle factors and BMI (HR=1.15, 95%CI 0.94-1.42). When food 19 insecurity was analyzed in four categories, those reporting very low food security had 20 two times the risk of mortality as those with full food security after adjustment for 21 demographics (HR=2.05, 95%CI 1.44-2.91), and this significance remained after all 22 adjustments (HR=1.46, 95%CI 1.04-2.04). However, marginal food security lost 23 significance after adjustment for lifestyle variables.

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#### The second impact is displacement

[Zuk UC Berkeley](https://nextcity.org/daily/entry/subsidized-housing-development-reducing-displacement-san-francisco)

Consistent with the LAO report, Chapple and Zuk did find that new market-rate units built from 2000 to 2013 predicted a reduction in displacement over that same time period. But they also found that the production of subsidized housing units, built with low-income housing tax credits and other state and federal subsidies, had a greater protective effect than market-rate units. **[affordable housing] is about twice as effective [as market-rate housing] in preventing displacement:** For every one subsidized unit, two or more market-rate units would need to be built to achieve the same effect, they say.

**Displacement is life threatening, as**

[**Jill Roncarti from Harvard 2018**](https://jamanetwork.com/journals/jamainternalmedicine/article-abstract/2687991) **finds**

In this 10-year cohort study of 445 unsheltered homeless adults**, the** age-standardized all-cause **mortality rate [for unsheltered homeless adults] was** almost 3-fold larger than that for a cohort of homeless adults primarily sleeping in shelters and**nearly 10 [times]**-fold **larger than** that for **the [general]** adult **population[‘s]** of Massachusetts; both represented significant differences. Common causes of death were cancer and heart disease.

**Prevent a market rate housing disaster, Negate.**

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[Stein of the Washington Post](https://www.washingtonpost.com/business/economy/in-expensive-cities-rents-fall-for-the-rich--but-rise-for-the-poor/2018/08/05/a16e5962-96a4-11e8-80e1-00e80e1fdf43_story.html?utm_term=.3f1bb94a0874&noredirect=on) explains that under market rate housing,

**“For-profit developers have predominantly built for the luxury and higher end of the market [instead of affordable housing], leaving a glut of overpriced apartments in some cities,**” said Diane Yentel, president and chief executive of the National Low Income Housing Coalition, an advocacy group. “Some decision-makers believed this would ‘filter down’ to the lowest income people, but it clearly will not meet their needs.”**[while causing rent for] poorer city residents [to] experience** significant rent increases over the past several years. In Portland, San Francisco, and Seattle, rents at the bottom of the market have increased by 40 percent or more. In Portland, average rents for the poor have risen from about $1,100 to $1,600 — or by more than 40 percent — since 2011. In San Francisco, the average rent at the bottom of the market has soared from $1,700 to $2,600, a nearly 50 percent increase. Seattle’s poor have also had their rents rise by close to 40 percent. Nationwide, **rent** for those at the bottom have **increase by 18 percent**.U.S. cities struggling with soaring housing costs have found some success in lowering rents this year, but that relief has not reached the renters most at risk of losing their housing.

This is why

Pamela [**Blumenthal of the Urban Institute**](http://apps.urban.org/features/cost-of-affordable-housing/)

Rather, a combination of programs including federal tax credits, state housing trust funds, [local zoning decisions](http://www.nhc.org/#!blank/ccop5), and public land contributions can help affordable housing get built. T**To close the gap for affordable housing, especially for the lowest-income households, there [must] be assistance for both development and rental income over time.**

## 

[Congressional Budget Office](https://www.cbo.gov/budget-options/2018/54781)

Reducing funding for the voucher program by 5 percent each year starting in 2020 would decrease federal spending by $9 billion from 2020 through 2028, and eliminating the program altogether would decrease spending by $125 billion over that period, CBO estimates. (The federal government will spend $9,400 per year, on average, for each household that receives a voucher in 2019, CBO estimates.) **Reducing [voucher] funding for the program by 5 percent in 2020 would result in about 115,000 fewer households receiving housing assistance from the federal government,** in CBO's estimation. **Eliminating the program would leave about 2.2 million households, corresponding to about 5 million people, without housing assistance from the federal government** in 2028.

## Case Cards

~~Our country is facing an affordable housing crisis~~

[~~The National Low income Housing council 18~~](https://nlihc.org/sites/default/files/gap/Gap-Report_2018.pdf) ~~reports that there is~~

~~This results in~~ **~~a shortage of~~ ~~approximately~~ ~~7.2 million affordable~~ ~~and available~~ ~~rental homes for extremely low income households~~~~, or only 35 for every 100 extremely low income renter households.~~**

~~However, market rate housing is not the solution, but instead makes the housing crisis worse in 3 ways~~

## ~~First, by removing development incentives~~

**~~However, federal programs encourage developers to construct affordable housing in exchange for incentives~~**

[**The Urban Institute**](http://apps.urban.org/features/cost-of-affordable-housing/)

**Often, developers won’t build low-income housing since the developments won’t produce enough revenue to pay back their loans and investors.**

Development costs a lot of money. **Developers rely on loans and other sources to fund construction**

**before people move in and start paying rent. But developers can only get those loans and equity sources if the development will produce enough revenue to pay back the loans and pay returns to investor**s. The gap between the amount a building is expected to produce from rents and the amount developers will need to pay lenders and investors can stop affordable housing development before it even begins, leaving few options for the millions of low-income families looking for safe, affordable homes.

**The problem is even more difficult when you consider the poorest residents. In many places, the rent the poorest families can pay is too little to cover the costs of operating an apartment building, even if developers could build that building for free.**

**(1:00)**

~~LIHTC incentives them to make it~~

~~https://www.thespruce.com/tax-credit-housing-faq-155598~~

~~A: The tax credit program, also known as the "federal low-income housing tax credit program" or simply~~ **~~LIHTC, is a~~** ~~popular,~~ **~~affordable housing program~~** ~~that has been around since 1987. Unlike most housing programs that are administered by HUD, the tax credit program is~~ **~~administered by the IRS~~**~~, in coordination with state housing finance agencies across the country.~~ **~~Landlords who participate in the program get to claim tax credits for 10 years for their tax credit properties in return for renting at least some of their apartments to low-income tenants at a restricted rent.~~**

## Second, rental assistance programs will also be lost

[Congressional Budget Office](https://www.cbo.gov/budget-options/2018/54781)  2018

**The Housing Choice Voucher program (sometimes called Section 8) provides federally funded vouchers that recipients can use to help pay the rent on units** that they find in the private housing market. (Property owners choose whether to participate in the program.) To receive assistance, a household must have income that is below a specified level, and it must wait for a voucher to become available. Although roughly 20 million households qualify for federal rental assistance on the basis of their income, only about one-quarter of those households receive it because funding for the three discretionary spending programs that provide it is limited.

These programs are crucial to bring people out of poverty,

**A study from** [**Harvard’s Joint Center for Housing Studies**](https://www.theatlantic.com/business/archive/2015/06/section-8-is-failing/396650/) **found that** **the** Dallas small-area fair market rent **program was successful in helping voucher families move to neighborhoods with lower violent-crime rates and lower poverty rates**. Kathy O’Regan, HUD’s Assistant Secretary for Policy Development and Research, told me that the results of that study motivated HUD to use small-area Fair Market Rents in more areas. Earlier this month, HUD sought comments the idea of potentially changing the way Fair Market Rents are calculated.

However, market rate housing drastically increases rent prices

Professor Christopher [Palmer MIT](https://economics.mit.edu/files/9760) explains that in cambridge, Mass.,

**When rent controls were removed and homes shifted to being market rate, housing prices increased by 25%.**

The largely unanticipated elimination of rent control **in Cambridge,Massachusetts, in 1995** affords a unique opportunity to identify spill-overs in residential housing markets. This paper exploits the sharp cross-neighborhood contrasts in the fraction of units that were controlled to assess the localized price spillovers to never-controlled properties as well as to quantify direct effects on decontrolled properties. Our main finding is a large and significant positive indirect effect of decontrol on the valuation of properties that were exposed to controlled units, lead-ing, on average, to a 16 percent increase in the value of residential units between 1994 and 2004. We further document that **rent-controlled properties were valued at a substantial discount relative to never-controlled properties[.]** and that rent decontrol eliminated a**[Removal of rent controls eliminated a] substantial part of this differential, raising the assessed values of these properties by approximately 13–25 percent**

[**DOUGLAS RICE center for budget and policy priorities**](https://www.cbpp.org/research/housing/congress-should-increase-hud-funding-in-2019-to-prevent-voucher-cuts-help-children) 18

**When rents rise,**

Market rents are rising at a strong pace. Private-market rental costs (including utilities) have risen by an annual average of 3.2 percent over the past five years, and 3.7 percent in the past year, according to the Consumer Price Index (CPI).[5] Our estimate projects that per-voucher subsidies must rise 3.1 percent to cover estimated rent inflation in 2019, after taking rising tenant incomes into account.[6] Subsidies must keep pace with private market rental costs — otherwise, [results in]**vouchers lose their effectiveness in making rental housing affordable** and available to low-income familie**s [since they no longer provide enough money to].** Voucher holders typically contribute 30 percent of their income towards rent and utility costs. When rents increase and subsidies do not **fill the cost gap**, tenants may be forced to spend more than 30 percent of their income on housing costs, squeezing funds available to meet other basic needs and making it harder for them to avoid falling behind on their rent payments.[7] Indeed, **if voucher subsidies are too low, [families will no longer be able to move to] a large share of** available units in the local rental market — particularly in [making] **neighborhoods with easy access to jobs, quality schools, and other opportunities — will be out of reach** for assisted tenants.

[Congressional Budget Office](https://www.cbo.gov/budget-options/2018/54781)  concludes

Reducing funding for the voucher program by 5 percent each year starting in 2020 would decrease federal spending by $9 billion from 2020 through 2028, and eliminating the program altogether would decrease spending by $125 billion over that period, CBO estimates. (The federal government will spend $9,400 per year, on average, for each household that receives a voucher in 2019, CBO estimates.) **Reducing [voucher] funding for the program by 5 percent in 2020 would result in about 115,000 fewer households receiving housing assistance from the federal government,** in CBO's estimation. **Eliminating the program would leave about 2.2 million households, corresponding to about 5 million people, without housing assistance from the federal government** in 2028.