

Written Statement for the Record

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before the

House Financial Services Committee, for the hearing “On the Brink of Homelessness: How the Affordable Housing Crisis and the Gentrification of America Is Leaving Families Vulnerable”

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Chairwoman Waters, thank you for the opportunity to address the committee on the factors contributing to the housing affordability crisis, particularly the role of gentrification. I will also address the potential for federal policy to make a difference.

My name is Karen Chapple. I am professor and chair of the Department of City and Regional Planning at the University of California, Berkeley, where I have worked for 19 years. My primary expertise is in housing, economic development, and land use. I am the faculty director of the Urban Displacement Project, which resides at UC Berkeley's Center for Community Innovation.

America is undergoing an affordable housing crisis that particularly impacts rental markets in high-cost western states. Rising income inequality and the failure of incomes to keep pace with housing costs have meant severe and rising cost burdens for renters.<sup>1</sup> The Great Recession of 2008 resulted in a decade-long decline in homeownership, which, along with the increase in the financialization of housing, put new pressure on the rental housing stock. Yet, at the same time, new market-rate housing production has continued to fall significantly short of demand, driving higher-income households into older housing units. Partly because of this, the country has lost four million low-cost rental housing units since 2011.<sup>2</sup> Facing a dire shortage of affordable units, families are doubling up or using other temporary coping strategies; thus, not surprisingly, homelessness is on the rise, particularly in high-cost and Western states.<sup>3</sup>

The loss of affordable rental housing occurs in part through the process of gentrification, which is not well understood. Gentrification means that affluent and high-educated newcomers, usually accompanied by new real estate investment, move into a low-income neighborhood, often a community of color. This disrupts the filtering process, whereby housing is occupied by progressively lower income households as it declines in quality and price. Instead, formerly affordable units filter up, reducing the availability of low-cost apartments to rent. Evidence is

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<sup>1</sup> [https://www.jchs.harvard.edu/sites/default/files/Harvard\\_JCHS\\_State\\_of\\_the\\_Nations\\_Housing\\_2019.pdf](https://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2019.pdf)

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

mixed on the extent to which this process actually displaces households in the short-term.<sup>4</sup> But researchers generally agree that over time, low-income households are no longer able to find housing in these neighborhoods, i.e., in-moves by low-income households decline.<sup>5</sup>

Gentrification tends to attract a significant amount of media attention and public controversy, particularly in the cases in which the process has transformed local communities and even eradicated their culture (as in Washington DC’s Shaw/U Street or San Francisco’s Mission District). But as UC Berkeley’s Urban Displacement Project has demonstrated, the affordability crisis has resulted in patterns of displacement that affect many different types of neighborhoods, not just these iconic examples.<sup>6</sup> Residential displacement is a situation in which incumbent residents have fewer options within, are forced out of, or cannot move into neighborhoods (so-called exclusionary displacement). There are multiple types of displacement, including not just economic (e.g., rising rent) but also physical (e.g., building disrepair, loss of utilities, rehabilitation, etc.) or social (e.g., landlord harassment).

Displacement may occur not just during or after gentrification, but also before, with gentrification nowhere in sight. Many more low-income neighborhoods are experiencing disinvestment than reinvestment.<sup>7</sup> In these communities, landlords may disinvest in their property and/or displace tenants in order to make way for profitable reinvestment later.<sup>8</sup> Because so many residents have already been displaced, when gentrification finally does arrive, there may be little additional displacement.

Our recent study of displacement in the greater New York region (including 31 counties in New York, New Jersey, and Connecticut) illustrates the different forms of displacement.<sup>9</sup> About one-

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<sup>4</sup> For a summary of this literature, see Chapter 3 in Karen Chapple and Anastasia Loukaitou-Sideris, *Transit-Oriented Displacement or Community Dividends? Understanding the Effects of Smarter Growth on Communities* (MIT Press, 2019), available at <https://mitpress.mit.edu/books/transit-oriented-displacement-or-community-dividends>

<sup>5</sup> Ibid.

<sup>6</sup> <http://www.urbandisplacement.org>

<sup>7</sup> <http://cityobservatory.org/lost-in-place/>

<sup>8</sup> This insight is not new, dating at least to Peter Marcuse, “Abandonment, Gentrification, and Displacement: The Linkages in New York City,” in Neil Smith and Peter Williams (eds.) *Gentrification of the City* (London: Routledge, 1986), 153–77.

<sup>9</sup> <https://www.urbandisplacement.org/maps/ny>

quarter of low-income neighborhoods in the region are gentrifying or in an advanced state of gentrification, while almost one-third exhibit the characteristics that often lead eventually to gentrification. But almost one quarter are stable, and about twenty percent are experiencing displacement without any signs of gentrification. Of note, displacement is not restricted to low-income areas: in the New York region, moderate and high-income neighborhoods lost almost twice as many low-income households than more inexpensive neighborhoods.

In the neighborhoods we have studied at the Urban Displacement Project, data on the displacement or loss of low-income households from the neighborhoods suggests that this phenomenon is far broader than eviction data suggest. This is not surprising, because landlords have many different techniques to induce households to leave without actually filing for eviction (as Matthew Desmond describes in his classic book, *Evicted*). Thus, evidence suggests that neighborhoods undergoing gentrification are not associated with higher eviction rates than disadvantaged neighborhoods are.<sup>10</sup>

The dysfunction of the rental housing market has contributed to the growth of *precarious* housing conditions.<sup>11</sup> In the face of stress or a shock (in this case, economic growth with increasing income inequality), certain types of housing (e.g., multi-family rental buildings), are particularly likely to change. When this change coincides with personal vulnerabilities (e.g., related to age, race, poverty, education, or health), housing stability is at risk. Precariousness can thus lead to homelessness.

Precarious housing conditions exist in many different types of neighborhoods. Although there is little empirical research on the relationship between gentrification and precariousness, it is probable that the rapid neighborhood transformation associated with gentrification in high-cost housing markets can act as a shock. In the face of either rapid rent increases or new household costs (such as medical expenses), residents with no buffer or safety net can end up on the street. Due to the lack of data, we do not know much about the specific neighborhoods that homeless

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<sup>10</sup> Matthew Desmond and Carl Gershenson, “Who gets evicted? Assessing individual, neighborhood, and network factors,” *Social Science Research* 30, no. 1 (2016).

<sup>11</sup> Rolf Pendall, Brett Theodos, and Kaitlin Franks, “The built environment and Household Vulnerability in a regional Context” (Washington, DC: Urban Institute, 2012).

individuals originate from, but the majority of the unhoused tend to stay in the same county where they last resided. In the San Francisco Bay Area, many of the counties experiencing a disproportionate share of gentrification also house a high and increasing share of the unhoused.

The Department of Housing and Urban Development (HUD) and the Department of the Treasury play a crucial role in mitigating the housing affordability crisis. Public housing, Section 8 vouchers, tax credits, and other mechanisms are important and at least partially effective in reducing precariousness, displacement, and homelessness. Yet, given the current crisis, there are a number of different strategies that the federal government should be pursuing as well.

I will confine my remarks to a brief description of some of the programs and approaches that the committee might consider. Given the constraints of this statement, I can neither offer a comprehensive list nor explore alternatives in depth. Thus, I have chosen to highlight strategies that are suggested by rigorous recent applied research and/or are particularly innovative in my view. Of note, not all are housing policies. Addressing this crisis will require action across the federal agency silos, connecting housing issues to health care, labor, and transportation.

### **Housing policies and programs**

I examine housing strategies across three broad categories (often referred to as the three Ps): tenant protections, affordable housing preservation, and new housing production.

#### Tenant protections

Three key tenant protections are **rental assistance**, **tenant counseling**, and **neighborhood preference**. Rental assistance is a powerful tool for preventing homelessness. Most evictions are for nonpayment of small amounts of rent; the Eviction Crisis Act would address this by funding short-term emergency rent assistance. The program should be market-specific, since high- and low-cost markets have different needs, and eligibility should be based on prior receipt of public subsidies (e.g., Medicaid or SNAP) rather than the issuance of a court summons (which may be too late to prevent homelessness). Targeting housing choice vouchers towards homeless families, as the Family Stability and Opportunity Vouchers Act would do, is another approach likely to be cost effective. Finally, many states offer renter tax credits, and the federal government could as

well. One way to target vulnerable residents in precarious housing would be to create a project-based renters' tax credit that specifically supports operating costs for deeply affordable rental housing, as proposed by the Center on Budget and Policy Priorities.<sup>12</sup>

Education about housing law for both landlords and tenants could help mitigate the crisis and save costly legal fees. The Eviction Crisis Act would help by expanding legal aid, community courts, and social services. But educational efforts could also be as simple as tenants' rights hotlines, or an app like the Rentervention service piloted in Illinois.<sup>13</sup>

HUD can help displaced renters return to their home neighborhoods by encouraging cities to pass neighborhood preference or anti-displacement preference policies for housing subsidies. For example, San Francisco has piloted a program to set aside affordable units for residents of neighborhoods experiencing rapid gentrification as shown by the Urban Displacement Project maps.

#### Affordable housing preservation

Since the new housing shortfall in high-cost coastal metros has put pressure on older housing stock, preservation of affordable housing stock is critical. The need to preserve buildings under project-based rental assistance contracts (such as Section 8) is well documented by the National Housing Preservation Database, and HUD should provide funding to renew these contracts.<sup>14</sup> In addition, a number of cities are innovating different approaches to scattered site acquisition and rehabilitation of unsubsidized affordable housing (naturally occurring affordable housing). For example, the City of San Francisco created the Small Sites program, an acquisition and rehabilitation loan program that assists non-profit and for-profit entities to buy small housing developments of 5-25 units and restrict their rents for long-term affordability. The federal government could encourage more experimentation in this area by developing a competitive grant program.

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<sup>12</sup> See <https://www.cbpp.org/research/housing/renters-credit-would-help-low-wage-workers-seniors-and-people-with-disabilities>

<sup>13</sup> See <https://blockclubchicago.org/2019/10/07/in-a-battle-with-your-landlord-lawyers-designed-this-chat-bot-to-help-tenants-get-free-legal-aid/>

<sup>14</sup> See <https://nlihc.org/explore-issues/housing-programs/project-based-housing>

## Housing production

Both new **subsidized** and **market-rate** housing will help mitigate displacement. Of the many potential approaches, I focus here on subsidized housing programs that target those on the brink of homelessness. One federal effort already underway is investment in the National Housing Trust Fund; since this targets the most vulnerable populations, it will help to prevent homelessness.

Although the average size of new homes continues to grow, many individuals and families in precarious housing situations could benefit the cost savings from units of smaller size. Two underbuilt housing types deserve more consideration: tiny homes for the homeless and accessory dwelling units (ADUs). A recent UC Berkeley report demonstrates the viability of tiny house villages for the homeless, and community development block grant funding is currently contributing to a tiny house project for the homeless in Alameda County.<sup>15</sup> HUD should encourage cities to use block grant funding for this purpose.

In general, experiments with affordability deed restrictions for ADUs have not gone well, since most homeowners want to retain the flexible use of their property. But the Backyard Homes Project coordinated by LA-Más is a promising new pilot that exchanges financing, design and construction services for homeowners in return for renting their new units to housing choice voucher holders for at least five years.<sup>16</sup>

Although ADUs are affordable by design (typically renting at the low end of the market), they are also a viable market-rate production strategy. A model for the country is the state of California, which has gradually reduced barriers to ADU production.<sup>17</sup> The City of Los Angeles went from permitting just a handful of units each year to over 5,000 in 2018. As market-rate units, these work as an anti-displacement policy by providing housing for young renter households who might otherwise compete for older housing stock.

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<sup>15</sup> See [http://turnercenter.berkeley.edu/uploads/Tiny\\_Houses\\_Study\\_FINAL\\_Terner.pdf](http://turnercenter.berkeley.edu/uploads/Tiny_Houses_Study_FINAL_Terner.pdf)

<sup>16</sup> See <https://nextcity.org/daily/entry/new-project-aims-to-finance-backyard-homes-for-section-8-tenants-in-los-ang>

<sup>17</sup> See <http://www.aducalifornia.org>

Opportunity Zones have begun offering incentives that attract investors to a variety of neighborhoods, many disinvested. Our analysis of the New York region found that 23% of the Opportunity Zone tracts are located in gentrifying neighborhoods, and an additional 30% are in neighborhoods at risk of gentrification. In precarious communities such as these, eligibility for Opportunity Zone benefits should depend on the existence of tenant protections, housing preservation programs or affordable housing production.

Finally, HUD is currently exploring ideas for zoning reforms that will expand the supply of housing. Already, the state of Oregon and city of Minneapolis have begun innovating ways to eliminate single-family zoning, and California is experimenting with upzoning. It is not yet clear what will work best, and what protections will be needed for affordability. A set of pilot programs around the country could help to develop promising practices and build knowledge.

### **Health care**

There is substantial evidence that housing instability causes adverse health impacts, and also that preventing homelessness is cost effective due to health cost savings.<sup>18</sup> Improved health care coverage (including Medicaid) and services targeted to vulnerable populations in precarious housing can help prevent homelessness. Other ways that health policy could help prevent homelessness include expansion and improvement of financing for home-based visits and care services for Medicare and Medicaid beneficiaries, as well as federal standards to help screen for housing instability (via living situation questions for Medicare and Medicaid beneficiaries).

### **Labor**

Affordability is as much an income crisis as it is a housing crisis. Raising the minimum wage to \$15 per hour in 2025 is critical to ensure that incomes keep up with escalating housing costs. This should be adjusted for local markets, exempting weak market metropolitan areas and rural areas.

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<sup>18</sup> See <https://housingmatters.urban.org/articles/how-housing-can-determine-educational-health-and-economic-outcomes> and [http://media.wix.com/ugd/19cfbe\\_c61e78957c0b43c0864ff777c6ea3b40.pdf](http://media.wix.com/ugd/19cfbe_c61e78957c0b43c0864ff777c6ea3b40.pdf); also Joshua Bamberger, “Reducing homelessness by embracing housing as a Medicaid benefit,” *JAMA internal medicine* 176, no. 8 (2016): 1051-1052.



## **Transportation**

One opportunity to incentivize the production of new housing in high-cost areas is via the transportation and infrastructure funding that comes from the federal government to metropolitan planning organizations. Up until the 1980s, the Office of Management and Budget's Circular A-95 required state and local governments to coordinate the planning of projects within their own regions—and then conditioned the allocation of federal grants based upon that coordination. Infrastructure funding thus became a major carrot to comply with plans. Reinstating a review process like the A-95 would not only improve efficiency but could also help regions achieve their housing production goals.

## **Data and Evaluation**

Many aspects of displacement and homelessness are poorly understood; there simply have not been enough studies and evaluation to develop conclusive evidence. But another challenge is simply finding adequate data. It is not possible to protect renters from displacement, or even provide adequate counseling, without renter registries that help identify rental units at risk. Many cities are experimenting with developing renter registries, and a pilot federal program might help successful programs emerge.

Another data challenge is the ability to join data across multiple agencies and systems to help identify high-risk populations that rely on multiple supports. The California Policy Lab and the University of Chicago Poverty Lab recently innovated a new approach to predict homelessness among single adults that will result in more effective targeting of homelessness prevention efforts.<sup>19</sup> The National Science Foundation and other federal agencies should support the construction of such big datasets for public policymaking.

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In concluding, Madam Chairwoman, I urge your Committee to undertake a holistic and comprehensive approach to addressing the housing affordability crisis. Our federal policy infrastructure for supporting housing affordability developed over many decades, from post-war

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<sup>19</sup> <https://www.capolicylab.org/predicting-preventing-homelessness-la/>

public housing development, to the 1960s War on Poverty, to the rise of the voucher system in the 1980s, to the many different streams of funding we utilize today to fund subsidized housing. But the rise of income inequality and the way it has undermined housing stability have complicated the provision of housing assistance. The nation should make sustained commitments to protect vulnerable populations across its housing, health, labor, and other programs. The federal government should provide leadership in this shared responsibility with state and local governments, energetically evaluate housing outcomes, and craft its assistance in the most efficient, equitable and democratic manner possible. Thank you for the opportunity to testify today.