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A New Approach on Housing Affordability

Some Democratic presidential candidates are emphasizing the need to build more housing. That could make a big difference.

By The Editorial Board

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A growing number of Americans are struggling to cope with the high and rising cost of rental housing in the United States. On any given night last year, more than half a million Americans were homeless. Nearly 11 million households managed to keep a roof over their heads only by spending more than 50 percent of their income on rent, sharply curtailing their spending on food, health care and other needs. Millions more cannot afford to live in the neighborhoods where children are most likely to thrive, or in the cities where jobs are concentrated.

Democratic presidential candidates are promoting industrial-strength plans to ease the pain. The ideas come in two flavors: subsidies for renters, and efforts to increase construction.

The focus on construction is a welcome development. The United States is in the depths of a decade-long construction drought that is driving up the cost of existing homes. Builders added about 1.2 million units last year; Harvard's Joint Center for Housing Studies estimates the nation needs another quarter-million units a year to keep pace with population growth. A key reason for the shortfall is that local governments are impeding construction.

Three candidates — Senator Cory Booker of New Jersey; Julian Castro, the former secretary of housing and urban development under President Barack Obama; and Senator Elizabeth Warren of Massachusetts — have proposed that the federal government should pressure local governments to allow more development. Mr. Booker and Mr. Castro have proposed that the federal government should require local governments to adopt land-use reforms before they can obtain federal funding for infrastructure projects. The point is not to

mandate construction of skyscrapers in place of suburban subdivisions. Rather, it is to require local jurisdictions to make reasonable plans to accommodate population growth — for example, by allowing small-scale apartment buildings in single-family neighborhoods. It is simply not in the public interest to subsidize infrastructure in cities that are preventing housing construction.

Ms. Warren has proposed a variant on the same theme: awarding \$10 billion in new funding to governments that adopt land-use reforms. In addition to the philosophical case for using carrots rather than sticks, Ms. Warren's program aims to induce greater participation by wealthy low-density communities that receive relatively little money from existing programs. This is similar to the Obama administration's Race to the Top education grants, which were awarded to states that adopted changes like performance-based teacher evaluations. Forty-six states and the District of Columbia sought grants under that program, and 18 states, along with the district, enacted policy changes.

More market-rate development is a worthy goal in its own right, because middle-income households increasingly are unable to afford housing in the metropolitan areas where economic opportunity is concentrated. Expanding the supply of housing also helps low-income families who might otherwise find themselves priced out of their apartments.

This embrace of deregulation merits particular praise because the states most resistant to allowing housing construction are the strongholds of the Democratic Party, in the Northeast and along the Pacific Coast, and the most resistant voters are the wealthy residents of those states who provide so much of the funding for Democratic presidential campaigns.

There is also a real prospect that a Democratic president could persuade Republicans to adopt such a plan. Some Senate Republicans have expressed broad support for the concept; President Trump recently created a White House council to explore the issue.

Market-rate development, however, is not a sufficient solution. For millions of lower-income Americans, the rent is simply too high. A variety of government programs, including public housing, subsidized housing and rent vouchers, provide affordable homes for roughly five million families. But as many as 18 million more need similar help. Families with small children who spend more than 50 percent of their monthly income on rent must forgo other necessities. On average, they spend 35 percent less on food and 74 percent less on health care than families with the same incomes who are able to find affordable housing.

Several presidential candidates have proposed expanding federal subsidies for renters.

Senator Kamala Harris of California has proposed a new tax credit, at an estimated cost of \$93 billion a year, for lower-income renters who spend more than 30 percent of their income on housing. Mr. Booker has proposed a more generous tax credit for renters that would cost about \$134 billion per year, largely because it does not phase out benefits for renters whose incomes approach the maximum for eligibility. And Mr. Castro has proposed an even more expansive — and expensive — package: He would offer housing vouchers to any family making less than 50 percent of the local median income, roughly quadrupling the existing Section 8 housing voucher program, and he would offer a tax credit to any family making between 50 and 100 percent of the median income and paying more than 30 percent of its income in rent.

The four candidates — Mr. Booker, Mr. Castro, Ms. Harris and Ms. Warren — also have proposed policies to increase homeownership, particularly among minorities. Such policies, if successful, could ease the demand for rental units. But the details of their proposals vary significantly, and deserve separate consideration.

The plans for rent subsidies reflect a tendency among the crowded field of Democratic candidates to behave as if the election were an auction in which the highest bidder will claim the nomination.

The Harris plan is particularly ill conceived because she has not proposed any companion effort to increase the supply of housing. There is a surface logic to giving money to people who can't afford to pay the rent. Increasing the demand for housing without increasing the supply, however, tends to drive up prices. A 2005 increase in the value of federal housing vouchers ended up lining the pockets of landlords, according to one study.

Mr. Booker and Mr. Castro both have proposed to increase federal subsidies for the construction of affordable housing, but the dollar figures are dwarfed by the subsidies for renters. The priorities should be reversed: Building housing should be the primary goal.

Ms. Warren has avoided any increase in rental subsidies, proposing to focus exclusively on construction. But the implicit logic, that any given dollar is best spent on building, goes too far. Increasing the supply of housing is the work of decades, and many lower-income families require rent subsidies even to afford construction-subsidized buildings.

Rent subsidies also hold promise as a tool for reducing residential segregation. Poor children raised in economically diverse neighborhoods thrive by comparison with those raised in concentrations of poverty, yet subsidized housing tends to be built in neighborhoods with high levels of poverty. Under the Obama administration, renters in some cities were offered larger vouchers if they agreed to move to areas with better schools, where housing tends to be more expensive. The early results were promising, and the

program deserves to be revived and expanded. Proposals to make federal infrastructure funding contingent on land use reform also might be usefully extended by requiring affluent communities to accept affordable housing projects.

The federal government is an irresistible force when it chooses to prioritize an issue. It is past time to prioritize the availability of affordable housing.

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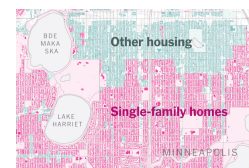
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