

When Will Affordable Housing Advocates Push For More Supply, Fewer Rules?

Forbes, by [Roger Valdez](#), Contributor, July 12, 2016

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Advocates for subsidized, low-income housing are good at calling for more money to build subsidized housing to offset high housing prices. But why are housing prices so high in the first place? The lack of market rate supply contributes to high prices that puts market rate housing out of reach, and as long as that problem goes unaddressed, more and more subsidies will need to be wrung out of funding sources already spread thin. Affordable housing advocates need to start calling for fewer rules and regulations that slow the production of market rate housing and add costs to subsidized housing as well.

Generally speaking, affordable housing is the term used for housing built for people who earn 60 percent of Area Median Income (AMI) or less. Usually these units of housing are paid for through the Low Income Housing Tax Credit (LIHTC) program and various other local subsidies. The threshold for affordability has been arbitrarily set by the Department of Housing and Urban Development (HUD) by a normative standard that a unit is affordable if it is priced at 30 percent of a household's gross monthly income or less.

The National Low Income Housing Coalition (NLIHC) wants the federal government to "increase its investment in housing in order to produce, rehabilitate, and/or subsidize at least 3,500,000 units of housing." That means, "at least \$5 billion a year, with a goal of \$30 billion a year for 10 years." That would be \$300 billion dollars in a decade. But is that cost number too low?



Based on a report I wrote about last year, in California the average cost of a subsidized unit is about \$288,000. Even if those 3.5 millions units cost half the California average, that still would be \$500 billion. While unit cost for housing varies widely by geography, most estimates for market rate housing in a city like Seattle are in the \$150,000 to \$200,000 range. And as the California report points out subsidized housing costs more to produce. One project in Seattle, 12th Avenue Arts, had a \$47 million price tag for 88 units, about \$500,000 per unit.

It has been well researched and established that regulation and rules and public process in land use and zoning codes contribute to the costs and thus the price of housing. The California report found that, neighborhood opposition, design review, and parking requirements drove up costs and limited production. The study also found that dense projects with more and smaller units are also less costly per unit to build.

All of these things are true of market rate developments, but those projects can only offset additional costs one way: higher rents. And subsidized projects also suffer with even more unique onerous rules to follow imposed by funding sources. But why aren't affordable housing advocates prioritizing lowering these costs by pushing for elimination of costly rules but instead only asking for more money to pay for those costs?