

Barriers to Affordable Housing

A “big picture” overview

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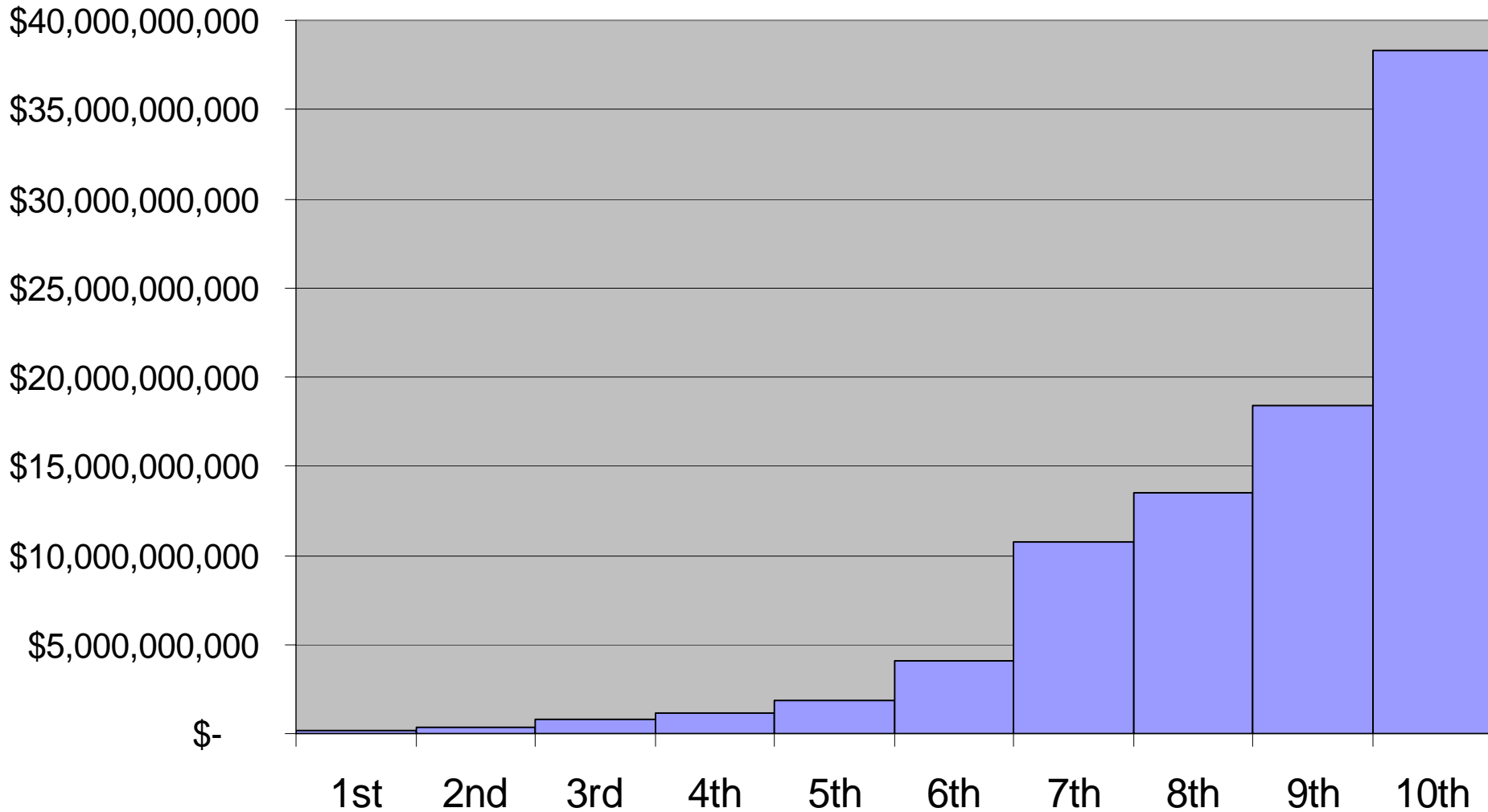
“Big picture” outline

1. Current system overview
2. Political dynamics driving the current system
3. Changes to the current system

The highly regressive nature of non-HUD housing policy

- National examples
- Local examples

Tax cost of mortgage interest deduction by income decile (2004)



Local poverty taxes

Impact on Construction Costs

	\$1MM Single Family Housing	Affordable Housing
Min. Lot Sizes	\$0	↑10%+
Min. Sq. Footage	\$0	↑10%+
Anti-Manufactured Housing	\$0	↑10%+
Anti-Multifamily Housing	\$0	↑10%+
Brick façades and granite countertops	\$0	↑5%+

Benefits of local poverty taxes

- Prevents new poor people from entering
- Removes existing poor people
 - Restricting supply → increased rent
 - Ex: removal of existing manufactured housing parks in Oconee County

- Improves property-tax-to-service ratios
 - Dollars per student
 - Officers per criminal incident
- Supports wealth of current homeowners
 - Better services
 - Less negative spillover of poverty correlates

Local political dynamics

- Well represented groups
 - Owners
- Underrepresented groups
 - Renters
- Unrepresented groups
 - Prospective residents

Two local power scenarios

- Open growth (rural/exurban)
 - Dominance of landowners
 - Allowing open use improves raw land prices
 - New services to less developed areas
- Restricted growth cartel
 - Dominance of homeowners
 - Cartel: Restrict new supply (quantity or price)
 - Supports prices for current holders of the resource
 - Complex supply restrictions also improve rent-seeking and political fundraising opportunities

Problems of local poverty taxes

- Fallacy of composition
- Local benefit creates societal detriment
- Highly regressive
- Ethics?

Old style local-national interaction

Local rules create artificial housing shortages

Anti-manufactured,
Anti-multifamily,
Size minimums,
Rental regulations,
Eviction costs



Artificial shortage creates affordable housing crisis



Disadvantaged communities are financially unable to provide housing resources



Housing crisis generates political support for HUD construction of government housing



New style local-national interaction

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Artificial shortage increases area rents



Voucher payments increase based on area rents



Voucher payments expand consuming other HUD programs and personnel

HUD: the new free market renter advocate?

The biggest “problem” of HCVP may become its biggest advantage

- Disadvantaged poor renters
 - Small political clout
- Disadvantaged major government agency
 - More political clout

Solutions?

- You probably can't successfully fight a local cartel at the local level
- Change the decision level
 - Federal funds tied to local removal of artificial supply constraints
 - State limitations on supply constraints
 - Note importance of careful drafting given the California duplex experience
 - Setting overall target percentages / levels for affordable housing zoning
 - Local government decides where, not if