

Why So Challenging?

Why so challenging? asked the housing joker and would not stay for an answer.

When so many communities say they want affordable housing, why does it not spring forth out of the public fisc? Many know why; few will say aloud; fewer will prescribe necessary changes; almost none act on them. Here are my top American home truths. Be warned: you will not like all of them. You will tell me many are impossible. Maybe so: but you never get what you do not ask for.

Market-equilibrium housing is unaffordable to low-income people because urban land prices rise to meet median incomes, not lower incomes. Buildable square feet are finite, vertically constrained by technology, engineering and zoning. Beyond this, most cities allocate most of their zoning-created newly buildable square feet to real estate uses more economically valuable than affordable housing.

What to do? As a start, teach land-use economics to government officials—whether elected, appointed or career civil servants—so that officials cannot plead ignorance to the adverse side-effects of the urban development choices they make.

Worsening affordability is typically slow and invisible. Housing unaffordability builds up steadily under the camouflage cloak of favorable economic news. We don't notice until it hits our costs, and then we want relief immediately.

What to do? Embed real estate development and co-development expertise an instrumentality of city government, constantly replenished via a feeder system (scholarships, internships, academic practicum) from the top business universities in the area, to pump out to the public quantitative studies, forecasts, position papers proving the severity and blockages, and to pump into the hidebound city administration new entrepreneurial ideas, new tech and change-impatience.

Our household affordability is anachronistically low. In 1969, when Senator Edward Brooke of Massachusetts proposed mean-testing housing assistance, he set affordability at 25 percent of Adjusted



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Gross Income (AGI). It was raised to 30 percent in 1981. That was 40 years ago, an interval of massive American de-suburbanization and re-urbanization, concentrating job growth in supply-constrained megacities. Today, real affordability for working low-income households is roughly 35 percent of household income, higher in denser places.¹

What to do? Raise it to 35 percent. (Stand by for blowback. But see next point first.)

Affordable housing is used as a topical ointment against structural poverty. When it comes to poverty, the critical indicator isn't the percentage paid for housing and mandatory transportation (chiefly commuting), but what the family has left over once those are paid. That residual income should be thought of not in terms of percent of AGI, but rather as a monthly quantum. It should be compared against the cost of basic urban necessities: food, children's education and healthcare. Force a family to cut into those and you have not just poverty but a *structural perpetuation* of poverty.

What to do? Separate the poverty problem from the housing-cost problem and give the poverty problem back to the Department of Health and Human Services where it belongs. As Medicaid and Medicare are entitlements,² give HHS all the Section 8 and Housing Choice Voucher appropriations, and mandate they add a housing allowance to Medicaid/Medicare benefits. (Crawl under your desk for blowback.)

Housing becomes a crisis only when markets are suddenly squeezed. Markets can spasm-squeeze faster than median incomes respond,³ and an order of magnitude faster than urban approval pipelines create more affordable housing.

¹ From my experience, worldwide the most common mortgage payment-to-income (PTI) ratio is 40 percent; 45 percent is frequent and in a few countries 50 percent or more.

² As far as I know, deeply affordable housing is the only major anti-poverty domestic initiative that isn't an entitlement, reaching fewer than one household in four that could qualify for it.

³ Cf. inflation in 2022, or hadn't you noticed?

What to do? Prevent strangulatory rules! Remove, prune or prevent the growth of new development barriers (cash⁴ and non-cash⁵) that make housing more costly. Implement automatic unaffordability counter-measures, such as inclusionary zoning across the board (state-level enabling legislation pre-empting local neck tourniquets). Enact development-releasing safety valves (e.g., higher density as-of-right, fast-track zoning approval of rezoning or variances with high-concentration affordable housing⁶) based on externally observable metropolitan market metrics.⁷

Policy action usually happens only in a political crisis.

Affordable housing becomes a policy crisis only when elected officials see pressure from an upset citizenry as re-election-threatening. Because government is a factory that makes only two products, laws and money, legislators under news-cycle pressure grab whatever's on the shelf, seldom reading the labels.

What to do? 'Perpetual instant readiness.' Have prepackaged solutions, well written and backed up by quantitative policy analysis, that can be adapted to local contexts speedily and with broad stakeholder endorsement. Keep it cogent, keep it timely and keep it actionable.⁸ Be ready, and when the window opens, ask fast, bold and big.

Direct government intervention always fails: the hastier, the worse. Laws and money become outcomes and impact only when these raw materials are transmuted by private-sector parties (developers and investment bankers) who are so much unlike elected or administrative officials they might well be different species.

What to do? Co-evolve the ecosystem so that (a) government sees and acts upon the necessity for public-private-partnership oriented systems for development, ownership and financing of affordable housing, and (b) the private sector grows double-bottom-line muscles, whether via (i) nonprofits that learn business

thinking, or (ii) for-profits that embrace mission ethos. This convergent evolution takes decades - fortunately, American affordable housing is a long way into this growth.

Change in affordable housing takes longer to appear than political event horizons. Delivering meaningful inventory or market change, whether creating new affordable units and boosting customers' ability to pay, takes years, usually after the next election. Both stimuli have adverse side effects that show up faster than the benefits do, usually before the next election. Conscience doth make cowards of them all and lose the name of action.

What to do? Elect policymakers with vision, back-bone and integrity.

And no, I don't know how to do that. But that's what making affordable housing less challenging actually takes. **TCA**

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⁴ Cash assessments, fees and transfer charges (e.g., making developers pay to replace obsolete trunk infrastructure).

⁵ Ad hoc extended development review bodies where parties with no standing and no downside can stall development for years based on one whack-a-mole objection after another.

⁶ Careful drafting is required to prevent this from being market-captured for upzoning flips instead of genuine enduring affordability.

⁷ Say, home prices or rental increases rise by more than 150 percent of the Consumer Price Index for any 18-month period.

⁸ All this costs money, and because it rapidly goes stale, the money to maintain readiness is continuous. Few stakeholders will invest in rigorous perpetual instant readiness, which is why so much policy is half-baked.