The Role of the Private Sector in Addressing Housing Underproduction

by Heather Higginbottom

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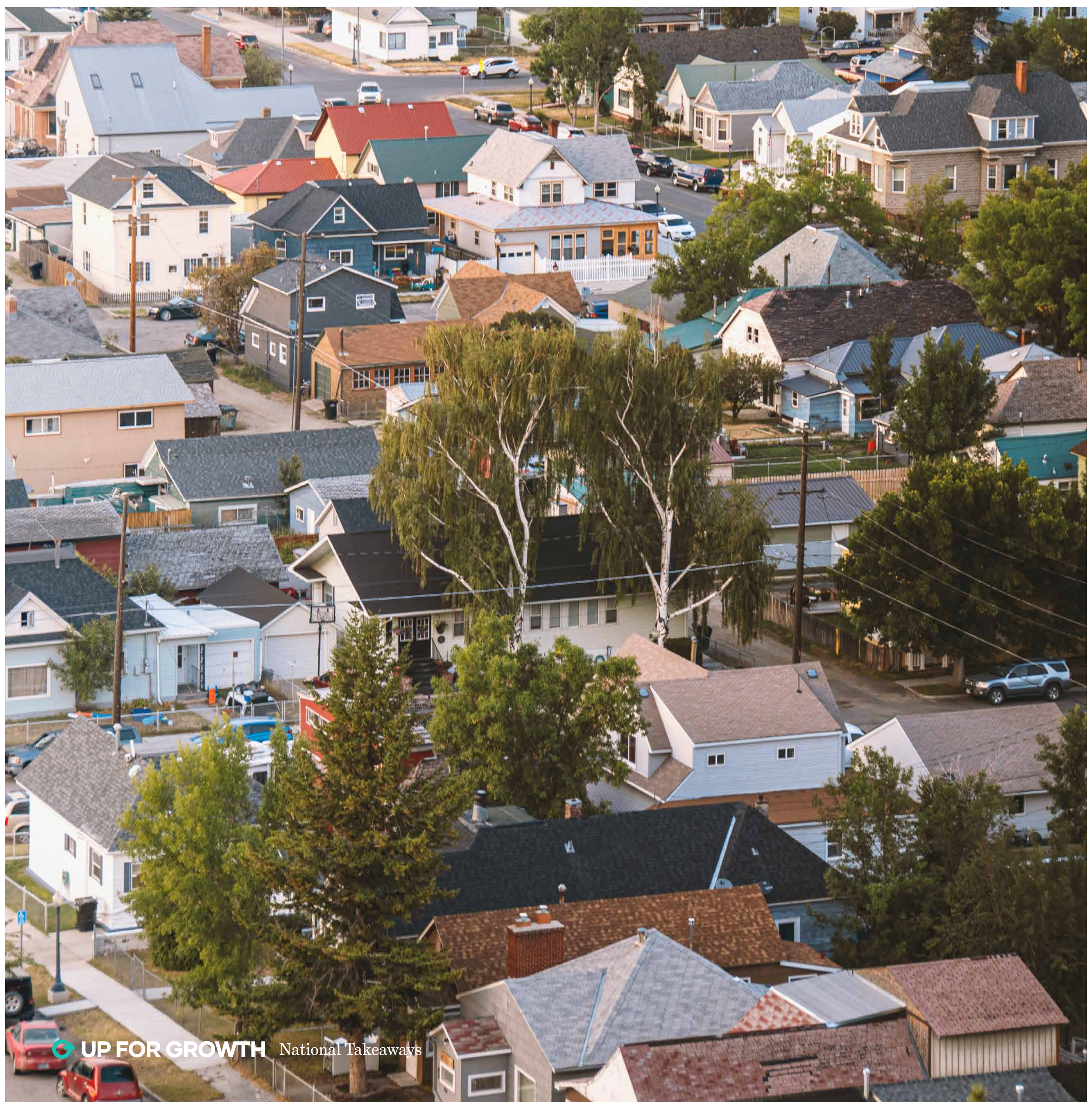

The acute shortage of affordable homes in a growing number of places across the country is a significant impediment to shared prosperity. Housing affordability is a concern for government and community leaders and must also be a priority for the private sector. A housing market that meets the needs of workers and families is a foundation for inclusive economic development, financial stability, and wealth-building opportunities.

Many private sector leaders understand the critical intersection between a talented workforce and the availability of quality, affordable, opportunity-connected housing. Workers choose jobs based on the opportunity, location, length and mode of commute, and pay relative to the cost of living. Today, however, many workers struggle to find employment opportunities that enable them to meet their housing needs. In their 2023 Out of Reach report, the National Low Income Housing Coalition found that the cost of renting a one- or two-bedroom apartment exceeds median wages across the country, sometimes by a wide margin. The report also found that the shortage of affordable rental units disproportionately impacts women and Black and Hispanic workers.

While we have seen progress in some places in recent years, headwinds persist. Elevated inflation, which has contributed to the recent surge in housing costs, has impacted individuals' purchasing power. JPMorgan Chase Institute research shows declining real cash balances across all income levels and racial groups since the COVID-19 pandemic, reaching a three-year low in March 2023 (Wheat & Deadman, 2023). Higher interest rates, aimed at reigning in rising prices, further threaten the affordability of homes for purchase and curtail financing for new development.

Given the scale and complexity of this challenge, we believe the private sector must partner with government and nonprofit organizations to design, implement, and scale collaborative, cross-sector solutions to housing underproduction, affordability, and equity. Three actions stand out. First, firms should consider the full range of business practices and assets that can be leveraged for housing development and access. Second, business intelligence should inform housing policy design and drive attention and action. And finally, businesses should support community-led initiatives for improving housing options for working families.

The private sector is diverse in business size and structure, workforce employed, customers and communities served, and products and services offered. Companies can leverage their unique assets for housing development and access. As a large financial institution, for example, JPMorgan Chase announced in 2022 a 5-year, $30 billion commitment, of which $14 billion was allocated toward financing the creation and preservation of 100,000 multifamily rental housing units in underserved communities. We have already surpassed that goal. At the end of 2022, our Commercial Term Lending Affordable Housing Preservation program provided $18 billion in lending to incentivize the preservation of 169,000 units, funded an incremental $3.8 billion

of construction and rehabilitation of 7,500 affordable housing units for low- and moderate-income households, and expanded Low-Income Housing Tax Credit (LIHTC) investments by an incremental $1.18 billion.

Other organizations will have different resources, expertise, and influence, each of which they can use to help increase access to housing that the U.S. workforce can better afford. Hospitals, for example, can help close the financing gap for affordable housing. Aligned with community health objectives and tailored to employee needs, hospitals can donate land, enhance credit or provide direct loans to lower financing costs, and contribute staff time or grant funds to support the capacity of community-based organizations working to develop accessible housing (Reynolds et al., 2019). JPMorgan Chase is working to help broaden the housing finance ecosystem by providing financing to health systems and other anchor institutions, mission-oriented impact funds, real estate investors, and private corporations to develop new housing with rents attainable to a broader income range than traditional affordable or market-rate housing.

The expertise and knowledge of the business community can help inform policy and drive action. For example, JPMorgan Chase PolicyCenter's research on the manufactured housing ecosphere and insights from community partners informed our recommendation to modernize home manufacturing and implement policies that could elevate manufactured housing as a viable homeownership pathway (2023). Based on the firm's experience financing affordable housing through successful public programs like LIHTC, JPMorgan Chase identified the need for expanded public funding and regulatory reform to increase the supply of high-quality, affordable homes for purchase and rent. We support the proposal to create a new federal Neighborhood Homes Tax Credit to help homeowners renovate single-detached homes in low- to moderate-income neighborhoods and the removal of state and local barriers to affordable housing production in opportunity-connected communities, including restrictive zoning and land use policies (JPMorgan Chase PolicyCenter).

Across the nation, community-led initiatives are working to improve housing availability for millions of working families. By working with businesses that can provide financial support, lend the expertise of their employees, or elevate promising and impactful projects and initiatives, these organizations can focus on housing underproduction, unavailability, and inequity. Testing and scaling a wide range of models that meet the needs of different communities will be important to make incremental but meaningful progress in combatting underproduction.

For example, our firm granted funds to Genesis LA and other community partners to leverage pro-housing policies like California's SB 9 to develop new models of homeownership and increase the number of units built on lots previously zoned for single-detached homes. We also provided funds to the nonprofit developer Come Dream Come Build to pilot a volumetric modular construction model to lower costs and increase access to homeownership in Rio Grande Valley, Texas, with plans to scale in other states.

Beyond grant funding, we provide impact-focused equity investments in promising market solutions, such as a mixed-income housing fund managed by MSquared, a woman-owned real estate development and fund management company dedicated to creating mixed-income, mixed-use projects in fast-growing and increasingly unaffordable metropolitan regions, addressing a critical market gap.

Tackling the challenge of housing underproduction may seem daunting. Policies and practices implemented over decades have played a part in structural undersupply that will take many years to resolve, even with maximal effort. These policies have also contributed to residential segregation, linking housing availability with intertwined challenges of educational, economic, and environmental equity.

We believe this daunting challenge can be met with policymakers, community leaders, and the private sector joining together to advance change. Working collaboratively across sectors, we can address the structural barriers that keep many residents from being able to put down roots, call a neighborhood home, and plan for the future.

AUTHOR BIO

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Prior to joining JPMorgan Chase, Higginbottom served as Chief Operating Officer of CARE USA, and Deputy Secretary of State for Management & Resources for the United States State Department from 2013–2017. In the White House, she served as Deputy Director of the Office of Management and Budget and as Deputy Assistant to the President and Deputy Director of the Domestic Policy Council.

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