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Opinion: The Next Housing Crisis

(Feb. 11) — Reports still show that, more than two years into the housing led recession, the nation's foreclosure crisis is far from over. The Atlanta Journal Constitution, for example, reported this week that the "number of published foreclosure notices in the 13-county metro area rose in February and will likely rise again in March."

But while foreclosures dominate the news, there's a larger and more worrisome housing crisis ahead: a looming shortage of affordable rental housing.

According to analysis by experts such as Harvard's Joint Center for Housing Studies, there is already a critical need for at least 5 million more rental housing units affordable to working families. And that situation will get worse, as families hit by foreclosures shift back into the rental market and some baby boomers exit out of high-upkeep suburban homes into lower-stress, multifamily settings.

These forces will put enormous pressure on available rental units down the line. One credible estimate is that over the next 30 years, we may need to add more than 50 million new housing units of all types to meet the demand.

Are we on track to meet this need? The short answer is no. But it is possible to do so.

In the early 1970s, under President Richard Nixon, government programs directly funded affordable rental construction, helping create roughly 1 million units each year. But Congress ended those programs in the early 1980s and production plummeted.

Now, only one major national program remains to fund affordable rental development: the Low Income Housing Tax Credit (LIHTC).

The program has been a model for public/private partnerships since its creation in 1986, with the tax credit producing more than 1.5 million units of quality housing for families, seniors and individuals. And it's been an economic engine, creating hundreds of thousands of construction jobs each year, according to the National Association of Home Builders. Local economies have also benefited from the addition of $1.5 billion in taxes and other revenues.

But when so many investors saw their profits disappear as the recession deepened, they had no need for tax credits. The LIHTC market quickly collapsed, freezing the construction of affordable housing properties.

The apartment buildings not being produced are nonetheless still needed. And while many communities have an abundance of foreclosed single-family homes, not enough are readily adaptable — either economically or by virtue of location — to rental properties for the average working families in need.

With LIHTC investment falling by half or more since 2007, nearly 160 national and regional groups — including home builders, housing advocates, state agencies and trade organizations for investors — came together recently to endorse a short, targeted list of proposals to jump-start the LIHTC rental housing development market. Among the ideas:

- Extend a successful short-term tax credit exchange program created through the American Recovery and Reinvestment Act to maintain the development of affordable rental housing.
- Let investors with existing LIHTC-financed housing use those credits against profits from previous years.
- Broaden the investment base for LIHTC to allow new potential investors to join the effort to provide affordable rental housing.

• If Congress enacts these proposals, capital should begin to again flow back to the production of desperately needed rental housing. And while even returning to normal will fall short of what is needed to avoid the coming housing crunch, it is an essential first step toward addressing this next chapter in America's housing challenge.

• *Sen. Jeff Merkley, D-Ore., was elected in 2008. David Abromowitz is a senior fellow at the Center for American Progress and partner at Goulston & Storrs in Boston.*

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