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Building Affordability: The Policy Agenda for America's Housing Crisis

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Housing is central to the affordability crisis squeezing Americans nationwide. To effectively address it, policy must consider both broken markets and broken incomes. This paper outlines the following approaches to curtail America's housing affordability crisis:

Broken Markets

1. **Reform Land Use**
    a. **End Exclusionary Zoning:** Incentivize states and localities to reform restrictive zoning codes, to achieve measurable affordability outcomes
    b. **Update and Standardize Building Codes:** Reform outdated building codes to allow a more diverse range of housing types
2. **Expand Housing Public Options**
    a. **Build Social Housing:** Finance and acquire housing developments modeled after successful social housing programs
    b. **Repeal the Faircloth Amendment:** Remove the federal cap on public housing units that has effectively halted new construction since 1998
3. **Embrace Industrial Policy**
    a. **Invest in Housing Innovation:** Offer federal loans to companies developing novel multifamily construction techniques
    b. **Reform Federal Funding:** Reform federal housing finance institutions to lower construction lending costs and boost multifamily housing production.

Broken Incomes

4. **Enhance Cash & Cash-Like Support**
    a. **Expand Direct Cash Assistance:** Reform housing vouchers into universal cash grants for eligible households with supplemental aid for those at risk
    b. **Make LIHTC Work Better for Low-Income Renters:** Increase funding and broaden eligible project types, including mixed-income developments
5. **Strengthen and Enforce Tenant Protections**
    a. **Stabilize Rents for Older Rental Properties:** Cap rent increases on units more than 15 years old while exempting new construction
    b. **Prevent Evictions Without Just Cause:** Limit the conditions under which landlords can legally evict tenants

Introduction

Housing is central to the affordability crisis. Families feel this each month when the rent or mortgage is due, and housing is the biggest line item in most family budgets. Since 2000, inflation-adjusted rents have risen more than 20%, while inflation-adjusted home prices have risen roughly 65% (U.S. Department of the Treasury, 2024b). Over 21 million households, which represent nearly half of all renters, and 18.8 million homeowners are cost-burdened, meaning they spend more than 30% of their income on housing costs (U.S. Census Bureau, 2024). One in three Americans are worried about falling behind on their rent or mortgage payments, and about one in four believe that will likely happen in the next year (Plutzer & Helmstetter, 2026). The U.S. Census Bureau estimates that in June 2025, nearly 7 million renters and 4.7 million homeowners were behind on last month's rent and mortgage payments respectively (U.S. Census Bureau, 2026).

Homeownership was once the cornerstone of a middle class life and the primary vehicle by which most Americans built wealth, but that pathway to stability has stalled. The median sale price of a newly built home bought with a Federal Housing Administration (FHA) mortgage, a common financing path for first-time buyers, went from about $240,000 in 2019 to around $356,000 in late 2025, up roughly 48% (U.S. Census Bureau & U.S. Department of Housing and Urban Development, n.d.). One nationwide survey found 62% of Americans believe buying a home is unrealistic in 2026 (Marinez, 2026).

Younger Americans are feeling this crisis acutely. About half of voters under 30 surveyed in a recent New York Times/Siena poll said they are most concerned about their ability to afford housing, more than every other expense item combined, including retirement, health care, education, bills, transportation, and food (Cohn, 2026). An entire generation is feeling homeownership slip out of reach as the median age of a first-time homebuyer rises to 35, increasing three years over the past decade and eight since the 1970s (Sunderji, 2026).

A broad movement of grassroots organizers, legislators, and policymakers is reshaping American housing politics and policy. Numerous campaigns to expand housing supply have already shown significant success across the political spectrum, including in both more traditionally blue states like California and more red states like Montana. Tenants are organizing to secure meaningful wins, like eviction moratoriums and rent caps (Dougherty, 2022; Alter, 2023; Raghuveer, 2025), and are building significant political power in response to public demand. At the time of writing, Congress is considering the bipartisan 21st Century ROAD to Housing Act, sponsored in the Senate by Senator Elizabeth Warren (D-MA) and Tim Scott (R- SC). If passed, it would make up the largest legislative housing package in decades.

As the politics of housing shift, local leaders are reaching an emerging consensus that their cities need more housing supply, and this doesn't need to come at the expense of tenant stability. As New York Mayor Zohran Mamdani's top housing deputy Leila Bozorg describes, their administration's "solutions involve addressing our housing shortage, and they involve protecting tenants in place" (Dillon & Chadha, 2026). There's a growing recognition that increasing housing supply and keeping landlords' abuses in check are not in conflict, and both are recognized as fundamental parts to effectively tackling America's housing affordability crisis. From Minneapolis to Sacramento, this combination of priorities is becoming the default for progressives across the country. There's increasingly a sense that, as Politico magazine described it, "the left's housing civil war is ending" (Dillon & Chadha, 2026).

This report applies our Affordability Framework to diagnose how broken markets and broken incomes have together created a housing crisis. We introduce a policy agenda that explores five core ideas: 1) reforming land use, 2) expanding housing public options, 3) embracing industrial policy, 4) enhancing cash and cash-like support, and 5) strengthening and enforcing tenant protections. Policymakers can adapt this agenda to fit the needs of their specific jurisdictions, and together, these tools can address the housing challenges unique to each market.

Broken Markets

On the market side, there simply isn't enough housing to provide what the public needs. As Table 1 shows, researchers have found it would require adding millions of homes, with estimates ranging from 1.2 to 8.2 million, for the number of homes available to be consistent with historical levels. For an overview, see McCue & Huang, 2024; Weil, 2026).

Table 1: Estimates of the United States Housing Shortage

Number of Homes Needed	Source of Estimate
~1.2 million	National Association of Home Builders
~2 million	Moody's Analytics & Urban Institute
~3-4 million	Goldman Sachs
3.7 million	Freddie Mac
4.5 million	Zillow
5.5 million	Rosen Consulting Group for National Association of Realtors, 2021
8.2 million	McKinsey Global Institute

To address broken markets, we recommend federal, state, and local policymakers take a three-fold approach focused on (1) removing obstacles to building more housing through the private sector, (2) empowering the public sector to build more housing, and (3) creating an industrial policy to jumpstart innovation and push against the boom-bust cycle of housing investment.

Housing is Key to Economic Security

Housing is foundational to individuals' and families' economic security, especially for those with young children, as it impacts nearly every aspect of their well-being: stable employment, children's health and education, and the ability to plan for the future (Urban Institute, 2025). Children's HealthWatch estimates families with children that experienced housing instability had $8 billion in avoidable health care and education costs in 2016 (Children's HealthWatch, 2018). As Raj Chetty and others at Opportunity Insights have documented, access to affordable housing is a determining factor in economic mobility: when low- and middle-income families are locked out of opportunity-rich neighborhoods due to housing costs, it negatively shapes children's life trajectories, affecting how likely they are to attend college, their future earnings, and their health outcomes (Chetty, 2021). When housing is unaffordable or insecure, its effects ripple outward, deepening inequality along lines of race, geography, disability, and class.

Housing policy can open doors for families or shut them. Families often have a harder time finding affordable options because there's a shortage of larger-unit multifamily developments in the housing market; most new units being built are studios or 1-2 bedroom apartments (Cohen, 2023). Pew has explored how outdated building codes, such as requirements for multiple stairways in small apartment buildings, can make it harder to build multifamily housing units (Pew Charitable Trusts, 2025b). Relatively straightforward updates to code and building restrictions could yield an increase in multifamily housing units that would make it easier for families with young children.

Broken Incomes

Even if we were to fully account for housing inventory shortfalls, it would still be difficult for many Americans to access housing because of broken incomes (Hornung & Shroyer, 2025). The National Low Income Housing Coalition (NLIHC) estimates there are 7.2 million too few affordable rental homes for extremely low-income families (National Low Income Housing Coalition, 2026). NLIHC also calculates a "housing wage" that estimates the hourly wage a full-time worker needs to earn to spend no more than 30% of their income on rent, the industry standard for how housing affordability is calculated per family. Based on this ratio, a person working full-time in 2025 would need to earn $28.17 per hour to afford a one-bedroom apartment and $33.63 per hour to rent a two-bedroom home (National Low Income Housing Coalition, 2025a). These numbers far exceed the federal minimum wage at $7.25 per hour, showing the massive gap between what low-income workers earn and their ability to access affordable housing.

To address broken incomes, policymakers must (4) enhance cash-like programs (like housing choice vouchers) and make them work more like cash, and (5) substantially strengthen renter protections.

Climate Change Drives Up Housing Costs

Climate change also contributes to these rising costs. Climate disasters like the Los Angeles County wildfires and storm-induced flooding in Hawai'i have wiped out entire neighborhoods, devastating local communities through shocks to housing supply. Insurers have increased homeowners' insurance premiums to account for the risks of worsening climate volatility; economists Benjamin J. Keys and Philip Mulder calculated that average nominal premiums rose by 33% between 2020 and 2023, with the largest increases occurring in zip codes with the greatest disaster risk (Keys, 2025). Other homeowners may struggle to find coverage: consumers in the highest risk zip codes for climate-related perils experienced average nonrenewal rates of about 80% higher than those in the lowest risk zip codes (U.S. Department of the Treasury, 2024a), and some insurers may reduce coverage or pull out of markets entirely in California, Florida, and Louisiana (Joint Center for Housing Studies, 2024).

How to Fix the Housing Crisis

Throughout this agenda, we use a blueprint to define each policy, describe how it addresses affordability, and show how it can be applied at the federal, state, and local levels. We also provide examples of how it has worked in practice, because our goal is to give policymakers an actionable guide to addressing the housing crisis.

The basic premise guiding this agenda is that **building more housing and protecting renters are not in conflict. They are actually complementary.** An agenda that addresses broken markets, by removing barriers to construction and empowering government to build, is fully compatible with one that addresses broken incomes through rental assistance, cash support, and tenant protections. These are not competing priorities.

Building more housing supply would allow tenant protections, rental assistance, and other income-side interventions to work better. Stronger income support would mean that more people, especially low-income households, could actually access new housing.

We know how to fix the policy failures responsible for the housing crisis. States and localities have built and deployed effective playbooks for delivering affordable housing for local communities. For example, Austin has reformed permitting to speed up housing development and eliminated parking minimums, leading to 120,000 new housing units between 2015 and 2024 (Clifford et al., 2026). Montgomery County, Maryland set up a Housing Production Fund that has more than 1,600 homes in development as of early 2026 (Housing Opportunities Commission of Montgomery County, n.d.). These are the types of solutions that can be replicated and scaled in cities and counties across the country.

However, no matter how much we build, many people will still require income support to access decent affordable housing. And no matter how much we strengthen tenant protections, they will work better in a market with adequate supply. The policies that follow reflect both sides of this reality.

1. Reforming Land Use

1.1 End Exclusionary Zoning

What Is It?
The federal government should encourage states and localities to reform restrictive zoning codes that limit the types and density of housing that can be built. The 21st Century ROAD to Housing Act, now being debated in Congress, includes provisions that move significantly in that direction. But Congress should go further, tying federal incentives not just to whether jurisdictions adopt pro-housing policies on paper, but to whether those policies produce measurable improvements in housing affordability. One potential guide is the ratio of median home prices in a given jurisdiction to median household incomes in the surrounding region, where there can be escalating intervention as that ratio rises (Metropolitan Abundance Project, 2024).

How Does It Advance Housing Affordability?
Restrictive local zoning is a fundamental cause of America's housing shortage (Been, V. et al, 2025), and one that has grown in recent decades (Baum-Snow, 2023). Codes mandating single-family-only development, large minimum lot sizes, excessive parking, and low height limits artificially cap the amount of housing that can be built in a given city and, in many cases, render even allowable development financially infeasible. The political economy of zoning makes local reform difficult: many existing homeowners are resistant to new housing construction in their neighborhoods, and any city that upzones unilaterally will struggle to overcome a regional housing shortage unless its neighboring cities enact similar reforms. Federal incentives change that calculus, giving local leaders political cover and creating consequences for inaction.

Zoning in America was federally driven from the beginning. In 1921, Herbert Hoover's Commerce Department drafted the Standard State Zoning Enabling Act (SZEA), which was adopted in some form by 35 states by 1930 (Knack, R. et al, 1996). The ROAD to Housing Act of 2025, later advanced as part of the 21st Century ROAD to Housing Act, represents the first time in decades that Congress has reasserted federal leadership on matters related to zoning (Smart Growth America, 2025). A federal model code for upzoning is a course correction using the same tool Hoover deployed.

How Does It Work?
The federal government can encourage states and localities to reform land use by prioritizing three mechanisms, each linked to measurable affordability outcomes. The ROAD to Housing Act of 2025 provides a strong legislative foundation for all three. First, HUD should develop model land use regulations for missing middle housing, reduced parking minimums, increased height limits near transit, and lot size reform. The ROAD Act directs

HUD to do exactly this, the first such federal effort since Hoover's 1921 committee (Economic Innovation Group, 2025). States would not be required to adopt the codes, but they would serve as templates and signals of federal priorities.

The Department of Housing & Urban Development (HUD) can build consensus around beneficial land use regulations, set guidance on the best models for states and localities to pursue, and encourage widespread adoption of policies and reforms that help families access affordable homes. HUD is uniquely positioned at the federal level to be a one-stop shop for technical assistance and guidance on land use regulations, helping states and localities navigate challenges in addressing the housing shortage. HUD already has the existing infrastructure to support technical assistance on land use regulations through its Office of Policy Development and Research.

Second, the federal government should condition access to discretionary grants on whether jurisdictions are taking meaningful steps to reduce regulatory barriers to housing production. Transportation and transit funding, Community Development Block Grant (CDBG) allocations, and infrastructure grants should all favor pro-housing jurisdictions. The 21st Century ROAD to Housing Act takes initial steps here, reallocating a portion of CDBG funding toward high-cost, low-supply areas (Bipartisan Policy Center, 2026; Congressional Research Service, 2026).

Both the federal government and states themselves can preempt restrictive local zoning near colleges, universities, and transit stops that receive federal or state funding. This uses existing public institutions (universities and transit agencies) and public land as platforms for expanding housing supply outside the constraints of purely private-market development and purely local land use politics. The federal government can tie existing transit funding to pro-housing zoning outcomes. For example, if your locality wants capital investment grants for rail or bus rapid transit, you adopt by-right multifamily zoning within a half-mile of the funded stop. States do the heavier lifting on preemption itself, overriding local height and density restrictions near transit nodes and extending or clarifying the land use authority of public universities to build housing on their own land.

Third, the federal government should offer direct financial rewards to states and cities that adopt upzoning measures and demonstrate measurable increases in housing supply, weighing competitive grant awards toward jurisdictions showing improvement on median home prices to median household incomes or similar outcome-based affordability metrics. The 21st Century ROAD to Housing Act's $200 million annual Innovation Fund moves in this direction at the federal level (Bipartisan Policy Center, 2026). More resources here could provide more help; Race to the Top appropriated around $6 billion to states in today's dollars. Other organizations are proposing similar measures (Bernstein et al., 2025; Pinto, 2025).

Is There Really Evidence That Zoning Is a Major Driver of Housing Costs?
Some skeptics argue that housing costs are driven primarily by construction costs, labor shortages, interest rates, and investor activity, and that upzoning will mainly benefit developers. Zoning is certainly not the only factor, but the evidence that adding supply benefits lower-income renters is now extensive. The Pew Charitable Trusts found that in metros adding the most housing, rents declined most steeply for the apartments typically occupied by lower-income renters (Pew Charitable Trusts, 2025a). For instance, after Auckland, New Zealand loosened zoning restrictions in 2016, construction increased substantially and rents fell relative to comparable cities (Greenaway-McGrevy & Phillips, 2023; Greenaway-McGrevy, 2023). In 2016, São Paulo reformed its maximum permitted construction, which researchers found increased the housing stock 1.6% while reducing prices 0.4% (Anagol et al., 2026). Looking at the premium developers pay for pre-approved land in Los Angeles, researchers estimate permitting can explain one-third of the city's gap between home prices and construction costs (Soltas & Gruber, 2026). The highest quality research all points in the same direction: housing shortages are regressive, and areas that have added the most homes see the largest rent relief for low-income tenants (Metropolitan Abundance Project, 2026). Targeted subsidies remain essential for the lowest-income households, but the evidence is strong that removing regulatory barriers to supply is a necessary part of any strategic response.

Who Can Execute It?
Federal: Congress should pass the 21st Century ROAD to Housing Act's supply-side provisions and appropriate funds for its Innovation Fund, CDBG reallocation pilot, and pattern book grant program. HUD publishes model codes and administers grant programs. Future funding rounds should reward jurisdictions showing measurable affordability improvement.

State: Legislatures should adopt or adapt federal model legislation and create their own incentive structures. In 2025, Texas, Washington, and Montana led bipartisan reform packages addressing parking, density, building codes, and permitting (Pew Charitable Trusts, 2025c). States are well positioned to implement outcome-oriented frameworks by tracking price-to-income ratios at the jurisdictional level and calibrating intervention to the severity of local affordability problems.

Local: Cities and counties should implement zoning changes, apply for grants, and manage permitting.

What Are Examples of It Working?
Several jurisdictions have demonstrated that pro-housing land use reform produces real results. The federal HUD PRO Housing grant program has funded two rounds totaling $185 million to 39 communities pursuing higher-density planning, parking reform, and permitting streamlining (Donegan, 2024; Council of Economic Advisers, 2024). At the state level, Oregon's HB 2001, passed in 2019, was the first law in the country to mandate statewide

legalization of missing middle housing; its bipartisan passage has since inspired imitation in over a dozen states (Andersen, 2021). Minneapolis went further still, eliminating single-family-only zoning citywide through its 2040 Plan, allowing triplexes on all residential lots (Stein, 2024). In 2025, a new wave of state reforms followed: Washington enacted transit-oriented upzoning, Montana allowed 60-foot apartments in commercial zones, and Texas passed broad supply-side reforms with bipartisan backing (Pew Charitable Trusts, 2025c).

Perhaps the most striking recent example is Austin, Texas, which beginning in 2015 enacted a sustained package of reforms including rezoning, parking requirement reductions, permitting streamlining, and affordable housing bonds. From 2015 to 2024, the city added 120,000 units, a 30% increase, more than three times the national rate, and rents in large apartment buildings fell 7% from 2023 to 2024, the steepest decline of any large United States metropolitan area (Clifford et al., 2026). The declines were sharpest in older, non-luxury buildings, where rents fell roughly 11%, demonstrating that supply-side reform can deliver meaningful relief to lower-income renters.

1.2 Update and Standardize Building Codes

What Is It?
States and localities should reform building codes to allow for a more diverse range of housing typologies.

How Does It Advance Housing Affordability?
Out-of-date and non-evidence-based building codes have contributed to the American housing shortage by significantly raising the cost of construction in many of the places where new housing is most in demand.

For example, most cities and states in the United States require that mid-sized apartment buildings include at least two staircases in their floor plans. According to the Center for Building in North America and Pew Charitable Trusts, the cost of building an additional staircase for a six-story apartment building in the southeastern United States can range from $190,000 to $380,000 (Pew Charitable Trusts, 2025b). Further, that does not take into account the fact that dual-staircase buildings require more land area than apartments built around a single central staircase.

What's worse, requiring two staircases in multifamily buildings limits the types of floorplans that developers can use. Dual-staircase buildings tend to have smaller apartments with fewer bedrooms out of necessity; building codes that prohibit the creation of single-stair buildings have thus contributed to a shortage of family-sized apartment units (Justus, 2022).

The dual-staircase requirement is just one example of a standard building code practice that unnecessarily ties the hands of homebuilders in the United States. The rules pertaining to elevators (Center for Building in North America, 2024) in most of the United States are another. Many of these rules can be reformed to legalize a wider variety of housing typologies and floorplans, thereby driving down construction costs and allowing for more housing construction.

How Does It Work?
Building codes in the United States are largely based on the models developed by the International Code Council (ICC). The name of the ICC is something of a misnomer; despite being an "international" organization, its model codes are rarely utilized outside the United States (Hamilton, 2024). Though the ICC updates its codes on a regular calendar, these updates are driven by volunteer input and committee-based decision-making, not a systematic review of the costs and benefits of particular rules.

States should continue to use the ICC model code as a base while making their own amendments that bring their codes into alignment with both international best practices and the best available evidence on building safety. Introducing more evidence-based research and analysis into their own code update cycles would allow them to adapt to new construction techniques and discard rules that drive up housing costs without meaningfully improving either building safety or accessibility.

Isn't There an Inherent Tradeoff Between Building Code Reform to Bring Down Construction Costs and Building Safety and Accessibility?

Just as the American approach to developing and updating building codes is virtually unique in the developed world, American building codes are also uniquely inflexible compared to those in peer countries. Despite the abundance of single-stair buildings in much of Europe (and the relative scarcity of fire sprinklers, to cite another example of an American rule that drives up costs), European countries tend to perform much better on measures of building safety than the United States. For example, the United States had a fire death rate 450% higher than that of Switzerland in 2023 (Our World in Data, n.d.), even though Switzerland does not require fire sprinklers in multifamily buildings and sets no height limit on single-stair construction (Pew Charitable Trusts, 2025b).

This suggests that there are many rules in American building codes that, although ostensibly intended to improve building safety, do nothing of the sort. As for accessibility, the elevator code that predominates in American cities may result in the construction of fewer multifamily buildings made accessible to individuals with mobility impairments. Compared to peers in Europe, American developers typically pay more than three times as much for each elevator they install, and as a result, the United States produces few small apartment buildings with elevators (Center for Building in North America, 2024). Bringing domestic elevator regulations more in line with international standards would help to change this.

Who Can Execute It?

The federal government has limited control over state and local building regulations, so it would largely be up to the states to adopt new or revised codes. Instead of deferring to incumbent actors when it comes to building code revision, these states should recruit outside experts in academia or the think-tank world to develop code recommendations.

These recommendations should be based on a combination of international best practices (particularly in countries with comparable or superior building safety records to the United States), empirical evidence, high-quality modeling, and sophisticated cost-benefit analyses. Funding this type of research will likely require a sizable appropriation, possibly in the tens of millions of dollars. This appropriation would need to be ongoing, so that the recommendations could be regularly updated to reflect new research and construction techniques.

The federal government can, of course, fund this research itself. The Department of Housing and Urban Development could then, based on the findings of the research team, develop a revised model code and offer incentives to states that adopt it.

What Are Examples of It Working?

Many other countries have both more permissive building codes and safety records that either match or surpass the United States'. For example, single-stair apartment buildings are prevalent in much of the rest of the developed world; they can even be found in many older cities in the United States, such as New York City. Similarly, much of the rest of the world makes do with elevators that are both smaller and cheaper than the current American standard.

Japan may be the gold standard when it comes to balancing affordability and building safety. Like the Western United States, Japan is prone to earthquakes and related disasters, but unlike any major American city, Japan's large cities have been able to build housing rapidly enough to keep rents and home prices relatively flat, even in the face of significant demand pressures (Dutta-Gupta, 2026). They have done this in part by embracing more affordable and efficient building techniques than those permissible under the vast majority of American building codes. They also have a far simpler and more flexible zoning code (see Recommendation 1.1).

2. Expand Housing Public Options

2.1 Build Social Housing

What Is It?
The United States government should finance and acquire housing developments in metropolitan areas with high housing demand. This social housing would be modeled after similar programs in Europe and be free of the operational constraints that traditional United States public housing authorities must contend with.

As either a complement to the above proposal or as an alternative, certain public agencies should also be permitted to facilitate development of multifamily affordable housing on their property.

How Does It Advance Housing Affordability?
Social housing can serve as a source of high-quality, subsidized affordable housing in areas where affordable options are otherwise in short supply. Public sector agencies, particularly those at the state and federal level, have five advantages over private lenders when it comes to constructing affordable housing:

- **Fiscal Capacity:** Because states and, especially, the federal government can draw on their own considerable reserves and borrowing power to finance affordable housing, they can offer more flexible and favorable lending terms than private financial institutions typically do. Governments are also under no obligation to develop a large profit for shareholders. As a result, they do not need to conform to the market's expectations when it comes to interest payments and repayment schedules, giving them greater flexibility to charge below-market rents to tenants.
- **Zoning and Permitting Relief:** State and federal agencies have the power to preempt local jurisdictions' land use rules. This allows them to approve dense housing on parcels that, under normal conditions, are zoned for lower densities. They can also break ground more quickly because they are exempt from local jurisdictions' standard (often very onerous) permitting and entitlement rules.
- **Economies of Scale:** Large, well-staffed public agencies are naturally going to have greater administrative capacity than smaller nonprofit affordable housing developers. They can save both time and money on development by standardizing certain elements of their building design and construction, building up substantial in-house expertise in affordable housing finance, and conducting land acquisition at a large scale.
- **Countercyclical Building and Financing:** As Paul Williams of the Center for Public Enterprise has noted (Williams & Feygin, 2024), the multifamily homebuilding industry is especially sensitive to Federal Reserve interest rate hikes: when rising

housing costs help fuel inflation, the Federal Reserve's response can have the perverse effect of drying up financing for development, which in turn contributes to the shortage that causes housing cost inflation in the first place. Social housing agencies can diminish the impact of interest rate hikes and other market shocks by financing development during periods of inflation and economic downturns.

- **Prime Land Ownership:** Some government agencies own land that is in prime locations for multifamily homebuilding: downtown and near public transit or other amenities. Much of this land is under-utilized and could accommodate at least some residential density.

As a result of these competitive advantages, public social housing agencies would be well positioned to finance the development of a significant amount of affordable housing.

How Does It Work?
This proposal consists of two policy ideas that could work either separately or in tandem.

1. **The Social Housing Finance Agency:** Instead of thinking of our proposed social housing agency as a public developer, it may be better to think of it as a public sector alternative to private equity. This agency would not directly build social housing, but it would invest in its construction and acquire the completed properties.

   Under this model, a team of civil servants with significant expertise in affordable housing finance would manage a revolving loan fund. This fund would be authorized to issue loans to private developers, purchase land and existing housing, and contract with property managers (most likely nonprofit entities) to maintain the resulting social housing.

   In some cases, the social housing agency would acquire an unutilized (or under-utilized) parcel of land and then lease it to a willing developer. The agency would also offer a low-interest loan to the developer; in exchange for the loan's favorable terms, the developer would ensure that a share of the project's units are set aside for low-income households.

   In other cases, the social housing agency would issue a low-interest loan to rescue an already-in-progress multifamily construction project that is struggling to reach completion. The same affordability terms would apply in that case, and ownership of the parcel would transfer to the social housing agency.

   Employees of the social housing agency would have broad latitude to negotiate affordability terms along with other conditions, such as amenities, architectural style, and so on, with developers. The mandate of the social housing agency would require it to aim for maximum affordability, contingent on the needs of the surrounding community and metropolitan area, without sacrificing building quality or causing the project to become financially unviable.

Because the social housing agency would charge a modest amount of interest, its fiscal capacity would gradually grow over time.

2. **Allowing Public Agencies to Develop Affordable Housing:** Another (non-mutually exclusive) option is to empower preexisting government agencies to ground lease their property for affordable housing development. For example, light rail agencies could be permitted to fund affordable housing developments on land they own adjacent to their transit stops. The United States Postal Service (USPS) could develop multifamily housing on its land with the stipulation that any site that hosts an active post office must include a ground-floor replacement post office in its plans.

   In addition to the advantages discussed above, these projects could become a source of revenue for public agencies. The USPS, for example, could put some of the revenue it collects from ground rents into maintaining or improving postal service.

How Is This Different from Public Housing?

In the abstract, there is no firm boundary between "public" housing and "social" housing, but in an American context, "public housing" refers specifically to housing that is built, owned, and operated by local public housing authorities. These authorities are subject to various constraints that effectively prohibit them from providing anything like European-style social housing. (See the following section for a more detailed overview of some of those constraints.)

In effect, American public housing authorities end up catering exclusively to the very poor and operating on a local level instead of at a regional, state, or national level. In contrast, social housing would face fewer geographic constraints and could offer housing options for a wider range of the income spectrum.

Who Can Execute It?

The federal government's expansive fiscal capacity makes it the ideal entity to establish a revolving loan fund. However, states, especially those with a lot of spending power, could also create social housing agencies of their own. The advantage of having a social housing agency that is a creation of either the state or the federal government is that each possesses the power to override local zoning and permitting rules. The same applies to preexisting state and federal agencies.

State, local, and federal governments can empower public agencies to encourage housing development on their land. The agencies that permit this kind of development can range from the United States Postal Service to regional transit agencies and state transportation departments.

What Are Examples of It Working?
In 2021, Montgomery County, Maryland's Housing Opportunities Commission established a Housing Production Fund that largely follows the social housing model described above. As of early 2026, HPF investments have led to the creation of 268 units of housing (Housing Opportunities Commission of Montgomery County, n.d.), with another 2,677 in the production pipeline. The success of the Montgomery County model has inspired a number of comparable programs across the country, notably in Atlanta, Georgia and Chattanooga, Tennessee.

In California, Bay Area Rapid Transit has facilitated the creation of 4,232 units of housing on land it owns near its rail stations (Bay Area Rapid Transit, n.d.).

2.2 Repeal the Faircloth Amendment

What Is It?

Congress should remove the statutory cap on public housing units nationwide. Known as the Faircloth Amendment, this is a 1998 federal law that caps public housing units at October 1, 1999 levels and effectively halts new construction using HUD funds.

How Does It Advance Housing Affordability?

Repealing the Faircloth Amendment helps address this housing shortage by allowing the federal government to build more public housing for low-income households. Public housing provides affordable homes for 1.6 million low-income people, though the need is significantly higher (Center on Budget and Policy Priorities, 2024). Using 2024 American Community Survey data, NLIHC estimated that there are 7.2 million missing affordable rental homes for 11 million rental households with extremely low incomes, defined as incomes at or below the federal poverty line or 30% of their area median income, whichever is greater (National Low Income Housing Coalition, 2026). This translates into only 35 available, affordable homes for every 100 extremely low-income families who rent (National Low Income Housing Coalition, 2026). Building more public housing could mean the difference between housing stability and homelessness for tens of thousands of families.

How Does It Work?

Because the Faircloth Amendment is an act of Congress, Congress must pass legislation to repeal it. Repealing Faircloth is necessary to add more public housing capacity, but without broader reforms to the public housing system, only public housing authorities (PHA) with capacity to build would be able to build more units in communities where public housing is already concentrated. To expand public housing and make it a safe, attractive home for families, policymakers need to address structural barriers to public housing, including ending suburban exclusion and aligning public housing development with regional housing markets.

Why Would We Want to Build More Public Housing?

Today, public housing is known for its flaws because of a long history of chronic underinvestment and policy constraints that concentrate poverty and reinforce segregation. In 1969, Congress passed the Brooke Amendment, which generally limited rents for public housing to 25% of tenants' incomes, shifting the demographics of public housing tenants from aspiring working-class families to very low-income households (Von Hoffman, 2024). Combined with the fact that units were often poorly constructed and neglected, public housing became heavily stigmatized and seen as housing of last resort.

But the fact remains that public housing has successfully housed millions of families who might have otherwise faced housing instability or homelessness. Public housing provides families with stability, which then unlocks access to employment, education, health, and other essentials. In 2025, applicants spent an average of 25 months on the waiting list for public housing (U.S. Department of Housing and Urban Development, 2026). The tremendous demand for public housing underscores its value and the need for expansion.

Addressing the scale of our housing crisis requires structural reforms to public housing. Repealing the Faircloth Amendment is only the first step. Policymakers must also ensure that public housing authorities are not effectively prohibited from building in all but low-income areas and invest in public housing to maintain safe, habitable homes for families.

Public housing can only be built where a local housing authority exists, allowing exclusionary suburbs to opt out of providing affordable housing. Expanding public housing supply should also mean building affordable units in places outside communities with already high concentrations of poverty, including in wealthier suburbs where low-wage workers work but can't afford to live nearby. This could mean moving from local to regional PHA structures to plan and deliver affordable housing development at the regional level, by enabling regional PHA formations or allowing existing local PHAs to partner across jurisdictional lines. Policymakers must pass reforms to build a more equitable public housing system, such as enforcing the Affirmatively Furthering Fair Housing (AFFH) mandate, which requires HUD and other federal agencies to actively address segregation, or codifying it into state and local law (PolicyLink & Poverty & Race Research Action Council, 2025).

Investing in public housing requires additional commitments from the federal government to fund maintenance and repairs so that public housing tenants can access safe, affordable homes. Congress significantly reduced public housing funding by 17% in inflation-adjusted terms between 2000 and 2019, leaving families in need with limited access to public housing (Fischer et al., 2021). Since the 1990s, major cities including Chicago, Atlanta, Philadelphia, and New Orleans have demolished over 250,000 public housing units due to deterioration; these homes had become uninhabitable and unsafe (Collinson et al., 2015; Barkan, 2021). Other programs that can help address the capital backlog include the Moving to Work Demonstration (which allows agencies to waive HUD regulations, pool funding across program streams, and design locally tailored housing) and Section 8 conversions to preserve public housing. But as the Urban Institute notes, these programs alone insufficiently allow agencies to address the full scope of their capital improvement backlogs or build enough affordable housing to meet local needs (Urban Institute, 2021). Federal, state, and local governments must invest more in maintaining and repairing public housing units.

Who Can Execute It?

Congress needs to pass a bill to repeal the Faircloth Amendment. Federal, state, and local governments and Housing Authorities need to explore additional reforms to the public housing system to ensure families have access to fair, safe, and well-maintained affordable homes.

What Are Examples of It Working?

The Cambridge Housing Authority (CHA) in Massachusetts has been studied as a model for the field. In 2006, it estimated that its public housing stock needed over $228 million in capital improvements, which would take over 32 years based on its annual budget of $7 million at the time (Cambridge Housing Authority, 2015). In the decades since, CHA has become a well-managed, innovative public housing authority that has rejuvenated over 2,345 units between 2010 and 2025, improving resident comfort and energy efficiency while also adding 200 new deeply affordable housing units by taking advantage of a mix of funding sources including Section 8 conversion and the Moving to Work program (Larson, 2025).

3. Embrace Industrial Policy

3.1 Invest in Housing Innovation

What Is It?

The government should offer loans to companies working on novel and experimental multifamily housing construction techniques. Unlike virtually every other sector of the economy, the construction industry has seen little productivity growth in decades (Goldman Sachs, 2026), a drag that keeps housing costs high and limits how much can be built. A federal loan program modeled on successful clean energy initiatives would support firms developing technologies that could fundamentally change that.

How Does It Advance Housing Affordability?

Given the scale of the housing shortage, the United States cannot afford to let productivity continue its downward slide. Significantly increasing worker output would allow for the construction of more homes at a faster rate and a lower cost. Lowering overall construction costs is also extremely important: in many areas of the country with severe housing shortfalls, prohibitively high construction costs make it difficult for developers to secure the financing needed to build, thereby prolonging the shortage.

There are a number of factors that can contribute to persistently low labor productivity, including long permitting and approval timelines. But one big factor is technology: while economy-wide productivity has improved partially as a result of new tools that allow for better communication and the automation of certain routine tasks, there have been comparatively few advances in construction technology.

By providing financial support to firms that are trying to develop new construction techniques and technologies, the government could facilitate discoveries that may significantly increase productivity, making it easier to build enough homes to relieve the housing crisis.

How Does It Work?

Congress would establish an office within the Department of Housing and Urban Development that would be authorized to issue loans to firms that are experimenting with new construction techniques, such as more efficient methods for assembling factory-built housing or ways of producing cheaper, more sustainable alternatives to commonly used building materials. This office would have tens of billions of dollars to distribute in the form of loans at its discretion.

Applications for these loans would be evaluated on the basis of a firm's odds of success; the expected productivity gains from the technology they are developing; and the potential of this technology to reduce carbon emissions in the construction industry. Examples of promising technologies include factory-built housing and mass timber construction, both of which have garnered support from carpenters' unions.

What if Some Loan Recipients End Up Defaulting?
By the nature of its mandate, the proposed HUD office would be issuing loans to firms that are not a "sure thing." Instead, it would prioritize firms that are relatively risky investments, but whose innovations, if successful, could yield high economy-wide rewards. As a result, it is all but inevitable that the office would lose money on some of its investments.

It is possible that other loans might pay off so significantly that the HUD office would get paid back with interest, and may even turn an overall profit. But profitability should not be the intent of the office's work; if any of its loans lead to significant productivity-enhancing discoveries, then the entire program will have been a success. In fact, far from turning a profit, the goal of the office should be to eventually spend down its entire allocation.

Who Can Execute It?
The fiscal capacity of the federal government makes it the ideal level of government to take this project on; only it can deliver the financial resources necessary to issue a diverse set of generous loans to firms working on new construction techniques. Because of the size of the federal budget, and the lack of any requirement to balance that budget on an annual basis, the United States government is also better equipped than any state government to absorb losses from investments that don't pan out.

What Are Examples of It Working?
The closest historical analogue to the proposed housing innovation fund might be Operation Breakthrough, a Nixon-era program that attempted to demonstrate that industrial building techniques could lead to faster and more efficient housing construction. Unfortunately, this program is widely judged a failure. Engineering expert Brian Potter has proposed that the main reason for this is mission creep: though originally created to serve as a purely experimental program, "it became a rushed demonstration program in practice" (Potter, 2026).

Federal green energy programs offer a far more positive example to be emulated, and have garnered widespread support. Climate & Community Institute has argued for a green industrial policy approach, in which the government de-risks housing innovation to reach goals for climate resiliency and decarbonization in new build and retrofitting existing homes (Wagner et al., 2025). In their industrial policy for housing construction proposal, Arpit Gupta and Steven M. Teles include developing loan guarantee programs for manufactured homes modeled after the Department of Energy’s clean energy manufacturing facilities initiatives (Gupta & Teles, 2026). The American Recovery and Reinvestment Act of 2009 allocated billions of dollars to the Department of Energy's loan guarantee program, allowing it to invest in experiments with renewable energy technology. Though one of the first loan recipients, the solar panel company Solyndra, defaulted, the loan guarantee program did ultimately help to facilitate what has become an ongoing revolution in green energy. Notably, the electric car company Tesla received nearly half a billion dollars from the Department of Energy to produce its Model S sedan (U.S. Department of Energy, n.d.).

Similarly, federal research and development investments related to new defense technologies have led to the development of transformational tools. Perhaps most famously, it was research and contracts from the Department of Defense's Advanced Research Projects Agency (ARPA) that led to the creation of what eventually became the Internet. Silicon Valley as it exists today is in no small part the result of federal defense-related investments.

3.2 Reform Federal Funding

What Is It?

Congress should study and pursue reforms to the federal housing finance system that lower the cost of construction capital for multifamily housing. Recent reports from the Center for Public Enterprise (Williams, 2026) and Aaron Klein and Chris Hughes (Klein & Hughes, 2026) have outlined a range of promising options, from reforming the Federal Home Loan Bank system to expanding the role of the Government-Sponsored Enterprises (GSEs) and FHA in construction lending to capitalizing state-level revolving loan funds.

How Does It Advance Housing Affordability?

High financing costs stall projects that have already been entitled and approved. Multifamily construction fell from a cyclical peak of 547,000 starts in 2022 to just 354,000 in 2024, a 35% decline driven primarily by financing constraints rather than regulatory barriers (Williams, 2026). The two periods in modern United States history that saw the greatest expansion in rental housing construction, 1971-1973 and 1982-1986, both followed the introduction of federal policies that reduced financing costs for developers, and both ended as soon as those policies were phased out (Fellman & Mason, 2026).

The federal government has long used industrial policy tools like loans, tax incentives, procurement, and public investment to support advances in clean energy, defense technology, and manufacturing. It should bring the same strategic orientation to housing production. The financing side of the housing crisis needs attention alongside the regulatory side.

How Does It Work?

Several existing federal institutions and programs could be reformed or expanded to lower construction financing costs at scale.

The Federal Home Loan Bank system is a $1.3 trillion government-sponsored enterprise created in 1932 to support housing. It currently directs little of its balance sheet toward housing production. The Congressional Budget Office estimated the value of the system's implicit federal guarantee at approximately $7 billion per year, yet in 2024 the system paid roughly four times more in dividends to member institutions than it contributed to affordable housing (Klein & Hughes, 2026). Proposals to require a share of Federal Home Loan Bank (FHLB) lending to flow directly to housing construction, particularly for "missing middle" housing that falls into a financing dead zone between residential mortgages and institutional capital, are worth serious study.

FHA's 221(d)(4) construction lending program offers favorable terms on paper but finances only about 10,000 to 15,000 units annually because of compliance burdens (Williams, 2026). Streamlining this program could unlock significant additional production at minimal fiscal cost. Fannie Mae and Freddie Mac are dominant in permanent multifamily financing but almost entirely absent from construction lending; expanding their role through forward commitments, mezzanine products, or a secondary market for construction loans would require regulatory action rather than appropriations (Williams, 2026). Several states have also pioneered revolving subordinate construction loan funds through their housing finance agencies, programs that unstick stalled projects and recycle capital as loans are repaid, which could be scaled nationwide with federal matching support.

Won't Public Construction Lending Lead to Credit Losses that Stick Taxpayers with the Bill?

Construction lending does carry higher credit risk than the secured advances that institutions like the FHLBs currently make. But the proposals under discussion are designed to be self-sustaining, not subsidized. The public sector can borrow far more cheaply than private developers and can lend at rates well above its own cost of funds while still offering terms significantly below what the private market charges. That spread between borrowing costs and lending rates provides a cushion for credit losses without requiring any congressional appropriation. A modest set-aside from the FHLB system's retained earnings, which stood at over $30 billion system-wide at the end of 2024 (FHLB, 2025), could fund dedicated loss reserves more than adequate for a well-underwritten multifamily construction portfolio. The risk is real but manageable, and it is small compared to the cost of a housing shortage that continues to get worse.

Who Can Execute It?

Federal: Congress should commission detailed analyses of the financing tools described above and move toward legislation that deploys the most promising options. The Federal Housing Finance Agency (FHFA) can act through rulemaking to expand the housing-related activities of both the FHLB system and the GSEs. HUD and FHA can streamline existing construction lending programs administratively.

State: State housing finance agencies are well positioned to administer revolving construction loan funds and should explore establishing or expanding these programs, with or without a federal match.

What Are Examples of It Working?

MassHousing's Bringing Innovation to Lending and Development (BILD) program, offered in partnership with Freddie Mac, shows how public financing tools can reduce construction-period risk through rate locks and gap financing. The FHLB system's own Community Investment Program provides a small-scale proof of concept for below-market construction lending, though it remains severely underutilized. Internationally, dedicated public housing finance institutions in France, Germany, Canada, and the United Kingdom have sustained high levels of housing production over long periods.

4. Enhanced Cash & Cash-Like Support

4.1 Expand Direct Cash Assistance

What Is It?
Congress should modernize the housing choice voucher (HCV) program so that every eligible household is able to make full use of it. In addition, homeless, formerly homeless, and severely rent-burdened families should receive a supplemental cash benefit.

How Does It Advance Housing Affordability?
The housing affordability crisis isn't solely a function of high housing costs; the problem is that housing costs are extraordinarily high *relative to the incomes of many renters.* While policymakers must find ways to dramatically lower the cost of housing, they must also use the tools at their disposal to raise the incomes of lower-income renter households.

The federal government's main tool for doing this is the housing choice voucher program, often called Section 8. But because HCV depends on discretionary funding, it does not automatically grow to meet need; as a result, only about 25% of eligible households actually receive federal rental assistance (Gartland, 2022). Even many who are enrolled in the program struggle to make use of their vouchers, in part because many landlords refuse to accept them due to the burdensome administrative requirements for landlord participation in the program.

Converting rental assistance vouchers to a cash grant with mandatory funding would address these problems. Those who believe they would benefit from continuing to stay on the HCV program would have the option to do so. A supplemental grant for households that are homeless or at heightened risk of homelessness would help to substantially reduce homelessness.

How Does It Work?
Congress should turn HCV into an entitlement program, so that funding can match the needs of the program. In addition, every household that makes 60% or less of their region's area median income could receive an unconditional cash grant instead of HCV. Unlike the Section 8 program, which transfers money into the pockets of landlords with voucher-holding tenants, this program would send cash directly to eligible households.

This alternative approach has two advantages over the Section 8 model. First, it ensures that landlords would not be subject to the onerous requirements that encourage many of them to avoid accepting voucher holders as tenants. Second, if well designed, it could address voucher discrimination that occurs if landlords with preferences or prejudices discover which of their prospective tenants are rental assistance recipients. In fact, while landlords may differ across different markets, a study on direct rental assistance and landlords found that landlords generally prioritize prospective tenants' ability to reliably pay and almost always prefer tenants who receive direct rental assistance over unsubsidized tenants when renting to low-income renters (Garboden et al., 2025).

Households with extremely low incomes or a history of homelessness (two major risk factors for future homelessness) would receive a supplementary cash grant.

Isn't This Just Subsidizing Demand?

One argument against rental subsidies for low-income households is that they just "subsidize demand" without encouraging corresponding increases in supply. According to this theory, giving rent-burdened households more cash will simply encourage landlords to increase their rents, leading to an inflationary spiral that will consume government subsidies without actually helping low-income renters.

But this should not be taken as a reason to oppose *any* demand subsidies like rental assistance; it just means that these subsidies need to be accompanied by increases in housing supply, which can cancel out the inflationary effects of rental assistance. Demand-side subsidies are necessary to reach those with very low incomes. That is why any implementation of ESP's rental assistance proposal should be accompanied by parallel efforts to encourage more homebuilding, like the pro-supply recommendations above.

Who Can Execute It?

As is always the case with social policies that cost a lot of money, the federal government is the layer of government best positioned to implement a large-scale rental assistance program. However, states and even local jurisdictions also have the ability to provide cash grants that attempt to fill sizable gaps in the federal safety net. Notably, some local governments have experimented with cash rental assistance pilots, often with the use of philanthropic support.

What Are Examples of It Working?

Preliminary findings (Reina et al., 2025) from a randomized controlled trial in Philadelphia indicate that cash rental assistance is effective at reducing both homelessness and forced moves for families that receive it. The U.S. Treasury's emergency rental assistance programs implemented by state and local governments to provide one-time financial support to help households at risk of eviction during the Covid-19 pandemic helped over 3 million renters stay housed and pay for rent, utilities, and other housing-related expenses (Goodman et al., 2025).

Local public housing authorities such as Keene Housing Authority in New Hampshire have also experimented with the authority granted to them through HUD's Moving to Work (MTW) demonstration to provide housing subsidies directly to tenants (see Keene Housing, 2025).

4.2 Make LIHTC Work Better for Low-Income Renters

What Is It?

Congress should substantially increase funding to the Low-Income Housing Tax Credit (LIHTC), both in order to expand the nationwide supply of affordable housing and to allow for a greater range of building projects (for example, mixed-income projects) to receive LIHTC support. In addition, the federal government should streamline the income verification requirements for those applying to reside in LIHTC-supported units, in order to reduce the administrative burdens on both prospective tenants and affordable housers.

How Does It Advance Housing Affordability?

As it stands, the LIHTC program fills a critical gap in the marketplace by serving as the largest source of new construction funds for affordable rental housing in the country (U.S. Department of the Treasury, 2024c). LIHTC has helped build or rehabilitate about 3.7 million units between 1987 and 2023 (U.S. Department of Housing and Urban Development, n.d.-b). The Urban Institute estimates that LIHTC financed between 3 and 5% of all new housing units in the United States between the early 1990s and 2019 (Urban Institute, n.d.-a). LIHTC also played a key role in supporting about 25% of new apartments between 2000 and 2019 (Urban Institute, n.d.-a).

Allowing a greater range of building projects, including mixed-income projects, to receive LIHTC support can help support “missing middle” housing: affordable, high-density options in between single-family homes and mid-rise apartment buildings, like duplexes, townhouses, and courtyard apartments (Tidwell, n.d.; Council of Development Finance Agencies, 2024). Expanding LIHTC to support a greater range of projects helps maximize housing production and cost-effectiveness in markets where income from market-rate units can cross-subsidize affordable housing units. Mixed-income projects can lead to more total units per dollar of LIHTC resources and more affordable units by spreading limited LIHTC resources across more projects (Urban Institute, 2025).

Expanding LIHTC funding helps address the affordable housing shortage that persists. In many states, LIHTC credits are often oversubscribed (Center for Public Enterprise, 2025; Novogradac, n.d.-b). Additional LIHTC funds can also help fill the gap left behind by the one-third of LIHTC-supported homes scheduled to lose their rent restrictions between 2024 and 2035 (Ingram & Jaffe, 2025).

Streamlining the process for verifying income for prospective tenants of LIHTC-supported homes can make it easier for people to access affordable housing and reduce the administrative burden for property managers to comply. Each state currently develops its own income verification process based on IRS regulations, which results in variations in required documents, verification methods, and recertification rules across states (Novogradac, n.d.-a). States can streamline verification processes based on guidance from the federal government to cut compliance costs and save time for tenants and property managers alike.

How Does It Work?

While LIHTC is a federal program, it relies on state and local housing finance agencies to offer and allocate credits, and many states have their own supplementary LIHTC programs. States can promote mixed-income housing projects by encouraging these projects in their qualified allocation plans (QAPs). Developers can already use 4% credits for mixed-income projects, and more states can follow New Jersey and Pennsylvania in promoting 9% credits for mixed-income projects (Urban Institute, 2025).

LIHTC only directly subsidizes units with restricted rents and maximum household incomes (Novogradac, n.d.-c). Unrestricted units would not generate LIHTC credits and equity; instead, developers would need to finance debt to build market-rate units (Novogradac, n.d.-c). States' promotion of mixed-income projects in their QAPs could also address another barrier by increasing LIHTC investor interest in these projects (Urban Institute, 2025).

Why Should We Expand an Inefficient Program that Drives Up Development Costs?

It's true that affordable housing development using LIHTC funds may face additional costs like transaction and regulatory costs (Terner Center, 2024). But general trends in the housing construction sector like rising construction, labor, and financing costs can also lead to funding gaps in LIHTC projects (UNC School of Government, 2024; National Council of State Housing Agencies, 2022). States can nonetheless set development cost limits on LIHTC projects and evaluate how their QAP priorities may also be unintended cost drivers, and weigh these priorities against cost-effectiveness (Urban Institute, 2025).

What Are Examples of It Working?

New Jersey guarantees 9% credit for at least one mixed-income project each year (Urban Institute, 2025). Pennsylvania gives projects bonus points in its application process if they incorporate up to 50% of market-rate units with the goal of cross-subsidization to require fewer tax credits (Urban Institute, 2025).

5. Strengthen and Enforce Tenant Protections

5.1 Stabilize Rents for Older Rental Properties

What Is It?
Rent stabilization rules prohibit landlords from hiking rents on existing tenants above a certain level. Under ESP's proposal, this ban on price-gouging would apply to all rental properties that received their certificates of occupancy more than 15 years ago. The owners of these properties would be prohibited from increasing rents by more than a set percentage, plus some allowance for inflation.

How Does It Advance Housing Affordability?
Rent stabilization on its own cannot make housing more affordable; at most, it can slow the speed at which rental units become more expensive. The best way to actually reduce rents is by implementing policies that encourage the production of more rental housing. (See the "Broken Markets" section of this report.)

But while rent stabilization cannot bring about long-term housing affordability, it *can* mitigate the risk of displacement due to sudden housing price shocks. For example, during periods of rapid inflation, rent stabilization smooths out rent increases instead of causing costs to spike. Rent stabilization can also protect existing tenants from displacement in the event of some catastrophe (such as a flood or wildfire) that wipes out a significant share of regional housing stock; under normal circumstances, this would cause rents on the remaining housing to grow rapidly, but rent stabilization can keep those increases to a more manageable level.

Lastly, rent stabilization can constrain predatory or discriminatory landlord behavior. Some landlords who want to kick out their tenants without initiating formal eviction proceedings may be tempted to simply charge those tenants more than they could reasonably be expected to pay. Rent stabilization acts as a check on this sort of abuse.

How Does It Work?
Under ESP's proposal, housing units would become subject to rent stabilization on a rolling basis; they would "age in" after 15 years on the market. While landlords would have some flexibility to raise rents each year, which would allow them to respond to both market demand and other inflationary pressures, they would not be able to engage in price-gouging.

These rent stabilization rules would only apply to occupied units. When tenants vacate a rental unit, the unit's owner would be given full latitude to reset the rent on that unit to the market rate.

Won't Rent Stabilization Discourage New Construction?
It is true that overly restrictive price controls on rents can discourage the construction of new rental housing, which, perversely, ends up causing housing costs to rise even higher than they would have in the absence of rent control. (There is no universally agreed-upon criterion for distinguishing between "rent control" and "rent stabilization" policies, but the former type of price control is generally considered to be more stringent than the latter.)

To secure the financing needed to build new housing, developers must be able to convincingly demonstrate that the proposed project will earn decent returns. Rent control on newer buildings, by eating into this projected revenue, can throttle new housing construction. A 2024 literature review published in the *Journal of Housing Economics* (Kholodilin, 2024) affirmed the academic consensus that the "imposition of rent ceilings amplifies the shortage of housing."

However, there is a way out of this trap. When modeling expected revenue from a potential development, developers and lenders typically look at a limited time horizon; they are not particularly concerned with a rental property's earning potential past the first decade or so of its availability for occupancy. By exempting new buildings from rent stabilization rules for the first 15 years of their existence, ESP's proposal ensures that these rules won't factor into revenue modeling for new housing development. In other words, there is no conflict between this rent stabilization proposal and the imperative to bring down housing costs by building more rental units.

Who Can Execute It?
States and localities are best situated to implement this proposal. In some cases, state law may preempt local governments from passing ordinances that set rent ceilings; in that case, enacting something like ESP's rent stabilization proposal would require an act of the state legislature.

States are better positioned than localities to act on this proposal anyway, because housing price shocks tend to affect entire metropolitan regions instead of specific localities. Leaving it up to individual local governments to enact rent stabilization could lead to a patchwork of rules that protects only some renters while still exposing their neighbors in adjacent towns to price-gouging. Setting a consistent standard across entire states is best.

While the federal government may not be able to enforce across-the-board rent stabilization, it can still play an important role in promulgating sensible rent stabilization rules. For example, Congress can direct the U.S. Department of Housing and Urban Development to develop model state legislation based on ESP's proposal and encourage states to adopt it.

What Are Examples of It Working?

ESP's proposal is closely modeled after California's Tenant Protection Act of 2019. This law, which capped rent increases at either 5% plus inflation or 10% (whichever was lower), blunted rent inflation during the extreme price shocks that occurred during the COVID-19 pandemic. The Tenant Protection Act has not had any discernible negative impact on housing production.

5.2 Prevent Evictions Without Just Cause

What Is It?

In many states and localities, landlords are not required to disclose why they're evicting a tenant at the end of a lease term or if a tenant doesn't have a lease. Landlords can file for evictions even if they have illegally ignored maintenance requests, locked tenants out, or shut off utilities (Urban Institute, n.d.-b). Just cause eviction protections therefore provide an important shield for low-income households and marginalized communities against discriminatory evictions by limiting the conditions under which landlords can legally evict tenants.

How Does It Advance Housing Affordability?

By preventing evictions, just cause protections also prevent tenants from incurring ongoing costs associated with evictions. They help stabilize tenants' housing costs, saving tenants money when they aren't forced to pay for moving costs and potentially higher rents after an eviction. Evictions don't just impose one-off costs on tenants; they also set off a stream of economic consequences: increasing homelessness, reducing earnings, and impeding access to credit (Cornec, 2023). Economists have found that after an eviction, tenants' annual earnings decrease by about $1,300 in the first year and $2,400 in the second (Cornec, 2023).

How Does It Work?

Drawing from PolicyLink, Housing Solution Labs, and the National Low Income Housing Coalition's resources on just cause protections (PolicyLink, n.d.; Local Housing Solutions, 2025; Hussein et al., 2022), the federal government can support states and localities by creating model state legislation for just cause eviction protections. States and localities can also define just causes, such as non-payment of rent; material violation of lease; and nuisance, disturbance, or negligent damage to property.

The federal government can further support these efforts by providing model language for tenant protections during just cause evictions, such as relocation assistance and right-to-counsel programs to provide tenants with legal assistance when facing evictions. States and localities can then adopt and tailor effective enforcement mechanisms, including meaningful penalties for landlords who illegally evict tenants, such as fines and reinstatement of tenancy. They can outline a clear legal process for tenants to fight unjust evictions and require an adequate notice period for tenants to exercise their rights. States and localities can also include a private right of action for tenants to directly file a lawsuit against a landlord if they believe their rights have been violated.

Do Just Cause Eviction Policies Lead to a Slowdown in New Construction?

Questions about whether legislative efforts to pass just cause protections would slow down new construction persist (see, e.g., NYU Furman Center, 2024). To address these concerns, some states like California have included exemptions on new construction in the previous 15 years in just cause protections. Using data from California, Oregon, and New Hampshire, the University of Minnesota's Center for Urban and Regional Affairs looked at whether trends in new permits at the county level in states with just cause protections were different from trends in nearby counties in states without just cause protections. Its findings suggest that just cause protections won't result in a reduction of new housing production (Card et al., 2025). The Pratt Center for Community Development and the Community Service Society of New York also looked at housing construction trends in New Jersey, Tokyo, Montreal, and Zurich, where new housing construction continued even after passing just cause protections (Stein & Morse, 2022).

Who Can Execute It?

The federal government should develop model state legislation that only allows tenant eviction under certain circumstances (e.g., nonpayment of rent) and offer incentives for states to adopt this legislation.

States and localities can pass laws creating just cause eviction protections.

What Are Examples of It Working?

As of 2025, 10 states nationwide and Washington, D.C. have just cause eviction laws (National Low Income Housing Coalition, 2025b). In 2025, Connecticut, Hawai'i, Maryland, Minnesota, Missouri, New York, Oregon, and Rhode Island introduced state-level just cause legislation (National Low Income Housing Coalition, 2025b).

In 2019, California passed Assembly Bill 1482, outlining 10 at-fault causes for eviction, including defaulting on rent and breaching the lease agreement. Oakland and San Francisco have separate ordinances providing just cause eviction protections: in Oakland, these reforms passed via ballot measures that have expanded these protections since their initial uptake in 2002 (City of Oakland, n.d.). These just cause protections led to a reduction in eviction rates in East Palo Alto, Glendale, Oakland, and San Diego, where overall eviction rates dropped 0.81 percentage points and eviction filing rates dropped 0.78 percentage points (Cuéllar, 2019).

Conclusion

America's housing crisis did not materialize overnight and it will not be solved by any single policy. It is the product of decades of broken markets, inadequate cash support, and choices by policymakers who have deprioritized housing as essential infrastructure for working families. The agenda outlined in this paper reflects a comprehensive approach pulling from the best thinking in the housing debate. We focus on reforming the land use rules that restrict supply, building a robust public housing sector that expands the market for affordable options, deploying industrial policy to drive innovation in construction, strengthening the income supports that help families afford what exists today, and protecting tenants from evictions that lead to displacement and instability. We put forward an approach that reflects the view that we can both build more housing and protect renters.

Given that housing challenges are location specific, policymakers should deploy this agenda to fit the needs of their specific markets and communities, taking what works, building on what exists, and prioritizing interventions that will lessen the strain of the affordability crisis people are feeling.

The housing crisis is at a breaking point. Young families cannot afford to buy homes, renters may be one bad month away from eviction, workers are priced out of the communities where they work. For millions of Americans, the housing crisis impacts every part of their economic well-being. It is the defining economic challenge of their lives and impacts work, education, health. The solutions exist. The question is whether we have the political will to deploy them.

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