



Progressives, libertarians blame government for affordable-housing crisis

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In this age of political and ideological polarization, it's rather extraordinary when progressives and libertarians find themselves on common ground. But that's what happened last week at the Cato Institute's policy forum on affordable housing.

Progressives on the panel wanted higher urban densities to allow more people to live in central cities, while their libertarian counterparts pushed for less market restrictions on the supply side. But both were in general agreement that too much government regulation is the real reason that affordable shelter is still too hard to find for many Americans.

Left-leaning economist Ryan Avent, author of "The Gated City," pointed out that housing costs in the United States no longer closely track construction costs like they did over the previous three decades. An advocate of high-density urbanization, Avent noted that "layer upon layer of barriers" -- including overly restrictive zoning, historic preservation and environmental regulations, and pressure from local elected officials -- have added a "shadow tax" of 30 to 50 percent to the cost of a home in some markets.

That shadow tax makes homes in areas like the Washington region, with plentiful jobs and a well-educated populace, up to twice as expensive -- and therefore twice less affordable -- than they would otherwise be.

Government restrictions also explain why "the highest-value places are not allowed to grow and prosper as they should," added Slate business and economics reporter Matthew Yglesias, who blamed zoning regulations for blocking the higher levels of urban density that the market, responding to consumer demand, would otherwise provide.

Yglesias, author of "The Rent Is Too Damn High," cited the failure of D.C.'s New Cities affordable housing program, one of many similar attempts by government officials to blunt the inevitable results of their own intervention. "The first market-rate units were sold, but the affordable units were not sold" because the people who needed them couldn't qualify for the mortgage -- "benefiting nobody," he glumly added.

What would a city look like if it ditched the multiple layers of zoning and other regulation that keeps housing unaffordable for many people?

It would look like Houston, said Cato Senior Fellow Randal O'Toole, author of "American Nightmare: How Government Undermines the Dream of Homeownership." O'Toole pointed out that the Texas city, which does not have a formal zoning code, is the fastest-growing urban area in the U.S. Families can still purchase a brand-new, three-bedroom, two-bath home there for \$110,000 -- six times less than the price of an equivalent home in tightly zoned San Francisco.

Controls on land use in Houston are imposed by deed restrictions and private covenants that can be modified if and when conditions change. The surprising result of this libertarian policy is that sections of the central city have European-like density that progressives in cities like Washington only dream about.

In 1969, the median price for a home was approximately twice the median family income, O'Toole noted, the very definition of affordability. By 2006, it was four to nine times the median family income. "The difference is that government got in the way." O'Toole's solution: Get rid of zoning, planning and regulations.

Adam Gordon, staff attorney for the Fair Share Housing Center in New Jersey, agreed that "regulations are out of control," pointing out that some left-wing groups have begun suing to deregulate local housing departments because "some zoning is used purely as an exclusionary mechanism" to keep perceived outsiders out of the neighborhood.

The dirty little secret, acknowledged by progressives and libertarians alike, is that government created the affordable-housing crisis it now pretends to solve.

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