## AFF CASE

**We affirm**

**Resolved:** The United States should promote the development of market rate housing in urban neighborhoods

**Our Sole Contention is a Sustainable Solution**

In absence of market-rate housing, the U.S is most feasibly going to further already existent government programs. **The OCC 14 explains[[1]](#endnote-1)** that the Low-Income Housing Tax Credit, also referred to as LIHTC, is the federal government’s primary program for encouraging the investment of private equity in the development of affordable rental housing for low-income households. It functions by providing tax incentives to encourage individual and corporate investors to invest in the development, acquisition, and rehabilitation of affordable rental housing. **The New York Times reported in 2012[[2]](#endnote-2)** that 90 percent of all the affordable housing that is built within the United States is with LIHTC. This materializes to 2.5 million units total. Unfortunately, LIHTC is not a sustainable solution for creating truly affordable housing.

**There are 4 reasons why LIHTC should be and is be unsustainable**

**First, Losing Value**

**Kennedy 18 writes[[3]](#endnote-3)** that while LIHTC may have built plenty of affordable housing, it is quickly losing capability to continue building. **Rios 17 furthers[[4]](#endnote-4)** that the prospect of tax reform caused LIHTC credits to lose hundreds of millions of dollars in value, because the credits are tied to the corporate tax rate. The lower the expected tax burden, the less the credits are worth to investors. This is extremely important as **Munrick 18 finds[[5]](#endnote-5)** that new tax reform is being embedded as permanent policy that cuts long-term corporate tax rates. **Rios concludes** that the tax cuts will translate to more than 200,000 fewer units over a decade through cuts to LIHTC. This is crucial as the United States should not lean on a broken crutch, otherwise affordable housing will continue its decline and crash.

**Second, Missing the Target Audience**

**Gold 18 finds[[6]](#endnote-6)** that the program has struggled to meet the needs of extremely low-income households. In fact, affordable units cannot provide rents low enough for many working families and **Gold concludes** that ittakes twice as long to put together a LIHTC-financed project than one that is market rate, in turn contributing to higher legal and other transaction cost.

**Third, Racial Segregation**

**Dubois 18 writes[[7]](#endnote-7)** that LIHTC can exacerbate racial segregation, a repeated legal problem for affordable rental housing developments over the years. In fact, its racist past has been exposed before as **Dubois furthers** that the US Supreme Court found the Texas state housing agency guilty of promoting racial segregation through its pattern of funding LIHTC units. A disproportionate number of units were awarded in black urban communities versus white suburban communities.

**Fourth, Corruption**

**Calder 17 finds[[8]](#endnote-8)** that 50 Government officials, in California alone, abuse the LIHTC program for personal gain. Because the states receive a limited amount of valued credits that are handed out in a discretionary manner to developers, it creates an open invitation to corruption. **He furthers** that this corruption has been exposed in California as the state treasurer helped steer millions of dollars in tax credits to multiple chosen developers that donated tens of thousands of dollars to his campaign for governor.

Luckily, promoting development of market rate housing is a sustainable solution to the housing crisis through increasing supply. Overall, **McDuffie[[9]](#endnote-9)** **quantifies** through a meta-analysis of 43 major urban centers, expanded market-rate housing decreases housing prices by 20%. **KM Associates[[10]](#endnote-10)** **empirically** **confirm** that for every 100 housing units created under a market rate system, 25 “affordable” units become available for those in need. It is especially important to maintain a world of market-rate housing as **Orton 19 indicates[[11]](#endnote-11)** that there’s a sufficient probability prices could fall below 2018 levels, putting up negative price growth for the first time since 2011.

**The impact is saving home-ownership**

America is enduring a housing crisis as a new **Harvard[[12]](#endnote-12)** **study** **reports** that almost 40 million American’s “live in housing they cannot afford”. This is the product of rising housing costs as **PEW[[13]](#endnote-13) 18** **continues** that because of the financial strain, rent-burdened families have 8000% less savings than nonburdened families, making economic mobility seemingly impossible. Additionally,[[14]](#endnote-14) because of sparse capital, rent burdened families are significantly less likely to become homeowners even decades after escaping the burden, due to long term debt accrued. However, **Hecht[[15]](#endnote-15)** **explains** that because homeownership provides long-term financial security, it is the most powerful driver of wealth creation, lifting people out of generational[[16]](#endnote-16) poverty.

**Thus,**

**We affirm**

## Frontlines

## AT: Framework

### **AT: Util (Weighing)**

The solvency of the aff is preferable to any neg solvency under 3 implications

1. **Magnitude-** Since the recent tax cuts have dampened the effectiveness of LIHTC, the effect of reliance will be fatal. Instead of promoting market-rate developments, the government will favor decreasing output of utilizable affordable housing. Overall,
2. **Strength of Link-** Empirical evidence that analyzes real data shows that market-rate housing is effective in creating affordable housing. In the meantime, empirical evidence shows that the governments system for implementing affordable housing is corrupt, racist, and ineffective.
3. **Risk of Solvency-**The affirmative is proven to decrease prices while the negative is just flipping a coin and praying.

### **AT: Structural Violence**

There are a 2 key reasons we link into structural violence better

1. **Long-Term Solution-** The system for affordable housing is not going to maintain its output. In this case, **Rios finds** that tax cuts have destroyed the value of LIHTC credits and heavily dampened the output of affordable housing. On the other hand, **McDuffie and KM Associates conclude** that expanding market-rate housing would decrease prices by 20% and for every 100 market-rate units, there becomes 25 affordable level units.
2. **Segregation-** LIHTC has been proven as racist policy in court case after court case, therefore drawing the clear conclusion that under a structural violence framework, you drop our opponents on-sight. In fact, **Dubois** from case found that LIHTC is guilty of promoting racial segregation through its pattern of funding LIHTC units. A disproportionate number of units were awarded in black urban communities versus white suburban communities

1. <https://www.occ.gov/topics/community-affairs/publications/insights/pub-insights-mar-2014.pdf>

   **The Low-Income Housing Tax Credit (LIHTC) is the federal government’s primary program for encouraging the investment of private equity in the development of affordable rental housing for low-income households.** Since its creation in 1986, the LIHTC has helped to finance more than 2.4 million affordable rental-housing units for low-income households.1 This Insights report describes how LIHTCs are used to finance the development of affordable housing and how national banks and federal savings associations (collectively, banks) can participate as investors and lenders in LIHTCfinanced projects. The report outlines the risks and regulatory considerations of LIHTC investments, including the considerations these investments receive in Community Reinvestment Act (CRA) examinations.

   …

   **The LIHTC program provides tax incentives to encourage individual and corporate investors to invest in the development, acquisition, and rehabilitation of affordable rental housing**.2 The LIHTC is an indirect federal subsidy that finances low-income housing. This allows investors to claim tax credits on their federal income tax returns. The tax credit is calculated as a percentage of costs incurred in developing the affordable housing property, and is claimed annually over a 10-year period. Some investors3 may garner additional tax benefits4 by making LIHTC investments.5 The equity raised with LIHTCs can be used for newly constructed and substantially rehabilitated and affordable rental-housing properties for low-income households, and for the acquisition of such properties in acquisition/rehabilitation deals. LIHTCs provide equity equal to the present value of either 30 percent (referred to in this report as the 4 percent credit) or 70 percent (referred to as the 9 percent credit) of the eligible costs of a low-income housing project, depending in part on whether tax-exempt bonds are used to finance the project. [↑](#endnote-ref-1)
2. <https://www.nytimes.com/2012/12/21/opinion/a-tax-credit-worth-preserving.html?_r=0&mtrref=undefined>

   Created by Congress in 1986, the credit is available to investors prepared to sink money into new or rehabilitated low-income housing. It **is responsible for about 90 percent of all the affordable housing that is built in this country, and has provided more than 2.5 million rental units since its inception.** It also produces as many as 100,000 jobs each year. The system is especially useful in times of disaster. After Hurricanes Katrina and Rita, for example, the credits were used to finance about 27,000 affordable homes and apartments in the affected states. This same mechanism could be extremely useful in the wake of Hurricane Sandy. Despite its success, the tax credit program has not by itself kept pace with the burgeoning need. Recent statistics show, for example, that about 8.5 million low-income families are now spending more than half of their income on rent or living in hazardous, substandard housing. Beyond that, federal rental assistance programs reach only about a quarter of eligible families. [↑](#endnote-ref-2)
3. Randall **Kennedy**, 6-28-**2018**, "The Harm to Affordable Housing," **American Prospect**, <https://prospect.org/article/harm-affordable-housing>

   The key subsidy making this deal possible is the Low-Income Housing Tax Credit, a better-than-nothing gimmick that helps the poor by rewarding the rich. Over the past three decades, **LIHTC**—pronounced lie-tek to people in the business—**has helped finance more than two million affordable apartments, or about double the number of remaining traditional public housing units produced in its heyday from the 1930s to the 1970s**. In this case, Bank of America will supply most of the $20 million to finance construction of the Flatbush apartments, because the law allows the bank to use this credit to reduce its corporate taxes by one dollar for every dollar it provides to a developer of low-income housing. **But thanks to the 2017 Republican Tax Act, the housing credit is suddenly worth a lot less**. Why? Because **the Tax Act dropped the corporate rate from 35 percent to 21 percent.** The credit dates to a Reagan-era tax provision, a variant of trickle-down economics that has grown into a $9 billion-a-year subsidy underwriting a vast industry of financial companies in symbiosis with for-profit middlemen and community-based nonprofits. **The LIHTC makes for an inefficient and inequitable substitute for a robust public housing program**. But the credit is what there is, and the effect of the Tax Act will be to reduce its value, and the provision of affordable housing. In Flatbush, **Mutual Housing’s investors dropped their commitment by more than half a million dollars from a bid that was already depressed in anticipation of the tax cut, blowing a hole in a budget already stretched to the limit**. “You have underwritten these deals so tightly you are literally going line by line through the project to find the money,” says Ismene Speliotis, executive director of the Mutual Housing Association of New York. “It’s that painful, that micro.” Speliotis has been harvesting the housing tax credits since 1994, and her group’s history speaks to the unusual partnership between capitalists and grassroots organizers spawned by the credit. Formerly, it was called the ACORN Housing Company, an adjunct to the poor people’s community organizing group that was demolished when political saboteur James O’Keefe entered with a video camera and pimp costume. Both ACORN and the housing affiliate reorganized and rebranded. [↑](#endnote-ref-3)
4. Simón **Rios**, 12-21-**2017**, "Affordable Housing Credit Remains, But Could Be Less Effective," **Boston NPR (WBR)**, <https://www.wbur.org/bostonomix/2017/12/21/affordable-housing-gop-tax-plan>

   Gasson said the House bill would have ended a type of tax-exempt bond that affordable housing developers rely on. "We absolutely dodged a big bullet, because if they had gone along with the House language and eliminated private activity bonds, it would have devastated affordable housing production in this country," he said. "Massachusetts, and across the board every state, would have felt the effect.” The effect would have resulted in roughly 800,000 fewer new units over a decade. That it didn't happen means housing advocates can breathe easy. But there's a downside. First some background: The federal Low Income Housing Tax Credit program, known as LIHTC, is behind 90 percent of affordable rental units built across the country. When Donald Trump was elected, **the prospect of tax reform caused LIHTC credits to lose hundreds of millions of dollars in value, because the credits are tied to the corporate tax rate. The lower the expected tax burden, the less the credits are worth to investors**. Affordable housing developer **Bart Mitchell said investors thought the corporate rate would be cut from 35 percent to 25 percent. Instead, Republicans will set it at 21 percent**. Mitchell said this will cause the value of tax credits to fall even further from when Trump was elected. “There was a big hit. There's going to be another small hit," he said. In all, Mitchell said **the bill will translate to more than 200,000 fewer units over a decade**. In Massachusetts, this could mean thousands of units that don't get built. [↑](#endnote-ref-4)
5. Joseph **Minarik**, 5-15-**2018**, "Temporary tax cuts can wind up more permanent than you think," **The Hill**, <https://thehill.com/opinion/finance/387773-temporary-tax-cuts-can-wind-up-more-permanent-than-you-think>

   **Tax cuts live beyond expiration dates**, and beyond exploding deficits and yawning caverns of debt, for very simple reasons. Tax cuts are immediately built into family budgets. People put deposits on new cars and homes. Then beneficiaries of those tax cuts squawk at any suggestion that they will expire or be repealed. How will I make the payments? Even business tax cuts for new investments made to expire expressly to incent owners and executives to “get them while they are hot” look like tax increases when it is time for them to go away. A small business investment tax break known as Section 179 was increased “temporarily” in 2003, expressly for this reason. **More than a decade and at least nine acts of Congress later, that temporary tax break was made permanent, even bigger than when it started. So right on cue, this Congress is talking permanent and even bigger tax cuts**. It is not clear whether all the talk is on this level. Lawmakers will not pass a budget resolution, admitting to the all but certain big deficit would be just too painful. The resulting Senate hurdle of 60 votes to new tax cuts may be insuperable. Still, forcing the opposition to vote against tax cuts for Americans can be fun. [↑](#endnote-ref-5)
6. Corianne Payton **Scally** & Amanda **Gold** & Nicole **DuBois**, 07-xx-**2018**, " The Low-Income Housing Tax Credit", **Urban**, <https://www.urban.org/sites/default/files/publication/98758/lithc_how_it_works_and_who_it_serves_final_2.pdf>

   (Schwartz 2015). LIHTC does not serve the lowest-income households well on its own. Because of the program’s requirements, LIHTC properties often serve households that make an average of 60 percent of AMI. Historically, **the program has struggled to meet the needs of extremely low-income households, those earning 30 percent or less of AMI**, without relying on additional federal rental assistance programs. The omnibus appropriations bill passed in March 2018 changed these targeting requirements, aiming to subsidize more extremely low–income households. Although this challenge is not necessarily a program failing, it is troubling that in a time of rising rents and stagnant incomes, the primary program for constructing and preserving **affordable units cannot provide rents low enough for many working families** and older adults on fixed incomes without additional rental assistance, which is in such short supply that only one out of every five eligible households receives it (Kingsley 2017). LIHTC is an economically inefficient method for producing affordable rental housing. The process of allocating and awarding tax credits is time consuming and complex. A study produced by the State of Washington found that it frequently **takes twice as long to put together a LIHTC-financed project than one that is market rate, in turn contributing to higher legal and other transaction costs** (Keightley 2017; Mitchell et al. 2009). Costs are also driven by the complexity of some LIHTC deals. A GAO (1997) study found that the process of syndication (pooling resources from multiple investors) can claim between 10 and 27 percent of project equity. **LIHTC projects also have few incentives to keep costs low because reducing development costs would result in not using the full tax credit issued for the project** (Mitchell et al. 2009). [↑](#endnote-ref-6)
7. Corianne Payton **Scally** & Amanda **Gold** & Nicole **DuBois**, 07-xx-**2018**, " The Low-Income Housing Tax Credit", **Urban**, <https://www.urban.org/sites/default/files/publication/98758/lithc_how_it_works_and_who_it_serves_final_2.pdf>

   Community opposition can stymie LIHTC development in places that may need it. Opposition, ranging from regulatory barriers preventing construction or driving up costs to active protests against affordable housing properties and tenants, influences the development and geographic distribution of LIHTC units (Scally and Tighe 2015). Many states formally or informally require local support of LIHTC project applications before they will be considered for funding. Communities can withhold their support and block development; lower-poverty neighborhoods are better equipped and perhaps more likely to block development of affordable housing (Scally 2012). A recent study found that states that increased preference to projects with community approval over the period 2002 to 2010 saw an increase LIHTC projects occurring in areas with exposure to poverty (Ellen et al. 2015). Maryland’s practice particularly complicated development by requiring not only the approval of the community but also a local financial contribution. The effects of this policy led to the state being sued for violating Title VIII of the Civil Rights Act of 1968.8 **LIHTC can exacerbate racial segregation, a repeated legal problem for affordable rental housing developments over the years.** A legacy of discrimination in public housing and in state and local regulations preventing affordable housing development continues in some places (Turner, Popkin, and Rawlings 2009). **In 2015, the US Supreme Court found the Texas state housing agency guilty of promoting racial segregation through its pattern of funding LIHTC units. A disproportionate number of units were awarded in black urban communities versus white suburban communities**. We need more solutions for improving LIHTC. Although we know quite a bit about the program’s structure, successes, and challenges, few evidence-based solutions are available for improving the program. More research should be done that focuses on long-term improvements to LIHTC and answers the following questions: [↑](#endnote-ref-7)
8. Chris **Edwards** & Vanessa Brown **Calder**, 11-13-**2017**, "Low-Income Housing Tax Credit: Costly, Complex, and Corruption-Prone," **Cato Institute**, <https://www.cato.org/publications/tax-budget-bulletin/low-income-housing-tax-credit-costly-complex-corruption-prone>

   KEY-

   **CLAIM**

   **Empirics**

   Context

   **Los Angeles was hit by a major LIHTC scandal last year**. Describing the federal indictment, the Los Angeles Times said, “Advanced Development and Investment Inc. [**ADI] engaged in a conspiracy to fraudulently obtain more than $50 million in loan proceeds for affordable housing projects** … **others submitted fraudulent invoices that ‘significantly overstated’ the true costs of framing, plumbing, drywall and other construction work at affordable-housing projects built with taxpayer support**.”49 As with the Miami cases, the corrupt Los Angeles developer was not a fly-by-night outfit, but a long-time player in government housing programs. The Times noted, “ADI built 50 affordable-housing projects **across California** over nearly two decades.”**50 Government officials abuse the LIHTC program for personal gain. Because the states receive a limited amount of valued credits that are handed out in a discretionary manner to developers, it creates an open invitation to corruption**. In the California ADI scandal, the state treasurer helped steer millions of dollars in tax credits to multiple chosen developers that donated tens of thousands of dollars to his campaign for governor.51 The scale of the abuse was huge. The Los Angeles Times found that “ADI subcontractors provided more than $400,000 in campaign contributions to politicians across the state, including at least $165,000 in Los Angeles. Four subcontractors told the Times they felt pressured to donate by ADI. In Glendale’s 2009 City Council election, nearly one of every four dollars received by the top four candidates-more than $100,000-came from ADI subcontractors, those subcontractors’ employees and the employees’ relatives … Glendale provided ADI more than $33 million to help build four affordable-housing projects. Officials there believe roughly half that amount was lost because of fraud.”52 [↑](#endnote-ref-8)
9. Kenyan **McDuffie** “If You Want Less Displacement, Build More Housing.” CityLab, 30 Aug. 20**18**

   If you don’t build new housing, you intensify the shortage, raise the rents, and amplify the displacement. This isn’t intuitively obvious. People, unsurprisingly, associate new buildings with new residents, and simplistically assume that if new housing isn’t built, that new people won’t show up, or that they’ll simply go somewhere else.  But that’s not the case. Recently (again, as related by Greater Greater Washington), one Washington, D.C., Councilor, Kenyan McDuffie, patiently explained how this works to one of his constituents, who was testifying against a new housing development, worrying that it would lead to greater displacement. McDuffie said: building more market-rate housing reduces displacement and in turn rents.**A meta-analysis of 43 major urban centers found that Urban areas with high levels of market-rate construction saw nearly a 20% decline in rents over 5 years, and were significantly less likely to be displaced, as opposed to areas with low construction, which saw rent increase of 34% and were twice as likely to suffer displacement.** [↑](#endnote-ref-9)
10. No Author, 04-xx-**2007**, "Residential Nexus Analysis City and County of San Francisco," **Keyser Marston Associates**, <http://archives.sfplanning.org/documents/8380-FINAL%20Resid%20Nexus_04-4-07.pdf>

    Output of Households by Affordability Level The findings of the analysis are as follows for 100 market rate units in low-rise wood-frame buildings in San Francisco: Page 6 12715.001/001-018.doc; 4/5/2007 Keyser Marston Associates, Inc. Affordable Unit Demand Associated with 100 Market Rate Units Direct Impacts Only Direct, Indirect & Induced Impacts Condominium Units - Number of New Lower Income Households 25.00 43.31 Rental Units - Number of New Lower Income Households 19.44 33.68 In summary, for every 100 market rate condominium units there are 25.0 lower income households generated through the direct impact of the consumption of the condominium buyers and a total of 43.31 households if total direct, indirect, and induced impacts are counted in the analysis. **For every 100 market rate rental units there are 19.44 lower income households generated through the direct impact of the consumption of the renters and a total of 33.68 households if total direct, indirect, and induced impacts are counted in the analysis.** The table below adjusts these figures to percentages for purposes of supporting “inclusionary” type requirements of total units. The percentages are calculated including both market rate and affordable units (for example to convert 25.0 affordable units per 100 market rate units into a percentage, 25.0 is divided by 125.0, which equals 20%). Supported Inclusionary Requirement Direct Impacts Only Direct, Indirect & Induced Impacts Condos 20.0% 30.2% Rentals 16.3% 25.2% Location of Jobs and Housing/Commute Issues The findings of the nexus analysis count only the jobs located in San Francisco. The analysis results could have included jobs and worker households located elsewhere in the Bay Area and beyond the Bay Area as well. If the five county Bay Region (San Francisco, San Mateo, Marin, Alameda and Contra Costa) were included, results would be a third higher inclusive of Direct, Indirect and Induced Impacts. In summary, the analysis does not count total job impacts, only San Francisco located job impacts. An inevitable question arises as to whether worker households are assumed to live in the same jurisdiction as the jobs. For purposes of this analysis, the interest was in determining job impacts in San Francisco. Whether all the new worker households associated with the San Francisco located jobs should also be assumed to live in San Francisco or commute from another county is a matter of policy [↑](#endnote-ref-10)
11. Kathy **Orton**, 01-07-**2019**, "Experts weigh in on what the 2019 housing market will bring," **Washington Post**, <https://www.washingtonpost.com/business/2019/01/07/experts-weigh-what-housing-market-will-bring/?noredirect=on&utm_term=.0bb072cb797c>

    Redfin sees the housing market cooling in the first half of the year. **Price growth will settle around 3 percent after reliably exceeding 5 percent since the start of 2015**. “There’s quite a bit of uncertainty around our price forecast,” said Daryl Fairweather, Redfin chief economist. “**There’s a real chance prices could fall below 2018 levels, putting up negative growth for the first time since 2011**.” **Metro areas such as Seattle, San Francisco, Los Angeles, Denver and Portland, Ore., which saw the most price growth in the first half of 2018, will experience the biggest slowdowns in price growth in the first half of 2019.** Redfin predicts the homeownership rate will grow more rapidly in 2019 as speculators and investors exit the market. Fairweather expects mortgage rates to rise to 5.5 percent by the end of 2019. According to Zillow, rising mortgage rates are encouraging homeowners to stay put and discouraging would-be buyers. “Rising mortgage rates will set the scene for the housing market in 2019,” said Aaron Terrazas, senior economist at Zillow. “They will affect everyone, driving up costs for home buyers and creating more demand for rentals. Even current homeowners could start to feel locked into their mortgage rates.” Zillow anticipates mortgage rates will reach 5.8 percent and home values will grow by 3.79 percent in 2019. [↑](#endnote-ref-11)
12. Ester **Bloom**, 7-13-**2017**, "A shocking number of Americans live in housing they can't afford, according to Harvard study," **CNBC**, <https://www.cnbc.com/2017/07/13/harvard-study-heres-how-many-americans-cant-afford-housing.html>

    **According to new research by Harvard University, almost 40 million Americans "live in housing they cannot afford."** Homeownership has gone down and rental prices keep going up, meaning that millions of residents are forced to pay more than they reasonably should. In the study, the researchers determined affordability by people's ability to pay 30 percent of their income or less on the cost of housing, which may include their mortgage, insurance and taxes. Homeownership keeps declining, according to the Joint Center for Housing Studies' detailed and comprehensive 2017 State of the Nation's Housing report, in part because homes prices in many markets have continued to go up while wages have not kept pace. In 2016, "the homeownership rate fell to 63.4 percent, marking the 12th consecutive year of declines." A lot of people who would like to buy are stuck renting, Harvard reports: "The surge in rental demand that began in 2005 is broad-based — including several types of households that traditionally prefer homeownership." [↑](#endnote-ref-12)
13. Those that are rent-burdened struggle to meet basic needs

    Pew Charitable Trusts, April 2018, Pew Charitable Trusts, "American Families Face a Growing Rent Burden", accessed February 10, 2019, <https://www.pewtrusts.org/-/media/assets/2018/04/rent-burden_report_v2.pdf>

    **Rent-burdened families are financially insecure in many other aspects of their lives, too. They often have trouble meeting basic consumption needs, frequently rely on public assistance, and typically have little connection to the banking system and limited savings. In general, renter households have less money across their financial accounts than do nonburdended families and those that own their homes.8 In 2001, half of rent-burdened households had less than $10 in savings**, while the median non-rent-burdened family had $800 in inflation-adjusted dollars, and half of homeowners had more than$4,000.9 By 2015, the savings of nonburdened renter families had increased to slightly more than $1,000 at the median10 and that of owner households had nearly doubled, to $7,000. But rentburdened households still had less than $10. (See Figure 5.) [↑](#endnote-ref-13)
14. Rent-burdened tenants less likely to be homeowners -- this undermines low-income families

    Pew Charitable Trusts, April 2018, Pew Charitable Trusts, "American Families Face a Growing Rent Burden", accessed February 10, 2019, <https://www.pewtrusts.org/-/media/assets/2018/04/rent-burden_report_v2.pdf>

    **Fifty-six percent of all renters spent at least one year being rent burdened,13 and about 34 percent experienced rent burdens for three or more years. The average duration of a rent burden was about three years.14 Further, being rent burdened in one year was correlated with being rent burdened the next year**. Among renter households that spent one year with rent burdens, 74 percent endured two to six additional years struggling with rent. **Despite the transitory nature of being rent burdened, even a short spell may have an effect on the potential for homeownership.** To get a better idea of how being rent burdened is associated with homeownership, Pew looked at household housing status in one year and then looked at the same households' housing status four years later. **Nationally, the percentage of prime buying-age renter households - those headed by people ages 21-34 - that transitioned from renting to owning declined from 26 percent in 2001 to 16 percent in 2015. Even given that overall decrease, compared with households that were never burdened, rent-burdened households were less likely to become homeowners in the four years after a rent-burdened spell.** Among those prime buying-age renter families, 25 percent of those that were rent burdened in 2001 became homeowners by 2005, compared with 41 percent that had affordable rent in 2001. (See Figure 8.) Between 2003 and 2007, the figures were 24 and 37 percent, respectively. Between the start of the housing credit crisis in 2007 and 2015, only 14 percent of prime-age, rent-burdened households transitioned to homeownership each year, on average. Over the same period, an average of 1 in 4 nonburdened families became homeowners annually. This decline in the share of cost-burdened renters attaining homeownership suggests that although the economy is recovering, rent-burdened households have a harder time accumulating savings and wealth today than they did before the crisis. Although this analysis is descriptive and cannot isolate causal relationships between these factors, the significant decline in rent-burdened households transitioning to ownership may be an early warning sign that those in the lower economic echelons will have a harder time becoming owners in the future. [↑](#endnote-ref-14)
15. Homeownership is the key to wealth creation

    Ben Hecht (Ben Hecht is the President and CEO of Living Cities, a collaborative of the world's leading foundations and financial institutions who work together to boldly fight poverty in America's cities.), April 19, 2017, Huffington Post, "Homeownership as a Key Driver of Wealth", accessed February 10, 2019, https://www.huffingtonpost.com/entry/homeownership-as-a-key-driver-ofwealth\_us\_58f66a5de4b0c892a4fb7319

    We're at the start of what's often called the home-buying season. **Creating more homeowners is not only exciting for people in real estate, but also for those of us in the business of social change and economic equality. That's because homeownership is far and away the most powerful driver of wealth creation in the U.S. economy**. And wealth matters, big time. The Critical Importance of Wealth Intuitively, most of us know this. **But while we can easily envision lifestyle differences between high-earners and people living in poverty, it can be harder to pinpoint the effects of being asset-rich - often because the effects span a lifetime and beyond. Income funds daily expenses, but it's wealth (or, the difference between someone's assets - cash savings, a home, a business - and their debts) that offers long-term financial security**. **It's protection against crises, unexpected expenses or dips in income, and it can transform the economic prospects of a family, both day-to-day and generation-to-generation**. Imagine a young family that has just enough cash saved up to get a mortgage. As they build equity in their home over the years, they can borrow against that wealth to weather financial emergencies - a car breakdown, a medical crisis, or whatever it may be. By the time their child is ready to go to college, they can afford to send her off - likely adding hundreds of thousands of dollars to her lifetime earnings and launching her into adult life debt-free. [↑](#endnote-ref-15)
16. The wealth created from homeownership is intergenerational, especially for POC

    Ben Hecht (Ben Hecht is the President and CEO of Living Cities, a collaborative of the world's leading foundations and financial institutions who work together to boldly fight poverty in America's cities.), April 19, 2017, Huffington Post, "Homeownership as a Key Driver of Wealth", accessed February 10, 2019, <https://www.huffingtonpost.com/entry/homeownership-as-a-key-driver-ofwealth_us_58f66a5de4b0c892a4fb7319>

    **It's a simplistic example, but you can spin it out for generations. And it highlights some of the patterns that play out family by family, with results that are evident at the macro-scale. A child born into a wealthy family, for example, is six times more likely to become a wealthy adult than a child who grows up poor.** **Homeownership has long been a central part of this equation. In 2015, the average net worth of a homeowner in was $195,400, compared to just $5,400 for a renter**, according to the Federal Reserve. The significance is even more staggering for people of color. Wealth from equity in a home constitutes 51% of total wealth of the average white household, but 71% for black households. Essentially, if you are part of America's fastest growing populations, it's highly likely that without a home, you don't have wealth. [↑](#endnote-ref-16)