

How to Make Housing Affordable

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Affordable housing is a national crisis. Many people cannot afford to rent a habitable dwelling, and many more are impoverished by its cost. It correlates with people needing jobs, low wages, and landlords' refusal (including banks) to rent or sell to the highest bidder as soon as vacancies occur.

When you consider the number of housing units sitting empty—not available at an affordable (market clearing) price and the much fewer number of homeless people, then you add in all the vacant lots that once had houses and could have them again, and the people who would like to work, and could restore and rebuild those houses, it is clear; the housing crisis is of our own making.

Because it's a national problem, the high housing cost cannot be fully solved within a single city or even a state. When the local supply of housing (sale or rent) goes up, prices go down until people from elsewhere come for the lower prices and bid them back up. More jobs attract people from other places, and an increase in the local Minimum Wage attracts people and gives them more money to bid up prices and rents. None-the-less, increasing the supply of housing, creating jobs, and raising wages should be done whenever possible.

Housing is a matter of supply and demand. Unless the national supply of housing meets the total need, some people will continue to pay whatever they can rather than go without a place to live (become homeless). And a large percentage of the people who need housing need a job to pay for it; so, housing and jobs are inextricable.

There are Federal programs that give tax credits to builders and subsidize rents for low-income tenants. Together they increase the profits and supply of low-income housing. The Federal government has also provided funding for Publicly owned Housing with more than

a million units. But, in spite of these programs, millions of low-income families are oppressed and exploited by the cost of housing.

Rent control has helped millions of people who would likely have had to move on a local level because of escalating rents. In a very imprecise way, it prevents the landlord from charging the full value of something he didn't provide: the value of the land (location). The unintended consequence is that it creates a vested right in the tenant's priority-of-occupation, and denies others the right to outbid them. Finally, it creates an incentive for landlords to let their buildings deteriorate until the amount they are allowed to charge is closer to what the land and the building are worth together.

As things are, the incentives too often favor land speculation over the provision of housing, which is at the root of the problem. It isn't easy to imagine someone owning a habitable dwelling and letting it deteriorate until it becomes uninhabitable, and even then not selling to someone who would fix it up or replace it. So, how did so many housing units get this way, and why aren't they restored?

In some cases, people get old and defer maintenance on their homes. They die, and their children inherit them. Why don't the heirs repair them or sell to someone who will? Most do, but among those who don't, the land is expected to increase in value more than the building loses value. Quite often, they don't increase as fast as expected, but, like people who gamble, enough win to entice the rest. Some people have psychological inhibitions and refuse to sell. In many of those cases, the laws have not been effective in forcing a sale.

Cities and suburbs make enormous investments in roads, utilities, and public service. And this enables the majority of people to live and work in urban communities. It enables a far denser population to cooperate more efficiently. And for that reason, small quantities of unused and underused urban land cause a significant shortage of jobs and housing. The most blatant examples of unused and underused land that would provide housing come from sites where the area is transitioning from individual homes to multi-family high-rise

apartments and condos or office buildings where the land is rapidly appreciating in value. Like anything that can't be made, no one wants to sell a parcel of land—only to have the guy who bought it get a huge increase in its value. Sometimes large portions of a city block are cleared of all structures, the land is paved, and cars are parked on it for decades while the land appreciates. Surface parking is called a taxpayer because the income from parking cars pays the taxes, while the landowner enjoys all the appreciation of land value.

In 2020, there is a pandemic virus, and many offices personal are able to stay at home and work via the internet. There is an expectation that when leases expire, there will be a glut of office space, as many of these people will continue to work at home even after the virus is no longer a treat.

These units could remain empty or converted to apartments and condos, increasing the needed supply. The key to ensuring they have converted housing and occupied as soon as practical is shifting taxes from income, capital gains, sales, and buildings to land value (the location). If this were done, building owners would then pay less than they do now in total taxes, depending on the new income potential. Still, they would pay the same whether the buildings were fully occupied, whether they were maintained, or whether they were managed efficiently—or not. That would be the incentive to convert and get them settled.

Most cities have slum areas. They had often come about when factories closed, and workers became unemployed. Often industrial sites are polluted, and the cleanup, which must be done before they are sold and re-purposed, usually costs more than the sites are worth. As a result, the land sits idle with rusty steel and broken-down buildings rotting away. Sometimes the land sits idle because it is in the path of commercial development or proposed infrastructure projects expected to increase the earth's value going forward. Housing without the proximity to jobs leads to foreclosures, evictions, and deferred maintenance of housing that brings about urban slums.

The simple yet effective solution to the housing crisis is to shift all taxes to the land's value. The ultimate goal should be to make the land a common opportunity by making the title land conditional upon its rental value payment. No one would pay a purchase price for land, knowing they would also have to pay its rental value to society as well. No one would hold on to land they weren't using or hold it in a seriously underused condition because they would have to pay its full rental value, whether it was fully used or not. By putting the land to full use, it would generate ample jobs and housing for all.

Were we to collect the rental value of land from all its holders, our cities would be rebuilt and developed with greater populations than before. The slums would be rejuvenated because they would no longer be penalized with taxes on the building and no land values out of which to pay them. The highest and best use would generally be higher than before because there would be no building tax to diminish the highest use; the suburbs would no longer have tracks of land growing hay while they increased in value. They would either be used as common parkland or be developed economizing the infrastructure and public services.

So many people would migrate to and toward the urban areas that significant portions of the country's less potentially productive land would no longer have any market demand or value. It would be free for homesteading, and it would provide a free-land opportunity where whatever it cost to produce a house would be the only value that houses would have. That would set the base value of houses and housing everywhere. The value of land would measure only those locational amenities that were superior to the free land, and those payments for superior locations would be paid to the community or society as a whole.