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## **Renting the American Dream**

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### ***Executive Summary***

The housing crisis in the United States is ever-growing, with an estimated national shortage of 7.3 million affordable and available rental homes for low-income renters.[1] Working towards a solution will require action at the federal, state, and local levels of government. The lack of affordable housing for low-income renters gives way to home insecurity, displacement, increased disparities in homeownership, and wealth gaps. The National Low-Income Housing Coalition states that between 2019 and 2021, the affordable housing shortage increased by more than 500,000 rental homes for low-income people.[2] This affordable housing shortage is detrimentally impacting those most vulnerable and continues to increase year to year without a foreseeable concrete solution in sight. Policymakers at all levels must work together to create, preserve, and protect affordable housing units. One way to work toward this goal is through anti-displacement policies which serve to aid people from being pushed out of their homes due to rising costs from various factors that cause displacement such as; disinvestment-related displacement, investment-related displacement, exclusionary displacement, cultural displacement, and climate-related displacement.

### ***Historical Background***

The U.S. has a decades long racist history when it comes to exclusionary and cultural displacement efforts. Exclusionary zoning policies put in place by the federal, state, and local governments have historically fostered segregation through redlining policies. These policies forced communities of color into specified areas where they were allowed to reside along with implementing additional discriminatory housing policies. The racism in U.S. housing policies have resulted in mass inequities and “underinvestment in communities of color, creating wide disparities in access to quality public and private services, with negative implications for the health, well-being, and life trajectory of the residents.”[3] After all these years this country has yet to fully address the problem it created through such harmful and racist policies that have created segregated neighborhoods all throughout the country.

One attempt to right the government’s wrongs was through the creation of the Fair Housing Act which was implemented in 1968, to address racism in housing policy and more specifically, the highly segregated neighborhoods that years of systemic racism created. It has been over 50 years since the enactment of the Fair Housing Act and housing segregation is as prev-

alent today as it was when the Act was passed. The Joint Economic Committee reports that “school segregation today mirrors levels seen in 1968,” this is also a reflection of just how segregated neighborhoods still are in this country.[4] Not only is the issue of neighborhood segregation still greatly impacting this nation, but people of color are continuing to experience the negative social determinants they were forced to endure when living in redlined America. When the federal government pushed communities of color to live in redlined neighborhoods the government did not select areas that were rich in resources. The neighborhoods that communities of color were forced to live in lacked economic mobility, and were largely disinvested areas

Therefore, to mitigate the decade long harms done to these communities re-investment is needed but, most importantly with resident protections. It is crucial to ensure protections are incorporated into re-investment efforts happening to communities that have historically been neglected and excluded. Without resident protections set in place, doors open to harmful predatory actions such as rent increases that push out low-income people from neighborhoods they have called home for years. A major problem that arose from the 2008 financial crisis were investor groups buying

up the housing market at alarming rates. It is estimated that investor groups are set to own 40% of the housing market by 2030, and within this 40 percent buy up are what are called starter homes which are typically homes that first-time homebuyers would purchase. [5] Thus the already limited affordable housing stock available will only continue to diminish and along with it the opportunities for first-time homebuyers to purchase an entry level home. Additionally, the National Multifamily Housing Council's 2023, 50 Largest Apartment Owners data shows that the top 50 private investor groups own more than 2.3 million rental units across the country.[6] The more housing private investor groups purchase, the harder it will become to attain homeownership or ensure affordable housing needs are met. Especially when an already sizable portion of the housing market that is owned by these for-profit investors is only set to grow in future years to come.

Furthermore, these efforts by for-profit investors can lead to the gentrification of the neighborhoods that are being bought up. Gentrification can have multiple impacts, some beneficial and detrimental. Some of the positive effects are attracting in businesses, increasing job opportunities, and economic community development among other re-investment incentives. However, it can also cause detrimental impacts such as spikes in rents and home prices in areas that were affordable to low-income people leading to the displacement of residents who could once afford to live in these neighborhoods, and are now being pushed out. Although re-investment efforts into disinvested communities are needed and wanted, they should be done in tandem with protections for residents and policies that preserve the affordability of housing. Working individuals will never be

able to outbid one of these private investor groups when seeking to purchase a home. This problem will become an epidemic that if not addressed will only continue to exploit, displace, and rob working individuals and families from obtaining homeownership and getting closer to owning instead of renting their American Dream.

### ***Forms of Displacement***

Displacement is defined as the "forced or involuntary relocation of residents, including departure from a home or neighborhood where a tenant would otherwise have wanted to remain if not for socioeconomic or environmental pressures making that infeasible or undesirable." [7] Housing experts have identified different forms of displacement such as disinvestment-related displacement, investment-related displacement, exclusionary displacement, cultural displacement, and more recently climate-related displacement. Each form of displacement highlights different inequities people face when seeking to remain in or attain shelter. Disinvestment-related displacement occurs when there is a lack of economic investment in an area.[8] Possible ways to identify disinvestment in neighborhoods is through lack of economic mobility for people in the area for instance lack of businesses, employment opportunities, educational opportunities, or even public transportation. All of these factors are important to people when they are considering where to live. Neighborhoods that lack essential needs and wants for people will only continue to drive people out and away from choosing to make these areas home.

### **Investment-related displacement**

is closely associated with gentrification and its effects.[9] Investment-related displacement occurs mainly when rents or prices of homes are raised due to factors such as private investor groups buying up the housing stock in an area and increasing rents, or more commonly constructing new luxury high-rise apartments that drive up living costs that push out low-income individuals who are unable to afford the rising costs of living. These private equity groups who are buying up existing affordable housing stock further limit the amount of single-family and multifamily housing for low-income people in order to make a profit. If not addressed these groups will only continue to constrain the already limited stock of affordable housing and further exacerbate the housing crisis and shortage the country finds itself in. These groups are not in the business of keeping housing affordable, but are in the business of making a profit. This is a serious problem that trickles into the displacement of individuals living in what once were affordable neighborhoods.

### **Exclusionary displacement**

is caused by the creation of what was just covered on investment-related displacement. Exclusionary displacement occurs when neighborhoods become increasingly unaffordable, ultimately ending up excluding a group of individuals. This commonly translates to low-income individuals being unable to move into these neighborhoods due to the high prices.[10] Additionally, it can also be related to the creation of policies that do not keep in mind low-income individuals in the creation of housing. In conjunction with exclusionary displacement, cultural displacement also occurs. This type of displacement seeks to deter or drive out communities of color from areas where either they have never been included or push them

out of areas that have historical ties to that community. It is paramount that all levels of government work towards mitigating the harms that come from efforts to exclude people based on factors of race and socio-economic status.

More recently **climate-related displacement** has been impacting many across the nation.[11] This form of displacement occurs when areas are impacted by natural disasters such as wildfires, hurricanes, tornadoes, and earthquakes, among others. These events occur unexpectedly and can have harmful aftermaths such as the complete destruction of homes and neighborhoods. Displacement due to climate-related factors leaves these communities to deal with the dreadful realities of facing home insecurity, financial downfalls, and loss of community. Facing this forced and involuntary displacement must be met with great support from the government to help these communities rebuild, and rebuild with the proper measures to ensure housing is built to withstand harmful climate-related events.

Exclusionary zoning, gentrification, and private investor buyers are just a few of the factors that lead to various forms of displacement. However, the lack of monetary funds to provide for adequate housing presents itself as the main contributing factor to displacement. Now more than ever

housing resiliency and revitalization should be seen as priorities to ensure adequate housing for all. As a nation, we must ensure harmful practices and exclusionary efforts come to an end.

### **Housing Affordability**

With the decline in available affordable housing units and higher housing costs, communities of color are feeling the worst impacts.

According to the Joint Center for Housing Studies of Harvard University, “while the number of white renter households who could afford payments on the U.S. median-priced home fell by 30 percent between March of 2022 and March of 2023, the number of Black and Hispanic renter households in this group dropped by 39 percent and 37 percent, respectively. Black and Hispanic homeownership rates still fully 28.6 and 25.8 percentage points below white homeownership rates.”[12] Not only do these disparities contribute to higher rates of displacement, but they also contribute to the type of neighborhoods accessible to low-income individuals.

Financial burdens push people with low incomes to live in neighborhoods that have long suffered from disinvestment which often lack well-funded schools, access to public transportation, and grocery stores, among other essential neighborhood amenities. Additionally, these neighborhoods that many low-income individuals can afford to live in are some of the most highly segregated neighborhoods. According to Harvard’s The State of the Nation’s Housing 2023 report, “in 2020 the typical white person lived in a neighborhood where people of color made up less than a third of the population, while the typical Black or Hispanic person lived in a neighborhood that was two-thirds people of color.”[13] Highly segregated neighborhoods are not uncommon in the U.S. Unfortunately, housing segregation has long been undergirded in the country’s legacies of systemic racism and redlining. Throughout the 1930s - 1960s the “Federal Housing Administration (FHA) was the architect of federally sponsored redlining.” These harmful practices that were federally supported have left their mark throughout this nation primarily impacting comm-

unities of color.

### **Conclusion**

Homeownership is a major component to reaching the American Dream and for many, this has become an unattainable feat. Homes are a critical piece to building wealth and their unattainability for many working individuals can be linked to actions imposed by the federal government such as the implementation of redlining that stagnated the wealth-building of these communities. Many low-income individuals resort to renting due to high-priced homes that are unaffordable. To address the harms of a system rooted in racism the federal, state, and local levels of government must work to remedy the unaffordability, displacement, and lack of attainable housing for low-income people.[15] The continued inaction by legislators to address the factors leading to displacement will only continue to foster a nation that is segregated, unaffordable, and anything but what individuals envisioned from their American Dream.

## Endnotes

[1]“NLIHC Releases The Gap 2023: A Shortage of Affordable Homes,” NLIHC, Mar 16, 2023, <https://nlihc.org/news/nlihc-releases-gap-2023-shortage-affordable-homes>

[2]Ibid

[3]“The State of the Nation’s Housing 2023,” Joint Center for Housing Studies of Harvard University, June 2023, [https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard\\_JCHS\\_The\\_State\\_of\\_the\\_Nations\\_Housing\\_2023.pdf](https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf)

[4]“Rebuilding the American Dream: Policy Approaches to Increasing Housing Supply in the U.S.,” United States Joint Economic Committee, Jan 10, 2024, <https://www.jec.senate.gov/public/index.cfm/democrats/issue-briefs?id=E8828FC9-8B30-45FE-9F03-49385C95BE79>

[5]“Build-to-Rent Fuels Growth In Institutional Single-Family Rental Market,” YardiMatrix, July 2022, <https://www.yardimatrix.com/publications/download/file/2530-MatrixBulletin-SFRSector-July2022?signup=false>

[6]“NMHC 50 Largest Apartment Owners,” NMHC, Apr 10, 2023, <https://www.nmhc.org/research-insight/the-nmhc-50/top-50-lists/2023-top-owners-list/>

[7]“Localized Anti-Displacement Policies: Ways To Combat the Effects of Gentrification and Lack of Affordable Housing,” CAP, Sep 26, 2022, <https://www.americanprogress.org/article/localized-anti-displacement-policies/>

[8]“Gentrification and Neighborhood Revitalization: WHAT’S THE DIFFERENCE?,” NLIHC, Apr 5, 2019, <https://nlihc.org/resource/gentrification-and-neighborhood-revitalization-whats-difference>

[9]Miriam Zuk et al., “Gentrification, Displacement, and the Role of Public Investment,” *Journal of*

*Planning Literature* 33, no. 1(2017), 31-44, <https://doi.org/10.1177/0885412217716439>.

[10]“Gentrification and Neighborhood Revitalization: WHAT’S THE DIFFERENCE?,” NLIHC, Apr 5, 2019, <https://nlihc.org/resource/gentrification-and-neighborhood-revitalization-whats-difference>

[11]“The State of the Nation’s Housing 2023,” Joint Center for Housing Studies of Harvard University, June 2023, [https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard\\_JCHS\\_The\\_State\\_of\\_the\\_Nations\\_Housing\\_2023.pdf](https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf)

[12]“The State of the Nation’s Housing 2023,” Joint Center for Housing Studies of Harvard University, June 2023, [https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard\\_JCHS\\_The\\_State\\_of\\_the\\_Nations\\_Housing\\_2023.pdf](https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf)

[13]Ibid

[14]“Redlining,” *Federal Reserve History*, June 2, 2023, <https://www.federalreservehistory.org/essays/redlining#:~:text=The%20FHA%20began%20redlining%20at,%202Dyear%20loans%20they%20were>

[15]For more information on factors contributing to displacement please see the Additional Resources that provide information at the national and state levels.

## Additional Resources

Harvard University - Harvard Joint Center for Housing Studies

- “The Supply of Low-Cost Rentals Continues to Decline,” Harvard Joint Center for Housing Studies, 2023, <https://www.jchs.harvard.edu/s-on-2023-low-cost-rentals>
- “Renter Cost Burdens Reach Record Levels,” Harvard Joint Center for Housing Studies, 2023,

<https://www.jchs.harvard.edu/son-2023-cost-burdens-map>

National Fair Housing Alliance

1. “Where You Live Matters,” National Fair Housing Alliance, 2023, <https://nationalfairhousing.org/issues/where-you-live-matters/>

National Multifamily Housing Council (NMHC)

1. “Quick Facts: Ownership and Management,” NMHC, 2022, <https://www.nmhc.org/research-insight/quick-facts-figures/quick-facts-ownership-and-management/#ownsaptunits>
2. “NMHC 50 Largest Apartment Owners,” NMHC, Apr 10, 2023, <https://www.nmhc.org/research-insight/the-nmhc-50/top-50-lists/2023-top-owners-list/>

Mapping Inequality

1. Redlining in New Deal America, Mapping Inequality, 2023, <https://dsl.richmond.edu/panorama/redlining/map#loc=4/41.2251/-95.8425>