Commentary: Evidence-Based Policymaking to Address the Affordable Housing Crisis: The Potential of Local Data

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Abstract

Many housing market processes remain invisible because of the lack of comprehensive data and systematic research to create an evidence base. The articles in this section shed light on the relationship between investment activity and rental housing markets, opening up new avenues for research via strategic data linkage and providing much-needed evidence to support the preservation of affordable housing stock.

Introduction

For decades, housing research has drawn largely from a rich but limited collection of datasets put out by the federal government, such as the census, American Community Survey, American Housing Survey, Survey of Construction, program participation statistics, and Home Mortgage Disclosure Act (HMDA) data, augmented by local data, such as tax assessor data, zoning data, or building code violations. Researchers have gradually built a robust evidence base from these sources about federal programs, homeownership, housing conditions, housing starts, and related topics.

However, gaps in knowledge abound. Existing research provides very little evidence about rents, renters, and landlords and how these data relate to specific building types. We have only a basic sense of capital flows in and out of housing stock. We can only guess about informal or precarious housing arrangements. Because many of these housing market processes remain invisible, policymakers lack a full picture of the housing affordability crisis.

The lack of comprehensive data and systematic research on these particular housing dynamics has arguably contributed to a dearth of policymaking, particularly at the federal level, that addresses the affordability of rental housing and the role of speculative capital, particularly in older housing stock. Most of the country's affordable rental housing consists of this older unsubsidized housing stock owned and operated by the private sector (Joint Center for Housing Studies, 2020). Thus, understanding the relationship between investment activity and rental housing markets could help set the stage for critical new regulations and affordable housing preservation programs.

In "Housing Speculation, Affordable Investments, and Tenant Outcomes in New York City," Greenberg et al. explore the relationship between sales prices, increases in mortgage debt, maintenance violations, and evictions, showing an association among speculation-like activity, building conditions, and tenant instability. Sales prices, repeat sales, and mortgage debt are not a perfect proxy for speculation because they do not reveal the motives or origins of the buyers. Researchers also know little about the relationship between debt and maintenance violations (which turns out to be positive, despite the common assumption that landlords assume debt to improve property conditions), but the patterns are powerful and convincing, with particularly significant relationships in neighborhoods with concentrations of high poverty and Black and Latino populations. A supplemental analysis reveals that subsidized buildings benefit from higher maintenance quality and less debt. As the authors note, the findings call for not just investing more in nonprofit housing (for example, through large-scale acquisition funds) but also a reexamination of how loans support building improvements and tenant stability, particularly in light of the role that the Community Reinvestment Act and other government-supported loan programs may be playing in these dynamics.

In "Assessing How Gentrification- and Disinvestment-Related Market Pressures Drive the Loss of Small Multi-Unit Housing in Chicago Neighborhoods," Duda, Smith, and Jiao similarly use parcel-level data, examining the loss of two- to four-unit buildings and the role of the local real estate market in their transition to either single-family homes or vacant lots. Given the national movement to support gentle density in the form of missing middle housing, this article makes an essential contribution by demonstrating a trend toward reducing density, at least in Chicago. The analysis is compelling and original due to its tracking of the evolution of existing housing stock (a feat only possible with historic assessor data) and linking to neighborhood market conditions. The fate of a building depends on its context. The findings support reinvestment in areas of population loss and legislation to support preservation and make conversion to single-family homes more difficult.

These excellent contributions help open the door to many new avenues of research, particularly through strategic data linkage. For example, the actual renters are largely absent from both analyses (except evicted households). What if researchers could link buildings to tenants via rental registries; consumer credit panels, such as Equifax; or consumer reference datasets, such as Infutor? Most displacement occurs with no formal notice of eviction but rather through various forms of landlord harassment and disinvestment (Marcuse, 1986). Data on renter-occupied households would enable the examination of residential turnover, both as an intervening variable that may affect debt and building code violations (as seen in the Greenberg et al. analysis) and as an outcome of both speculation and building conversions. It would also allow linking to other types of administrative records—for example, to identify health impacts.

On the owner and investor side, understanding motives and outcomes in more detail is critical to designing more effective legislation to deter profiteering from housing. Cities such as Chicago and Portland are enacting zoning regulations that hinder the conversion of multifamily buildings, but these regulations may present insufficient obstacles given the readily available capital and lure of profit for some actors. Faced with the rapid increase in investor-owned housing, governments need to enact some new guardrails to protect renters; however, policymakers do not yet understand enough about the benefits and costs of investor ownership—or even how widespread it is—to regulate it effectively.

These articles raise questions about how best to prevent the loss of affordable housing before it occurs. Neither analysis attempts to predict where speculation, eviction, or conversion will occur; however, it would not take much more analysis to identify which areas are most at risk for future activity because of the convincing evidence presented. Chicago is where such early warning systems started when the Center for Neighborhood Technology began experimenting with parcel data to track disinvestment in the 1980s. At the very least, such predictions can help validate local perceptions and empower communities to organize for change (Chapple and Zuk, 2016).

The studies in this section and others in this volume provide an opportunity to refocus policymakers' attention on the affordable housing crisis and identify potential solutions. As new data and analyses become available, the critical role of existing unsubsidized but affordable housing is likely to become obvious. It will be important to connect the loss of such stock to the goals of Affirmatively Furthering Fair Housing because much displacement is occurring in urban neighborhoods with the most opportunity. Policymakers will likely provide more funding for affordable housing preservation in the form of acquisition (such as the Small Sites Program in San Francisco) and tenant purchasing (such as the Tenant Opportunity to Purchase Act in Washington, D.C.).

Broader implications arise out of this body of research. As society wrestles with how to address the long-term impacts of systemic racism and dismantle its root causes, analyses such as Greenberg et al. on the connection between speculation and communities of color will prove invaluable. Speculation, building maintenance, community stability, and the loss of affordable housing stock also have extensive fiscal implications that need better understanding to build momentum for policy interventions. In other words, researchers need to mobilize knowledge about the costs of speculation or displacement, just as the Urban Institute has done with the cost of segregation (Acs et al., 2017).

Finally, it is worth noting that these studies depend on the availability of fine-grained local data, with minimal use of data from federal agencies. Many studies on the affordability challenges of U.S. high-cost metropolitan areas provide evidence of the effectiveness of interventions, such as just cause eviction policies; however, such case studies do not translate well in weaker market contexts, even when they experience similar issues, so these cases may not be effective in moving policy at the state or federal level. Creating fine-grained datasets at the national level, such as a national parcel dataset linked to administrative data on households, would help to remedy the growing chasm in housing policy and programs between strong and weak market regions.

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