

The Story of Affordable Housing:

How did we get in this affordable housing mess?

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As a member of the Affordable Housing Council in Frederick County, I spend a lot of time looking at houses on Zillow and the Frederick News-Post.

This is no news to anyone, but I can assure you that houses are more expensive than ever. Here in the Baltimore/Washington, DC region, it's shocking.

Buyers are paying 15-20 percent above asking price now. One realtor friend told me that for one of her listings, there were 32 offers, all above asking price. That means there were 31 unhappy and unsuccessful home seekers.

And renters have it no better.

The National Low Income Housing Coalition found in 2018 that a renter working 40 hours per week and earning minimum wage can afford a typical two-bedroom apartment and not be cost-burdened (meaning they don't spend more than 33% of their income on housing costs) in exactly zero counties nationwide.

Our area for years has been an extreme example of how hard it is to find affordable housing in the U.S.

Even some Metro bus drivers sleep in their cars at night because they can't find affordable housing near their work. Some school teachers in this region can't afford to live in the counties where they teach.

But it is not just the DC area. The lack of affordable housing is a nationwide problem. Over the last couple of years, we've seen housing prices reach a level they've never reached before in American history.

The median price for a house in America is now \$350,000. That may not sound like a lot for this region, but keep in mind it includes all regions of America, rural and urban. Those prices have made rents more expensive and home ownership unobtainable for millions of Americans.

How did this happen and how can we fix it?

We can think of today's exorbitant housing prices as a result of a supply and demand problem. The problem is the supply of houses isn't matching demand.

On the demand side, there has been a generational shift in who is buying homes. Millennials are now the largest generation in American history, and they are aging into their prime home-buying years.

On top of that, until very recently, mortgages have been at an all-time low, which means it is very cheap to borrow the money to buy a house. That has enticed people to buy if they can, making demand for houses even higher.

From 2010 to 2019 there were fewer homes built in the U.S. than in any decade since the 1960s. In particular, the construction of smaller, entry-level homes, the kind made for first-time home buyers, has dropped even more dramatically.

In the 1980s those “starter” homes made up about 40 percent of all homes built. Today, it is closer to 7 percent. In 2018, one estimate said the U.S. housing market was 2.5 million homes short of demand. By the end of 2020, it was 3.8 million.

Moreover, 55 percent of adults under age 30 say the lack of affordable entry-level home is a major problem, up from 39% just a few years ago.

This shortage is driving a big part of the problem, both for renters and prospective homeowners. It is worse in places where demand is highest, such as near good jobs, transit and schools.

One straightforward solution, of course, is to simply build more affordable homes in those desirable places. For years, however, there has been one big obstacle to that—builders aren’t allowed to.

Zoning or local regulations that decide where things can be built overwhelmingly favor single-family homes over multi-family homes. What that means is that zoning boards have banned the ability for anyone to build anything other than a single unit of housing on that land.

In many towns, zoning boards have excluded all types of multi-family housing from their neighborhoods. And not just large apartment buildings. Things like duplexes and fourplexes are illegal in most of the country. This is a huge determining factor for the housing shortage in the U.S.

We need states to step in and preempt municipalities from enacting and enforcing land use restrictions that raise housing costs. Land use control is constitutionally guaranteed to states, not municipalities. However, states often

delegate the authority to municipalities. But they can and should take it back when cities don't use it for public benefit.

Single-family-only zoning is just one way local zoning boards limit how much housing can be built.

Many places also employ height restrictions. In many municipalities some areas are zoned for multi-family buildings, but they don't allow any building over two stories high. This drives down supply.

Parking requirements are often written into zoning laws, too. Many laws require the set-aside of two parking spaces for each unit of multi-family housing. So, if you were building an apartment complex of 100 units, you would need to find space for 200 parking spots. This usually means buildings of that size don't get built at all.

Builders must lower the number of units they build in order to save space for parking even in areas with effective transit systems. Those units become more expensive because the land is still the same cost to the developer. What could have been reasonably affordable units become units for those with higher incomes.

Another feature of many zoning laws is minimum lot sizes. That means builders are legally required to allot a minimum amount of land for each home, often a large amount of land.

In some communities, most single-family lots must be at least 5,000 square feet each. Starter homes are usually around 1,500 square feet, or at least they used to be. In cases like this, communities have effectively banned that type of housing.

In other communities, the minimum lot size for homes is one acre, or more than 43,000 square feet, which makes it virtually impossible to build any kind of affordable homes there.

These "exclusionary" zoning laws push builders across the country to focus on bigger, luxury homes instead of smaller, starter homes or multi-family homes.

What zoning boards are essentially saying is that we are only allowing people who have already benefited from the wealth of this country, who have built their

incomes with access to high-opportunity jobs and education, to live in our neighborhoods.

Historically, some of the first zoning laws in our country were engineered to block people of color, particularly Black Americans, from living in predominantly White neighborhoods.

Today, the laws don't explicitly mention race, but they continue to worsen segregation. In most municipalities, the more single-family zoning for a neighborhood, the whiter it is.

But all this has another effect as well. By shrinking the pot of new housing getting built, while the demand keeps rising, it drives up the cost of housing for everyone.

Unfortunately, changing zoning laws can be difficult. The biggest obstacles are often the wealthiest, better-connected residents. The process is usually defined by who shows up at the public meetings.

What you often have is a whiter, wealthier crowd—the ones who say "I don't want this in my community." Or, "I'm concerned about what will happen to my property value." And of course, there's the old code phrase "changing the neighborhood character" that gets thrown around all the time.

Remember those teachers I mentioned previously who can't afford to live in the counties where they teach?

In 2018 one local school district proposed a solution: build affordable housing units specifically for teachers. It caused an uproar among the parents who petitioned against "changing the neighborhood."

It may not seem like a big deal when one wealthy neighborhood blocks one multi-family development, but the problem is, it happens all the time. Communities block new housing everywhere.

People are confused when they hear that affordable housing is coming to their neighborhood. They say they don't want giant apartment buildings. And they are right, not every neighborhood should have giant apartment buildings. But affordable housing is much more than large apartment buildings.

Even small, gradual changes to zoning laws can have an impact.

For example, allowing smaller homes on smaller lots, or simply allowing duplexes would double available housing in some areas. In recent years some cities have taken the huge step of ending single-family zoning.

But the problem is nationwide. The real fix is going to happen when these decisions start being made and regulated at the state or federal level in some capacity.

Increased automation of the construction process can help. There's some innovation happening now with modular construction and 3D printing but productivity growth has been slow. States can help by mandating that manufactured housing is permitted housing in any zoning code.

The federal government isn't blameless, either. Many incentives have been written into the tax code to encourage home ownership over other asset classes as our country's primary wealth-building mechanism. Now, most American homeowners expect the sale of their home to finance a large part of their retirement. This means that property values must be maintained at all cost.

The Biden administration is attempting to help at the federal level by tackling exclusionary zoning through a five-billion-dollar program that would give money to localities that remove exclusionary zoning policies.

This is more than any presidential administration has done on this topic. They understand the problem and they want to take action, but they have not been willing so far to risk the kind of sweeping action that could cause political fallout from high-value suburban voters.

Ending America's housing shortage will require real political willpower. And it will take people across the country taking a good hard look at their own neighborhoods and understanding what gets built and who gets excluded, and how to make home ownership achievable for the millions who are shut out.