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Unfair Policies Drive Up Home Prices

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In an [article for CNN](#), Democrat vice presidential candidate Tim Kaine outlines his and Hillary Clinton's plan to promote fair housing – indeed a laudable goal and an issue that deserves more attention. Sadly, there were days in which housing was denied to Americans based on race, religion, sex and for other unjustified reasons. We have certainly come a long way in improving equal access to housing, but today a big problem is *affordability*. Housing prices are just too high for many Americans in certain cities.

As Cato Institute Scholar, [Randall O'Toole explains](#) in a recent blog post, free markets are not the source of this problem; it's largely created by dumb government policies. Housing prices within the metro regions of places like Los Angeles, Portland, Ore., New York, and Washington D.C. are inflated in good measure due to misguided urban planning policies and, ironically, government affordability programs.

Consider government zoning programs, which once were used for the insidious purpose of segregating populations based upon race. The federal Civil Rights Act of 1968 (also referred to as the federal Fair Housing Act) eventually barred all housing discrimination based on race, color, religion, or national origin, yet today many zoning policies still disadvantage low-income families.

In his essay "[An Economic History of Zoning](#)," Dartmouth economics professor William A. Fischel notes that during the past several decades, zoning has become a tool of the Not-In-My-Back-Yard (NIMBY) suburban homeowners' movement. Unable to use zoning to keep specific groups of people out of their neighborhoods, the NIMBY activists advocate "smart growth" policies in the name of "environmental protection."

Many of these so-called smart growth policies involve zoning codes that make property too expensive and inaccessible to lower-income families. Such zoning regulations include mandating relatively large lots per house, prohibiting multifamily housing, banning certain home-based businesses, and other restrictions that make housing in these suburbs too expensive for many lower-income families.

Smart growth policies also apply to cities, often promoting high-density housing, which advocates say makes cities more "livable." For example, Oregon imposes "urban growth boundaries" that encircle the state's cities, barring new home construction outside the boundary

in would-be suburbs. Supposedly this protects green space and farmland from the “evils” of suburbanization in a state that is mostly rural anyway.

The boundary around Portland has created severe a housing shortage and high prices. As a result, buying a reasonably-sized home in Portland is only possible for the wealthy, while others go elsewhere or live in one of Portland’s expensive “micro-sized apartments,” confined to just a few hundred feet of living space. An Oregon native himself, O’Toole explains that the only way to solve Portland’s skyrocketing housing prices is to get rid of the dumb growth boundary. He’s certainly right.

Many cities also implement a host of “affordable housing policies” that actually make things worse. Consider rent control or rent stabilization policies that regulate the amount that landlords may charge to renters. The National Multifamily Housing Council (NMHC) details how, by making rentals unprofitable, rent control policies actually reduce available rental housing supply, contribute to urban decay, and provide much more of the benefits to relatively affluent renters than to truly needy families.

Similarly, “inclusionary zoning” policies were designed to address affordability issues, but they benefit a select few and raise prices for everyone else. For example, Washington, D.C., requires developers of certain new and rehabbed housing to sell at least 8 percent of them at rates well below market prices. Few benefit, as these homes are allocated via a lottery, and beneficiaries may include students, recent college graduates, and others who have *temporary* low income. Many truly needy people don’t qualify. Meanwhile, developers offset such costs by charging more for other units.

Researchers Benjamin Powell and Edward Stringham detail in a Reason Foundation paper how such “inclusionary” programs do more harm than good by driving up housing costs. They estimate that these policies increase home prices by \$22,000 to \$44,000 in median-priced cities, and up to \$100,000 per home in high-priced markets. In addition, their data show that “inclusionary policies” reduce housing supply as developers choose to build elsewhere, and the cities that impose these policies lose economic growth and related tax revenue.

Unfortunately, the Clinton-Kaine plan doesn’t address these very real housing problems but instead would rather dole out subsidies for select homebuyers. Like other “affordability” programs, these subsidies will mostly benefit people in better financial situations, as you must have \$10,000 in the bank to qualify.

In any case, more government meddling in the housing market is a poor solution to this government-created problem in the first place. Government regulators need to step back and allow developers to provide housing that people want and need.

Now *that* would be fair.