

1. Background

A defining societal challenge of the United States in the twenty-first century is the escalating issue of rent burden. Of the many factors that lead to housing instability, the problem of rent burden acts as the most direct agent of household displacement, especially for low-income households and households with children.¹ For households making less than \$30,000 annually, rent-burdened households consist of over 80% of this population.² Rent burden is defined as spending more than 30 percent of household income on rent.³ The issue of rent-burdened households is fairly uniform amongst the different regions of the United States, with an average of 57% of households with children experiencing rent burden as of 2009.⁴ However, there is a difference amongst urban and rural households with children, with an average of 59% of urban households and 49% of rural households with children experiencing rent burden as of 2009.⁵ In the decade following the 2008 financial crisis, the amount of rent-burdened households in the United States increased to 47% of all households, as of 2017.⁶ The alarming trend of increasing rent burden in the United States amongst all income levels points to a greater underlying policy issue affecting our housing supply. Until this issue is properly addressed, we can expect to see a continuation of the trend of increased rent burden, especially amongst low-income households.

2. Policy Evaluation

In 1995, in an effort to tackle rising rent prices by encouraging property development, the Washington State Legislature began the Multi-Family Property Tax Exemption Program.⁷ This policy addresses the issue of “insufficient availability” of residential units in urban settings for all income levels through a tiered tax exemption system for new residential construction.⁸ The three-tiered tax exemption system provides an eight year tax exemption for any new multi-family housing built in areas designated as in need of additional housing supply, a twelve year tax exemption for new multi-family housing, with a 12 year requirement for 20% of the housing to

¹ Yumiko Aratani et al., “Rent Burden, Housing Subsidies and the Well-being of Children and Youth,” *Columbia Academic Commons* (National Center for Children in Poverty, January 1, 2011), accessed March 20, 2024, <https://doi.org/10.7916/d8z89mmd>. pg 3.

² *America's Rental Housing* (Cambridge: Joint Center for Housing Studies of Harvard University, 2022), https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2022.pdf, pg 32.

³ Aratani et al., “Rent Burden, Housing Subsidies and the Well-Being of Children and Youth.”, pg 3.

⁴ Aratani et al., “Rent Burden, Housing Subsidies and the Well-Being of Children and Youth.” pg 4.

⁵ Aratani et al., “Rent Burden, Housing Subsidies and the Well-Being of Children and Youth.” pg 4.

⁶ Saorise Gowan and Ryan Cooper, “Social Housing in the United States,” *Peoplespolicyproject.Org* (People's Policy Project, April 4, 2018), <https://www.peoplespolicyproject.org/project/a-plan-to-solve-the-housing-crisis-through-social-housing>. Accessed 22 Mar. 2024.

⁷ “What Is MFTE?,” *www.commerce.wa.gov* (Washington State Department of Commerce, n.d.), <https://deptofcommerce.box.com/shared/static/x98q2nvh2ro7o047i1unuhojai6riatw.pdf>.

⁸ United States of America, Washington State Legislature, *New and Rehabilitated Multiple-Unit Dwellings in Urban Centers*. RCW 84.15, adopted May 16, 1995, RCW 84.15.005, <https://app.leg.wa.gov/RCW/default.aspx?cite=84.14.005>

be reserved as affordable housing, and a 20 year tax exemption for new multi-family housing where 25% of units will be sold to a qualified nonprofit or local government to be resold as affordable housing.⁹ While this program was created to encourage the construction of more housing, and specifically calls for the construction of affordable housing, by providing an eight year exemption for any new multi-family housing, and a twelve year exemption for new multi-family housing with limited-term, limited-volume affordable housing, there is no incentive for the creation of long-term affordable housing.

3. Policy Recommendation

The issue of rent burden is inherently tied to housing supply. Relying on private landowners and developers to solve the housing supply issue is a long-term project with no certainty of long-term affordable housing. Therefore, the solution for increasing housing supply should come directly from a federal low-interest loan and grant program encouraging the creation of municipally owned social housing across all income levels.¹⁰ Using previously acquired municipal land, and establishing new public land trusts in areas where unused publicly owned land is unavailable, a federal program for municipal housing could lead to a revitalization of urban living, providing new housing, new job opportunities, and a new sense of community in mixed-income residences.¹¹

⁹ “Overview of Changes to the Multifamily Housing Property Tax Exemption Program.,” [www.commerce.wa.gov](https://www.commerce.wa.gov/wp-content/uploads/2021/11/Overview-Legislative-Changes_MFTE.pdf) (Washington State Department of Commerce, n.d.), https://www.commerce.wa.gov/wp-content/uploads/2021/11/Overview-Legislative-Changes_MFTE.pdf

¹⁰Gowan and Cooper, “Social Housing in the United States.”

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