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

Contention 1: The Invisible Hand of the Market

According to Leshnower of The Spruce, market-rate housing is simply housing with no rent restrictions. The Alliance for Housing Solutions clarifies that market rate housing includes housing that's naturally affordable simply because the market rent for the units falls into the affordable range for low-income households due to age or quality. Thus, the scope of this debate should be restricted to states with rent controls, which as of 2018, are California, New York, New Jersey, Maryland, and DC.

Rent control is unequivocally bad, which is why according to Pelhan at the Center of the American Experiment, 81% of economists say it has hurt affordable rental housing in cities that have utilized it. The crisis becomes even more pressing when acknowledging that right now, The National Low Income Housing Coalition quantifies that we have a shortage of over affordable 7.2 million housing units, which means only 35 out of every 100 needy renters have a home.

Rent control has two harms.

1. Pulled houses. Stanford University quantifies in 2018 that because landlords can escape requirements of rent control by pulling properties from the market or upgrading housing into condos worsens the affordability crisis in the long term by encouraging landlords to taking properties off the market, causing rent controlled buildings to empirically see a 25% decline in renter residents
2. Decreased new construction. Pelhan goes on to explain that if you cap prices below the market rate, you only increase demand relative to supply. More buyers come into the market while suppliers find it less worthwhile to supply housing. While prices are lower, there are fewer units to buy. He concludes the only solution to affordable housing is to increase general supply.

Overall, Diamond of the NBER quantifies in 2018 that rent control decreases the supply of rental housing by 15% while causing a 5.1% city-wide rent increase.

Instead of rent control, America's answer to the housing crisis should be building more market-rate houses, which increases access in three ways.

1. Supply and demand. City Commentary in 2018 explains the disconnect between supply and demand in the housing market has created rent surges, as seen in cities like San Francisco, Seattle, and Washington. Thus, During of Sightline in 2017 concludes more construction is the country's only path to affordable housing. In fact, Breyer of Forbes finds in 2017 cities that have the highest building rates have much lower rents and rent spikes compared to the rest of the nation.

2. Relieving market pressure. Cortright of City Observatory in 2017 observes housing shortages force rich buyers to creep down the market to find houses and compete with middle and low-income renters, dramatically increasing housing costs. More supply solves as Been of NYU in 2017 explains adding more housing alleviates the competition, thus preventing rent increases.
3. Inclusionary zoning, or IZ programs. Grounded Solutions explains that 25 states require developers to set aside a portion of their housing developments for low-income residents. In fact, Thaden of the Lincoln Institute of Land Policy explains in 2017 finds that already, IZ policies have created over 170,000 affordable units with even that number likely being an underestimate of how many units have been created. Notably, the Furman Center in 2008 finds there is no evidence IZ increases rent or decreases the supply of market-rate housing. This is crucial because Riggs of Urbanland in 2016 writes IZ policies depend on an abundance of market rate housing to be successful, since without new housing, no new affordable units can be created, and without such policies, developers never have an incentive to cater to low income individuals.

Overall, O'Reagan in 2018 finds in a 100-study meta analysis that increased housing development prevents price increases, making housing more affordable for the middle and lower class. In Seattle, for instance, Rosenberg reports increased development has dropped rents by 6%, saving the average renter $100 a month. This is crucial, because Biere of the University of Michigan writes that high rents prevent families from covering basic expenditures like food, clothing, and medicine. Market rate housing construction additionally decreases displacement. Badger of the Washington Post in 2016 quantifies that in the Bay Area, low-income neighborhoods with new construction saw half the displacement of similar neighborhoods that hadn't added as much housing. Preventing displacement is crucial as Princeton University in 2015 finds displaced families are more likely to move to lower-income neighborhoods with poorer economic conditions, more crime, and worse schools.

1. Misc cut cards

1. Making affordable housing policies effective. The International Growth Centre explains that aff world policies would prevent non-subsidized builders from being crowded out of the market or leaving the market due to not being able to turn a profit. This would allow affordable housing policies to have an effect without decreasing the supply of housing.
2. In fact, Chiland of Curbed in 2018 finds that California alone would need to build more than three million new homes and apartments to house the projected population growth.
3. Thus, Moretti of Berkeley quantifies in 2017 that high housing costs have lowered aggregate US economic growth by more than 50%.
4.
5. Observation: Most affordable housing is at the market rate. The Alliance for Housing Solutions explains that market rate housing includes housing that's naturally affordable simply because the market rent for the units falls into the range that can be considered affordable to a low- or moderate-income household. This usually occurs due to amenities, condition, age, and/or location of the units.
6. Filtering. Cortright of City Commentary in 2017 writes that building more high priced apartments is critical to generate housing to filter down into affordable ranges. Indeed, the Hudson Institute in 2017 finds 45% of affordable housing in 2013 had been built in 1985, indicating that filtering is crucial to low income families.
7. Luxury upgrades. The Brookings Institution explains in 2018 that rent control causes landlords to conduct condo conversion or harass low income renters into leaving to escape rent restrictions and attract residents with at least 18% higher income, resulting in increased income inequality and gentrification of San Francisco, the opposite of the policy's intended goal.

Allison Charette September 2015
http://www.jchs.harvard.edu/sites/default/files/projecting_trends_in_severely_cost-burdened_renters_final.pdf
With every additional 0.25 percentage point increase in rent growth above gains in income, approximately 400,000 more renters will become severely cost burdened relative to the base case scenario. For example, if annual rent growth were to outpace annual income growth by 0.25 percent over the next 10 years, the total number of burdened households would rise by 1.7 million to 13.5 million renters, compared to a gain of 1.3 million in the base case. In our most extreme scenario with rents outpacing incomes by 1 percent annually, the total number of severely burdened renting households would rise by 3 million, an increase of 25.4 percent.

Roger Valdez, 7-12-2016, "When Will Affordable Housing Advocates Push For More Supply, Fewer Rules?," Forbes, https://www.forbes.com/sites/rogervaldez/2016/07/12/when-will-affordable-housing-advocates-push-for-more-supply-fewer-rules/#35f323e54bcb
Advocates for subsidized, low-income housing are good at calling for more money to build subsidized housing to offset high housing prices. But why are housing prices so high in the first place? The lack of market rate supply contributes to high prices that puts market rate housing out of reach, and as long as that problem goes unaddressed, more and more subsidies will need to be wrung out of funding sources already spread thin. Affordable housing advocates need to start calling for fewer rules and regulations that slow the production of market rate housing and add costs to subsidized housing as well.

Roderick M. Hills Jr. September 18, 2018
https://www.washingtonpost.com/outlook/2018/09/18/why-do-so-many-affordable-housing-advocates-reject-law-supply-demand/?noredirect=on&utm_term=.06a938fe98ad
Housing prices are famously out of control in many cities — the average studio apartment in San Francisco goes for nearly $2,500 a month, more than $2,900 in Manhattan. This trend has inspired a movement called “YIMBY,” for “Yes in My Back Yard.”
YIMBYs push for reductions on zoning restrictions to increase the supply of housing, reasoning that all new housing, market-rate as well as subsidized, helps to keep housing prices under control.
“We should build more housing in every neighborhood — especially high-income neighborhoods,” reads the mission statement of the YIMBY Party, based in San Francisco. “… Increasing supply will lower prices for all and expand the number of people who can live in the Bay Area.”

Joe Cortright, xx-xx-xxxx, "Urban myth busting: Why building more high income housing helps affordability," City Observatory, http://cityobservatory.org/urban-myth-busting-high-income2/

When it comes to anything new and long-lived, higher-income households buy most of the output. According to Bureau of Labor Statistics data, households in the two highest income quintiles accounted for about 67 percent of the purchase of new cars in the US in 2001. New car buyers are getting progressively older, and are more likely to be high income. According to the National Automobile Dealers Association, the median new car buyer is 52 years old and has an income of about $80,000, compared to an average age of 37 and an income of $50,000 for the overall population.
But there's no outcry about America's "affordable car crisis." The reason: high-income households buy newer cars; most of the rest of us buy used cars—which are more affordable after they've depreciated for a while.That's even more true of housing, which is much longer lived. Nationally, 68 percent of the nation's rental housing is more than 30 years old—so only about 10 percent of the nation's renters live in apartments built in the last decade.
New houses, like new cars, are sold primarily to higher income households—and affordability comes from getting a bargain when the car (or house or apartment) has depreciated. Building more high priced new apartments, in fact, is critical to generate the filtering down of older housing that constitutes the affordable housing supply.

Vicki Been,, 10-1-2017, "Supply Skepticism: Housing Supply and Affordability," Taylor & Francis, https://www.tandfonline.com/doi/full/10.1080/10511482.2018.1476899?af=R
Still, although housing is heterogenous, additions to the housing stock in one submarket can fairly quickly affect prices and rents in other submarkets by alleviating competition that would otherwise be diverted to those other submarkets. Imagine a city with no new construction. As demand increases and prices or rents rise for higher end housing, some homeseekers who would otherwise have searched in that submarket will be priced out. They will either leave the jurisdiction altogether or turn instead to somewhat less-expensive housing in the same city, increasing demand for housing in the next submarket. Unless there have been offsetting declines in demand for housing in those other submarkets, the failure of supply to respond to increased demand at the higher end will ripple through other submarkets as demand spills into these markets and increases their prices and rents.

Trisha Riggs, 9-2-2016, "How to Best Use Zoning Policies to Spur Workforce Housing Development," Urban Land Magazine, https://urbanland.uli.org/development-business/best-use-zoning-policies-spur-workforce-housing-development/
Through inclusionary zoning, cities require or encourage developers to create below-market rental apartments or owner-occupied housing in connection with local zoning approval of a proposed market-rate development. Inclusionary zoning policies depend on a prevalence of market-rate development to be successful; the policies tend to be ineffective in areas not experiencing significant market-rate activity.

“Our analysis and research find that local zoning policies can effectively encourage development of workforce housing, mostly in strong real estate market environments where communities provide the optimal mix of incentives,” says Stockton Williams, the author of the report and the executive director of the Terwilliger Center.

Requiring That, xx-xx-xxxx, "How Does Inclusionary Housing Work?," Inclusionary Housing, https://inclusionaryhousing.org/inclusionary-housing-explained/what-is-inclusionary-housing/inclusionary-housing-work/
As housing prices rise, developers and land owners are able to make greater profit for building commercial and residential developments.

Inclusionary policies seek to “capture” a portion of the higher value by requiring that developers include affordable housing in developments that otherwise would not include it. In its simplest form, an inclusionary housing program might require developers to sell or rent 10 to 30 percent of new residential units to lower-income residents.

Local inclusionary housing programs can vary. Some of this variation is related to state policy: the legal authority for municipalities to implement an inclusionary housing policy depends on whether or not state law allows it.* However, even within the same state, local jurisdictions adopt different programs in response to local conditions.

Inclusionary housing policies have been adopted in more states and places than commonly thought. The most comprehensive nationwide investigation of inclusionary housing programs conducted to date identified 886 jurisdictions with inclusionary housing programs located in 25 states and the District of Columbia at the end of 2016. The study was conducted by Grounded Solutions Network and was published as a working paper by the Lincoln Institute of Land Policy. In the study, inclusionary housing refers to any land use policy that requires or incentivizes the creation of affordable housing when new development occurs, including impact or linkage fees that generate revenue for affordable housing.

Emily Thaden, xx-xx-xxxx, "Inclusionary Housing in the United States," LILP, https://www.lincolninst.edu/publications/working-papers/inclusionary-housing-united-states
Although comprehensive data on impact and program characteristics was not available for the majority of programs, the study did find that 373 jurisdictions reported a total of $1.7 billion in impact or in-lieu fees for the creation of affordable housing. Jurisdictions also reported creating a total of 173,707 units of affordable housing, which predominantly excludes additional units created with the $1.7 billion in fees:

443 jurisdictions reported creating 49,287 affordable homeownership units;
581 jurisdictions reported creating 122,320 affordable rental units; and
164 jurisdictions reported an additional 2,100 affordable homes.
Due to missing data, these numbers substantially underestimate the total fees and units created by the entire inclusionary housing field.

Furman Center, March 2008
https://furmancenter.org/files/publications/IZPolicyBrief.pdf
On the other hand, we found no evidence that IZ caused an increase in the price or a decrease in the supply of market-rate housing in the San Francisco area, despite the fact that 93 percent of those programs were mandatory. These results suggest that adverse price and supply effects are not inevitable outcomes of IZ. As explained more fully in the next point, it seems likely that the details of the policies – particularly the inclusion of effective cost offsets – mat - ter considerably.

Joe Cortright, 2018, "Does increased housing supply improve affordability?," City Observatory, http://cityobservatory.org/does-increased-housing-supply-improve-affordability/
Second, the paper assumes that housing markets are in equilibrium, both before and after the construction of new housing. But as we've frequently discussed at City Observatory, housing markets are often in a dis-equilibrium state: there's a temporal disconnect between demand and supply; demand can surge ahead of supply (as it has it recent years in many metro markets), and unless and until supply catches up, rents tend to surge. When we observe rising rents in cities like San Francisco, Seattle or Washington, its because there's a dis-equilibrium. And in fact, it is this surge in rents that typically prompts the additional supply, which ultimately brings rents back down. Assuming that rents are in equilibrium is essentially assuming away the underlying economic processes behind the affordability problem and its solution.

Alan Durning, 9-21-2017, "Yes, You Can Build Your Way to Affordable Housing," Sightline Institute,
https://www.sightline.org/2017/09/21/yes-you-can-build-your-way-to-affordable-housing/
"You can't build your way out of a housing affordability problem." That's conventional wisdom. I hear it all the time: Prosperous, growing, tech-rich cities from Seattle to the Bay Area and from Austin to Boston are all gripped by soaring rents and home prices.
But what if you can build your way to affordable housing? What if, in fact, building is the only path to affordable housing? What if cities around the world have been building their way to affordability for decades?
You can. It is. And they have.

The larger lesson, though, comes not from the detailed HALA plans and proposals, but from all these places.
And it is simple: Yes, you can build your way to affordable housing. Aside from economic decline and depopulation, it is the only strategy that actually works. You can do it through a state monopoly as in Singapore, an array of public and limited-profit associations as in Vienna, or private developers as in Chicago, Germany, Houston, or Montreal. But to have affordable housing, you have to build homes in great abundance, and without that, other affordability strategies such as rent control and inclusionary zoning can be fruitless or counterproductive, as in San Francisco. Building plenty of housing is not just one way to affordability, it is the only way—the foundation on which other affordability solutions, measures against displacement, and programs for inclusion rest.

Elijah Chiland, 6-14-2018, "Can LA build its way out of its housing crisis?," Curbed LA, https://la.curbed.com/2018/6/14/17451468/los-angeles-housing-shortage-development-affordable
“What you have to think about if your solution is ‘build baby build’ is how much housing do you actually have to build to get there?” he says,

Nickelsburg estimates that across the state, more than 3 million new houses and apartments would need to be constructed. With that housing would come increased demand for businesses, infrastructure, and community resources. Those needs, along with likely population growth could create further challenge for local leaders.

“It’s not just about having a house,” he says. “You have to be able to get to the grocery store. You have to be able to get to work.”

He argues that programs directly subsidizing housing for specific professionals like teachers and first responders could provide more targeted solutions while officials consider longer term plans.

Emily Badger, 2-13-2016, "The poor are better off when we build more housing for the rich," chicagotribune, https://www.chicagotribune.com/news/opinion/commentary/ct-poor-better-off-when-we-build-more-housing-for-rich-20160213-story.html
It's understandable that skeptics raise their eyebrows at this argument. It's theoretical, based on mathematics and not peoples' lives. It seems counterintuitive -- that building for people who aren't poor will help the poor. But the California Legislative Analyst's Office just released some excellent data backing up this point: Particularly in the Bay Area since 2000, the researchers found, low-income neighborhoods with a lot of new construction have witnessed about half the displacement of similar neighborhoods that haven't added much new housing.

Here's another way to look at that: Places without much new market-rate construction have more displacement. That is, no doubt, the opposite of what protesters want.

Importantly, the benefits of all this building aren't about inclusionary policies, which require developers to set aside some affordable units in market-rate buildings. There's less displacement in high-construction neighborhoods whether they have inclusionary policies or not.

Moretti Berkeley
https://www.nber.org/papers/w21154.pdf
We quantify the amount of spatial misallocation of labor across US cities and its aggregate costs. Misallocation arises because high productivity cities like New York and the San Francisco Bay Area have adopted stringent restrictions to new housing supply, effectively limiting the number of workers who have access to such high productivity. Using a spatial equilibrium model and data from 220 metropolitan areas we find that these constraints lowered aggregate US growth by more than 50% from 1964 to 2009

Bieri UMich HUD
No Author, xx-xx-xxxx, "Rental Burdens: Rethinking Affordability Measures," No Publication, https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_092214.html
In discussing the rental affordability measurement to Business Week, David Bieri of the University of Michigan states that the 30-percent rule "[is] essentially an arbitrary number." One of the arguments against the share of income approach is that different households earning the same annual income spend considerably different amounts of money on basic necessities. For example, families with children spend more on clothing, food, and medical bills than do single adults. Thus, a household with children that spends 50 percent of its income on housing might be cost burdened, whereas a single adult who earns the same salary and spends the same percentage of income on housing might not be. In addition, the share of income measure does not consider cost-of-living differences in areas where housing is expensive. Consider a very low-income family in New York City that earns approximately $22,100 a year, or 30 percent of the area median income according to the Furman Center. If 50 percent of the family's income is dedicated to rent, the family has only about $200 per week left to cover all other basic expenditures, including food, clothing, medical costs, and transportation.

Bertolet, 8-10-2016, "Displacement: The Gnawing Injustice at the Heart of Housing Crises," Sightline Institute,
https://www.sightline.org/2016/08/10/displacement-the-gnawing-injustice-at-the-heart-of-housing-crises/
In Seattle and other fast-growing cities across Cascadia and beyond, bitter stories of people priced out of their homes and of affordable buildings torn down for new construction are all too

familiar. The sense of injustice we feel about these stories is well justified. Sightline recently assembled focus groups—random samples of long-time Seattle residents—to talk about the housing crunch, and strong feelings about housing costs ran to a fever pitch on the issue of displacement. To see friends and neighbors forced to relocate from their homes and communities stirs everyone's hearts to indignation.

Laura Kusisto, 4-26-2017, "Rising Home Prices Raise Concerns of Overheating," WSJ, https://www.wsj.com/articles/rising-home-prices-raise-concerns-of-overheating-1493128355
The U.S. housing market's red-hot recovery from the depths of the crash five years ago is fueling concerns among economists and real-estate brokers that home prices are overheating.

A dearth of new construction and strong demand from buyers are pushing up prices twice as fast as the rate of income growth, the latest data show, a level economists said is unsustainable.

The S&P CoreLogic Case-Shiller U.S. National Home Price Index released Tuesday showed that in February home prices rose 5.8% from the same month a year earlier. That put prices nearly 40% above their level at the bottom of the housing crash in February 2012.

Laura Kusisto, 3-18-2018, "The Next Housing Crisis: A Historic Shortage of New Homes," WSJ,
https://www.wsj.com/articles/american-housing-shortage-slams-the-door-on-buyers-1521395460
Now, construction isn't matching rising demand, not only in glamour cities such as San Francisco and New York, but also in metropolitan areas such as Grand Rapids.

The National Association of Home Builders estimates builders will start fewer than 900,000 new homes in 2018, less than the roughly 1.3 million homes needed to keep up with population growth. The overall inventory of new and existing homes for sale hit its lowest level on record in the fourth quarter of 2017, at 1.48 million, according to the National Association of Realtors.

That, in turn, is pushing up prices at what economists say is an unsustainable pace. The S&P CoreLogic Case-Shiller National Home Price Index rose 6.3% in 2017. That was roughly twice the rate of income growth and three times the rate of inflation.

Albert Gustafson, 9-25-2018, "Housing Still Suffers the Same Ills That Caused the Great Recession—Just Not the Ones You Think," Market Urbanism,
http://marketurbanism.com/2018/09/25/housing-still-suffers-the-same-ills-that-caused-the-great-recession-just-not-the-ones-you-think/

The traditional loose credit story is an easy one to tell—it appeals to populist sentiments (by demonizing rich bankers) and exudes the moral weight of an anti-capitalist parable about greed and gluttony. It makes for a great movie, "The Big Short."And, to its credit, the traditional credit story even seems to explain much of the financial bedlam of 2008. Banks and investors placed too much confidence in risky mortgage-backed assets, perhaps because they knew Congress would bail them out.

But by focusing on big banks and complex financial instruments, the traditional story overlooks evidence in the real, physical economy of actual houses and homebuyers.

According to the traditional narrative, the housing bubble saw an increase both in the supply of housing and the price of housing, fueled by a combination of loose monetary policy, irresponsible government-backed mortgages, and reckless Wall Street speculation. For the traditional story, the spike in new single-family home construction from 2000 to 2005 is the smoking gun.

Yet during the early 2000s, new residential construction overall was steady, with single-family homes simply displacing multifamily units, like condos and apartments. Many high productivity population centers like New York, Los Angeles, and Seattle faced huge housing shortages during the early 2000s, evidenced by skyrocketing housing costs. Shortages in these cities, dubbed Closed Access cities, were caused, in large part, by laws which made it difficult to construct new housing.

Sound familiar?

Consider these two quotes, both from commentary in the Wall Street Journal, one from 2005 (the peak of the first housing crisis) and one from 2018. From 2005,

What we do have is a serious housing shortage and housing affordability crisis. Despite robust construction, unsold inventory stands at four months, well below its 25-year average. Private builders complain they can't get land permitted to meet demand.

And from 2018,

A combination of tightened housing regulations, a lack of construction labor and a land shortage in highly prized areas is driving the crisis, according to industry experts….Now, construction isn't matching rising demand, not only in glamour cities such as San Francisco and New York, but also in metropolitan areas such as Grand Rapids….That, in turn, is pushing up prices at what economists say is an unsustainable pace.

Both complain of high (and rising) real estate prices, and both indicate builders face major hurdles in keeping up with demand. Moreover, both attribute the supply shortage to local authorities' stinginess with building permits—a direct result of NIMBY laws.

While the traditional story about credit may explain some of the demand side of inflated housing prices, Erdmann's work demonstrates that more flexible housing policies in Closed Access cities could have headed off the shortage which generated the housing bubble.

Since the recession, federal housing agencies have stopped the credit policies, like "no income, no job, no assets" (NINJA) loans, which made housing deceitfully affordable during the pre-2008 shortages by saddling households with more debt than they could pay. As a result, many potential homebuyers today are giving up on buying altogether.

Erdmann argues that an aggressive federal credit policy was actually the right move pre-2008 because it helped consumers buy housing at historically average levels, even recommending a return to those policies now. But the uncanny resemblance between housing markets in 2005 and 2018 should still be a cause for concern.

For one, another housing bubble is not out of the question, and a housing collapse could still turn consumers skittish [pdf] and decrease spending across the economy. Readopting Fannie and Freddie's pre-2008 mortgage practices would only exacerbate that risk. The Great Recession should have made it clear that a demand stimulus is not a sustainable solution to a supply problem.

Miller, 1-4-2019, "Housing Bubble 2.0 is here. Protect Yourself from the Next Crash," 20somethingfinance, https://20somethingfinance.com/housing-bubble-and-crash/
I was casually reading a local news article on housing prices across the Michigan market when I noticed something odd – in every major city that I checked, the average home sale price in 2016

surpassed the average home sale price just before the housing crash/Great Recession (and it's even higher now).

Hmm… that's odd. I knew home prices had rebounded some over the years – but to pre-housing crisis levels? And in a state that was absolutely decimated economically with a double-digit unemployment rate?

So, I did some research. And, sure enough, the U.S. home price indexes showed that this was not just a one-state phenomenon – housing prices have now surpassed pre-crisis levels. Maybe not in every single market, but in most major markets and at a national level.

If you'll remember, what really got us into trouble previously was the fact that people were defaulting on mortgages that they could not afford. Naturally, the higher the percentage of your income that you put towards your home, the higher your risk of default should that income become interrupted. Average housing costs are at $19,984 annually. That's 33% of total expenses, which is a risky high level, and many families are at levels far higher.

Vanished home equity and defaults on high-risk mortgages is what led to a domino effect and a whole mess of shadiness-coming-to-light that led to financial institutions going under, mass layoffs, bailouts, and more. Some of that shadiness was eliminated due to Dodd-Frank, but Republicans recently rolled back much of the protections. I think housing bubble 2.0 is here. And by my estimation, the next housing crash is not a matter of "if", but "when".

Paul Centopani, 8-10-2018, "Mortgage default risk climbs to three-year high," National Mortgage News,
https://www.nationalmortgagenews.com/news/mortgage-default-risk-climbs-to-three-year-high
The risk of mortgage defaults reached its highest point since the second quarter of 2015 as lenders loosen credit, according to VantageScore.

With mortgage rates trending upward this year, the default risk index (a comparison of the total volume and weighted-average risk profile of quarterly originations) increased to 100.9 in the first quarter of 2018, a 5.63% growth year-over-year and 4.42% growth from the previous quarter.

Lenders are showing more propensity to take on risk. The gradual loosening of credit is causing an escalation in mortgage originations as they increased 2.03% year-over-year in 2018's opening frame, but had a drastic decline of 18.15% from the final quarter of 2017.

Elizabeth Kneebone, 10-7-2010, "The Great Recession and Poverty in Metropolitan America," Brookings,
https://www.brookings.edu/research/the-great-recession-and-poverty-in-metropolitan-america/
Poverty increased by much greater margins in 2009 than 2008, with cities and suburbs experiencing comparable rates of growth in the recession’s second year. Between 2008 and 2009, cities and suburbs gained 1.2 million poor people, together accounting for about two-thirds of the national increase in the poor population that year.

State, 3-13-2018, "The U.S. Has National Shortage of More Than 7.2 Million Affordable & Available Rental Homes for Families Most in Need," National Low Income Housing Coalition,
https://nlihc.org/news/us-has-national-shortage-more-72-million-affordable-available-rental-homes-families-most-need
he Gap: A Shortage of Affordable Homes, a new report released today by the National Low Income Housing Coalition (NLIHC), finds a shortage of 7.2 million affordable and available rental homes for extremely low income (ELI) renter households, those with incomes at or below the poverty level or 30% of their area median income. The report calls for expanding investments in affordable housing programs that serve those with the lowest incomes.

The study finds there are just 35 affordable and available units for every 100 ELI renter households nationwide and that 71% of ELI renter households are severely housing cost-burdened, spending more than half of their income on housing. After paying their rent, these households have insufficient resources left for other necessities like food, medicine, transportation, or child care. They are often one financial setback away from eviction and homelessness.

Lauretta Brown, 7-6-2018, "Reports: Burdensome Regulations Are Exacerbating the Affordable Housing Crisis," Townhall,
https://townhall.com/tipsheet/laurettabrown/2018/07/06/reports-burdensome-regulations-are-exacerbating-the-affordable-housing-crisis-n2497873
According to one such report, released in June by the National Association of Home Builders (NAHB) and the National Multifamily Housing Council (NMHC), “regulation imposed by all levels of government accounts for an average of 32.1 percent of multifamily development costs,” and “in a quarter of cases, that number can reach as high as 42.6 percent.”

The regulatory costs found in the report included fees, development standards, building codes, and the pure cost of delay.

Joe Cortright, 8-11-2017, "The end of the housing supply debate (maybe)," City Observatory, http://cityobservatory.org/the-end-of-the-housing-supply-debate-maybe/
Building more market rate housing isn't so much about "trickle down" as it is building enough new housing to keep higher income households from moving down-market and bidding up the price of older housing that would otherwise be affordable to moderate and lower income households. When there isn't enough supply, demand from higher income households floods down to older housing stock, driving up rents and reducing housing options for those with lesser means. Which, as why, as we've observed, in some markets, modest 1950's-era ranch homes are a mainstay of affordability, while in others, they cost more than a million bucks.

Hudson
https://s3.amazonaws.com/media.hudson.org/files/publications/AffordableRentHousing2017.pdf
With the growth of the housing stock, the number of affordable rental units rose from 15.0 million in 1985 to 19.7 million in 2013. o Additions to the housing stock barely surpassed permanent losses throughout the 28-year period. Sixty percent of the additions came from new construction; other types of additions, e.g., splitting one housing unit into two or more units or 3 conversions of non-residential structures into housing accounted for the remaining 40 percent. o Filtration – the movement of moderate or high rent units into the affordable category – exceeded gentrification – the loss of affordable units to the moderate or high rent categories – between 1985 and 2013. Filtering added 4.6 million units to the affordable rental inventory and gentrification removed 1.7 million, for a net contribution of 2.9 million units to the affordable rental housing stock. o Another important source was the shift of units from the owner sector to affordable rentals. About 3.8 million units that were in the owner sector in 1985 became affordable rental units by 2013, while 1.8 million affordable rental units as of 1985 were in the owner stock in 2013, for a net contribution to the affordable rental stock of just under 2.0 million units.

Scott Beyer, xx-xx-xxxx, "The Great Urban Myth: 'Cities Can't Build Their Way To Affordable Housing'," Forbes,
https://www.forbes.com/sites/scottbeyer/2017/09/27/the-great-urban-myth-cities-cant-build-their-way-to-affordable-housing/#5ad832f53ffc
Durning analyzes seven cities that differ wildly — by location, governing model and built history. But he finds that their common denominator is that, despite high demand, they have managed to stabilize housing prices by increasing unit supply.

He begins with the obvious case study of Houston. While not completely unregulated, Houston has lighter regulations than other major U.S. metros, and builds much more housing than any of them. Although Houston receives many of the stereotypical scapegoats thought to increase housing prices — millionaires, immigrants, corporate relocations, and luxury condos — median home prices in Harris County remain $141,000. But Houston, he writes, comes with a caveat. It maintained this affordability by sprawling out. Can the same be accomplished in dense, land-constrained cities?

O'Regan
https://sci-hub.tw/https://www.tandfonline.com/doi/abs/10.1080/10511482.2018.1476899
Growing numbers of affordable housing advocates and community members are questioning the premise that increasing the supply of market-rate housing will result in housing that is more affordable. Economists and other experts who favor increases in supply have failed to take these supply skeptics seriously. But left unanswered, supply skepticism is likely to continue to feed local opposition to housing construction, and further increase the prevalence and intensity of landuse regulations that limit construction. This article is meant to bridge the divide, addressing each of the key arguments supply skeptics make and reviewing what research has shown about housing supply and its effect on affordability. We ultimately conclude, from both theory and empirical evidence, that adding new homes moderates price increases and therefore makes housing more affordable to low- and moderate-income families. We argue further that there are additional reasons to be concerned about inadequate supply response and assess the evidence on those effects of limiting supply, including preventing workers from moving to areas with growing job opportunities. Finally, we conclude by emphasizing that new market-rate housing is necessary but not sufficient. Government intervention is critical to ensure that supply is added at prices affordable to a range of incomes.

Paul Davidson,, 6-9-2017, "Home building slowed as cities try to tame growth," USA TODAY, https://www.usatoday.com/story/money/2017/06/09/home-building-slowed-cities-try-tame-growth/102109754/
A new analysis of 189 metro areas by Federal Reserve economist Raven Molloy finds that, in the top third of most-regulated areas,27% of owner-occupied homes are affordable to low- to moderate-income buyers. In the lowest third of least-regulated areas, 67% are affordable for that group. Regions with the most regulations and fewest starter homes include coastal cities like Baltimore, Boston and Seattle as well as Denver, Fresno, Calif. and Phoenix. Areas in the South and Midwest -- including Fort Wayne, Ind.; Myrtle Beach, S.C.; and Des Moines, Iowa -- have the fewest regulations and the most affordable units.

In neighborhoods in and around downtown Seattle, the dip equates to an average of $100 in monthly savings for renters signing new leases.

The biggest rent decreases were mostly in the popular Seattle neighborhoods that are getting the most new apartments. Rents dipped more than 6 percent compared with the prior quarter in First

Hill, downtown Seattle, Belltown, South Lake Union and Ballard, along with Redmond and the Sammamish/Issaquah area.

Listen
Mike Rosenberg, 1-12-2018, "Seattle-area rents drop significantly for first time this decade as new apartments sit empty," Seattle Times,
https://www.seattletimes.com/business/real-estate/seattle-area-rents-drop-significantly-for-first-time-this-decade-as-new-apartments-sit-empty/
Kim Malcolm of KUOW talks with Seattle Times reporter Mike Rosenberg about why rents have been declining in the Seattle area.

Compared with a year earlier, rents still increased 4.5 percent regionwide, but that was the slowest year-over-year growth since 2011 and down from the double-digit increases that became common over the last few years.

The slowdown comes as the number of new apartments opening across the area has hit record levels and has begun to significantly outpace the number of new renters.

More apartments are sitting empty — particularly throughout downtown Seattle — giving renters more negotiating power over landlords. And even more new apartments are set to open in 2018, leading analysts to suggest the rental market will keep cooling.

Abcs, xx-xx-xxxx, "Alliance for Housing Solutions — Market Rate Affordable Housing," Alliance for Housing Solutions,
https://www.allianceforhousingsolutions.org/market-rate-affordable-housing
The term “affordable housing” can mean many things; it is most often used to describe housing that receives some form of government subsidy to keep rents low. It can also mean housing that’s naturally affordable simply because the market rent for the units falls into the range that can be considered affordable to a low- or moderate-income household. This usually occurs due to amenities, condition, age, and/or location of the units. In Arlington, these apartments are referred to as market rate affordable housing or MARKs. Many, but not all, of the older garden apartment buildings in Arlington can be classified as MARKs.

https://www.washingtonpost.com/news/wonk/wp/2016/02/19/how-to-make-expensive-cities-affordable-for-everyone-again/?noredirect=on&utm_term=.aa7f4a5a9e42
Activists tend to focus on the second effect, but the reality is that the first effect is much stronger. Economic research on this topic is unanimous. There is no question that on net, adding more units tends to lower rents. All existing peer-reviewed academic studies — including work done at Harvard University, the Wharton School at the University of Pennsylvania and by me at UC

Berkeley — find that more housing supply results in lower rents and house prices, everything else being constant.

Ron Leshnower, 2-19-2019, "Learn About Market-Rate Housing and Finding An Affordable Apartment," Spruce, https://www.thespruce.com/market-rate-apartment-155986
Market-rate housing is an apartment that has no rent restrictions. 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.

No Author, xx-xx-xxxx, "Rent control in the United States," No Publication, https://en.wikipedia.org/wiki/Rent_control_in_the_United_States
As of 2018, four states (California, New York, New Jersey, and Maryland) and the District of Columbia have localities in which some form of residential rent control is in effect (for normal structures, excluding mobile homes).[2][3] Thirty-seven states either prohibit or preempt rent control, while nine states allow their cities to enact rent control, but have no cities that have implemented it.[2][3] For the localities with rent control, it often covers a large percentage of that city's stock of rental units: For example, in some of the largest markets: in New York City in 2011, 45% of rental units were either "rent stabilized" or "rent controlled", (these are different legal classifications in NYC) [4]:1 in the District of Columbia in 2014, just over 50% of rental units were rent controlled, [5]:1 in San Francisco, as of 2014, about 75% of all rental units were rent controlled, [6]:1 and in Los Angeles in 2014, 80% of multifamily units were rent controlled. [7]:1

PEW Authors, 11-28-2018, "Rent Control Is Making a Comeback. But Is That a Good Idea?," No Publication, https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2018/11/28/rent-control-is-making-a-comeback-but-is-that-a-good-idea
It’s a high-stakes resurgence, fueled by a rapidly worsening housing crisis — but it faces strong opposition from the real estate industry.

In the past year, an energized renters’ rights movement has won approval of rent control measures in Berkeley, Chicago, Washington, D.C., and Westchester County, New York. In March, New York City’s mayor, Bill de Blasio, signed legislation extending rent regulation laws through April 2021.

The issue also is attracting attention in statehouses. Lawmakers in Hawaii, Illinois, Minnesota, New Jersey and Washington state have considered rent control bills in the last two years. Some of the measures would overturn existing bans on rent control; others, as in Hawaii, would establish rent control in the state or expand existing laws.

81% John Phelan is an economist at the Center of the American Experiment. https://www.americanexperiment.org/2018/12/81-economists-agree-rent-controls-bad-policy/
So strong is the evidence for this that we have that rarest of things – a consensus among economists. In 2012, economists were polled with the following question;

Local ordinances that limit rent increases for some rental housing units, such as in New York and San Francisco, have had a positive impact over the past three decades on the amount and quality of broadly affordable rental housing in cities that have used them.

81% of them disagreed.

One such area is rent control. This proposal – to cap the price landlords can charge tenants – crops up perennially as a solution to high rents. This is mistaking the symptom for the illness. When prices are high they are sending you information. They are telling you that demand is high relative to supply. If you want to do something about this, act to either reduce demand or increase supply. Either way, trying to fiddle with the signal makes no more sense then trying to slow down your car by breaking the speedometer.

Economists recognize this. They also recognize, in this area at least, that if you cap the price below the market rate all you do is increase demand relative to supply, exactly the situation you wanted to avoid.

Figure 1 illustrates this. The market clearing price – where supply meets demand – is $600. At that price, 300 homes are both supplied and demanded. But when the price is capped at $400, more buyers come into the market and demand rises to 400 homes. At the same time, suppliers find it less worthwhile to supply housing and so supply falls to 200 homes. Sure, prices are lower (excepting all the additional fees), but there are fewer units to buy. There is no solution to ‘unaffordable housing’ that doesn’t involve either shifting the supply curve to the right or the demand curve to the left.

Diamond NBER
Nearly 20%., 3-24-2019, "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco," NBER, https://www.nber.org/papers/w24181
We exploit quasi-experimental variation in assignment of rent control to study its impacts on tenants, landlords, and the overall rental market. Leveraging new data tracking individuals’ migration, we find rent control increased renters’ probabilities of staying at their addresses by

nearly 20%. Landlords treated by rent control reduced rental housing supply by 15%, causing a 5.1% city-wide rent increase. Using a dynamic, neighborhood choice model, we find rent control offered large benefits to covered tenants. Welfare losses from decreased housing supply could be mitigated if insurance against rent increases were provided as government social insurance, instead of a regulated landlord mandate.

Rebecca Diamond, 10-18-2018, "What does economic evidence tell us about the effects of rent control?," Brookings, https://www.brookings.edu/research/what-does-economic-evidence-tell-us-about-the-effects-of-rent-control/
This 15 percentage point reduction in the rental supply of small multi-family housing likely led to rent increases in the long-run, consistent with standard economic theory. In this sense, rent control operated as a transfer between the future renters of San Francisco (who would pay these higher rents due to lower supply) to the renters living in San Francisco in 1994 (who benefited directly from lower rents). Furthermore, since many of the existing rental properties were converted to higher-end, owner-occupied condominium housing and new construction rentals, the passage of rent control ultimately led to a housing stock that caters to higher income individuals. DMQ find that this high-end housing, developed in response to rent control, attracted residents with at least 18 percent higher income. Taking all of these points together, it appears rent control has actually contributed to the gentrification of San Francisco, the exact opposite of the policy's intended goal. Indeed, by simultaneously bringing in higher income residents and preventing displacement of minorities, rent control has contributed to widening income inequality of the city.

SIX TO TEN PERCENT

The Right to Stay Put, Revisited: Gentrification and Resistance to Displacement in New York City

Kathe Newman, Elvin K. Wyly

First Published January 1, 2006 Research Article

https://doi.org/10.1080/00420980500388710

Richard Florida, xx-xx-xxxx, "The Complex Connection Between Gentrification and Displacement," CityLab, https://www.citylab.com/equity/2015/09/the-complicated-link-between-gentrification-and-displacement/404161/
Counterintuitively, several studies have even found that gentrification can in some cases reduce displacement. Neighborhood improvements like bars, restaurants, waterfronts, or extended

transit can and sometimes do encourage less advantaged households to stay put in the face of gentrification. A 2006 study found that displacement accounted for only 6 to 10 percent of all moves in New York City due to housing expenses, landlord harassment, or displacement by private action (e.g. condo conversion) between 1989 and 2002. A 2011 study concluded that neighborhood income gains did not significantly predict household exit rates. What did predict outmigration was age, minority status, selective entry and exit, and renting as opposed to buying.

[Stanford] Tanvi Misra, 1-29-2018, "Is It Time to Reform Rent Control? ," CityLab, https://www.citylab.com/equity/2018/01/rent-control-a-reckoning/551168/
A new working paper published in the National Bureau for Economic Research provides a complicated answer: While these policies are a boon to many low-income tenants who directly benefit, they worsen the affordability crisis in the longterm. “It’s somewhat of a transfer from future tenants to incumbent tenants,” said Rebecca Diamond, an assistant professor of economics at Stanford University, who authored the paper along with colleagues Timothy McQuade and Franklin Qian.

Rent control policies impose limits on rent increases for the duration of a tenant’s stay. But since landlords have many loopholes for escaping those requirements, the Stanford researchers found that that they ended up pulling properties from the rental market—shrinking the rental housing supply overall.

As a result of these landlord reactions, rent-controlled buildings saw a 15 percent decline in the number of renter residents, and a 25 percent decline in those living in the rent-controlled units, compared to 1994 levels. In other words, rent control had a counterproductive effect.