

Connecticut Debate Association

November 15, 2014

Housatonic Valley Regional High School and New Canaan High School

Resolved: The US should increase the availability of economically and socially integrated affordable housing.

Affordable housing

From Wikipedia, the free encyclopedia (Redirected from Low-income housing)

Housing choice is a response to an extremely complex set of economic, social, and psychological impulses.[15] For example, some households may choose to spend more on housing because they feel they can afford to, while others may not have a choice.[17] In the United States[18] and Canada,[19] a commonly accepted guideline for housing affordability is a housing cost that does not exceed 30% of a household's gross income. When the monthly carrying costs of a home exceed 30–35% of household income, then the housing is considered unaffordable for that household. Determining housing affordability is complex and the commonly used housing-expenditure-to-income-ratio tool has been challenged.

United States

The federal government in the U.S. provides subsidies to make housing more affordable. Financial assistance is provided for homeowners through the mortgage interest tax deduction and for lower income households through housing subsidy programs. In the 1970s the federal government spent similar amounts on tax reductions for homeowners as it did on subsidies for low-income housing. However, by 2005, tax reductions had risen to \$120 billion per year, representing nearly 80 percent of all federal housing assistance.[73] The Advisory Panel on Federal Tax Reform for President Bush proposed reducing the home mortgage interest deduction in a 2005 report.[74]

Housing assistance from the federal government for lower income households can be divided into three parts:

- "Tenant based" subsidies given to an individual household, known as the Section 8 program
- "Project based" subsidies given to the owner of housing units that must be rented to lower income households at affordable rates, and
- Public Housing, which is usually owned and operated by the government. (Some public housing projects are managed by subcontracted private agencies.)

In the U.S., households are commonly defined in terms of the amount of realized income they earn relative to the Area Median Income or AMI.[75] Localized AMI figures are calculated annually based on a survey of comparably sized households within geographic ranges known as metropolitan statistical areas, as defined by the US Office of Management and Budget.[76] For U.S. housing subsidies, households are categorized by federal law as follows:[77]

- Moderate income households earn between 80% and 120% of AMI.
- Low income households earn between 50% and 80% of AMI.
- Very low income households earn no more than 50% of AMI.

Some states and cities in the United States operate a variety of affordable housing programs, including supportive housing programs, transitional housing programs and rent subsidies as part of public assistance programs. Local and state governments can adapt these income limits when administering local affordable housing programs; however, U.S. federal programs must adhere to the definitions above. For the Section 8 voucher program, the maximum household contribution to rent can be as high as 40% gross income.[78]

Here Comes the Neighborhood

The New York Times, October 19, 2013, By DAVID L. KIRP

SUBURBIA beckons many poor and working-class families with the promise of better schools, access to non-dead-end jobs and sanctuary from the looming threat of urban violence. But many suburbanites balk at the prospect of affordable housing in their midst.

They fear that when poor people move next door crime, drugs, blight, bad public schools and higher taxes inevitably follow. They worry that the value of their homes will fall and the image of their town will suffer. It does not help that the poor are disproportionately black and Latino. The added racial element adds to the opposition that often emerges in response to initiatives designed to help poor families move to suburbs from inner cities.

Are the fears supported by facts? A comprehensive new analysis of what has transpired in Mount Laurel, N.J., since 140 units of affordable housing were built in that verdant suburb in 2000, answers with a resounding “no.”

Families with incomes as low as \$8,150 — one-third of the poverty level — have been living in a town where the median income is 10 times higher for a family of four. “Climbing Mount Laurel,” co-written by the Princeton sociologist Douglas S. Massey and several colleagues, concludes that this affordable housing has had zero impact on the affluent residents of that community — crime rates, property values and taxes have moved in step with nearby suburbs — while the lives of the poor and working-class families who moved there have been transformed.

For 30 years, local officials waged a battle against affordable housing, as “Mount Laurel” came to symbolize the struggle over the socioeconomic integration of suburbia. In “Our Town: Race, Housing, and the Soul of Suburbia,” which my Berkeley colleagues John P. Dwyer and Larry A. Rosenthal and I published in 1995, we chronicled the controversy. It wasn’t pretty.

Jose A. Alvarez, who was mayor in 1975 when the New Jersey Supreme Court sided with the parishioners in one of the most important civil rights decisions since *Brown v. Board of Education*, regarded the proposed housing units as a deathly threat. “It’s like grafting a good healthy skin so you can graft in cancer skin and blend it in,” he told me. As Judge Edward V. Martino, who presided over the first trial in the case in 1971, said to me, township officials “were treating these people like cattle, even calling them the scum of the earth.”

With the town finding one excuse after another to keep out affordable housing, the New Jersey Supreme Court issued a second landmark ruling in 1983. In the decision, known as Mount Laurel II, the justices ordered all New Jersey suburbs to rewrite their zoning laws and allow a “fair share” of affordable housing. But that was hardly the end of it. Not until 1997, after endless planning board hearings, council meetings, and multiple attempts to reach a legislative solution, was the housing development finally approved.

In 1999, construction started on the affordable housing complex. A year later, the first tenants moved into the Ethel R. Lawrence Homes, town houses whose clean, contemporary exteriors and manicured lawns blended in with nearby market-rate developments. Many came from disadvantaged communities like Camden, just 15 miles away, which has the nation’s highest crime rate.

“A ghetto in the field” was how some townspeople envisioned the new housing. “Everyone was scared, apprehensive of the unknown,” recalls Mount Laurel’s former mayor, Peter McCaffrey, who had been booed by his constituents for supporting the venture. No one could predict whether life in and around the Mount Laurel complex would affirm or mock the ideals of faith, hope, tolerance and equality, names given to streets in the complex.

Thirteen years later the answer is at hand, and it is unambiguously positive. “Climbing Mount Laurel” shows that the well-off residents of the town have been unaffected by the new housing. There have been changes in life in Mount Laurel. But the changes are entirely consistent with those in demographically similar suburbs that surround the township. In all these communities, crime rates fell. Property values rose during the housing boom and dipped during the recession. Tax rates declined. Even in the Mount Laurel neighborhoods closest to the affordable housing, property values were unaffected. To most residents, the fact that poor families now live in Mount Laurel has proved entirely irrelevant. Today, many well-to-do Mount Laurel residents don’t even know that affordable housing exists there.

Where you live profoundly shapes who you are. “I would go as far as to argue that what is truly American is not so much the individual but neighborhood inequality,” concludes the Harvard sociologist Robert J. Sampson in his landmark 2012 book, “Great American City.” The families that migrated to Mount Laurel — earning from 10 to 60 percent of median income — obtained more than a nicer house. They secured a new lease on life, a pathway out of poverty for the adults and a solid education for the children.

“CLIMBING Mount Laurel” makes good use of what social scientists call a natural experiment — since there weren’t enough units to accommodate everyone who wanted to live there, the researchers could compare the experiences of the successful and unsuccessful applicants. At the outset the two groups led similar lives, but much has changed since then.

Those who didn’t secure housing report that their neighborhoods remain pockmarked by violence. But the families who came to Mount Laurel have settled into a tranquil world — so quiet, one resident tells me, that for the first year she had

to keep the TV on to fall asleep. Deer are a familiar sight, and frogs sometimes land on their doorstep. “I used to be afraid of gunshots,” another tenant says. “Now I’m afraid of skunks.”

With less stress and better job opportunities, these families have done much better economically than the nonresidents. Two-thirds are working, compared with just over half of the nonresidents, and a third as many, 4 percent, are on welfare. The sizable earnings gap, \$19,687 versus \$12,912 from wages, helps push the tenants living in the new housing out of poverty. The longer they stay in Mount Laurel, the better jobs they get and the more economically independent they become.

Their youngsters have also fared better. They study twice as many hours and spend more time reading. That extra effort is paying off — even though their schools are more academically rigorous, they earn slightly better grades.

On a sweltering day in August 2002, a thousand people came to the formal dedication ceremony in Mount Laurel. The civil rights icon Julian Bond described the moment as “bittersweet.” To those who fought so long to open up this suburb, he said, the new homes were a proud achievement. But what about the poor people “locked into inner-city blight”?

The woes of the inner cities cannot be solved by opening up the suburbs. Many urban dwellers, embedded in networks of kith and kin, wouldn’t dream of swapping the spiciness of the city for the white-bread pleasures of suburbia. And as “Climbing Mount Laurel” points out, “those mired in substance abuse, criminality, family violence and household instability” need more support than simply “a decent home in a peaceful neighborhood with good schools.” Still, millions of families, trapped in terrible neighborhoods, would jump at the chance to move to a place like Mount Laurel. “I wish other places could learn from our example,” says Mr. McCaffrey, the former mayor, but that hasn’t happened. Affordable housing is still too rare in suburbia, as zoning laws continue to segregate poor and working-class families. Despite the track record in Mount Laurel and the promise it holds for neighborhoods around the country, it’s hard to imagine that the suburban drawbridge will be lowered anytime soon. It is a truism that fear and prejudice are not readily ousted by facts.

David L. Kirp is a professor at the University of California, Berkeley, and the author of “Improbable Scholars: The Rebirth of a Great American School System and a Strategy for America’s Schools.”

In District, affordable-housing plan hasn’t delivered

The Washington Post, July 7, 2013, By Robert Samuels

By now, Mary Dews-Hall was supposed to be back home. When the city tore down Temple Courts five years ago, staff assured her that she and her neighbors would return. That there was a plan. That this time wouldn’t be like the others, when poor, black neighborhoods were paved over in the name of progress.

The plan for Dews-Hall’s neighborhood was supposed to show that the city had figured out some of the great puzzles of urban renewal, how to revitalize a community without replacing it, how to create a place for prosperous newcomers without pushing out poor old-timers.

Instead, New Communities has shown how hard it is to make affordable housing work in the modern American city and how easy it was to let a program that was the centerpiece of the District’s affordable-housing efforts unravel.

“We just never seemed like a priority,” said Dews-Hall, 65, a round-faced hairdresser who neighbors called “Miss Mary.” “Why did anyone believe them?”

The city, spurred to action after the killing of a teenage girl, had pledged to marshal hundreds of millions of dollars in public and private investment for the neighborhood. More than 1,000 apartments would be built. No existing unit would be torn down until a replacement was constructed.

And when New Communities was complete, the people who had lived in the neighborhood — in Temple Courts, Sursum Corda, Golden Rule and other buildings — would find themselves in new apartments, with new neighbors but in a place that still felt like home.

Today, hundreds remain far from their homes, some in living conditions no better than the ones they left. They navigate a city where, studies show, the number of low-cost units has shrunk by half while rents have increased by about 50 percent.

They aren’t the only ones who lost out. Teachers and other government workers were supposed to move into “workforce housing” that was envisioned for the area when the city bought Temple Courts for \$22.5 million.

Then came a succession of oversights, missteps and missed opportunities.

The city didn't hire someone to oversee the project for nearly eight years. It couldn't get the housing agency, headquartered just up the block from Temple Courts, to move out and make room for new housing. The city's planning department lost track of the original blueprint for the project and was unable to locate the document until last month.

Giddy at the prospect of creating a better neighborhood, politicians grinned as a wrecking ball razed the complex at 33 K Street NW. Yet, sitting in the property records, unnoticed, was a restriction that would cripple the project.

Dews-Hall's former home is now a parking lot. Spaces go for \$8 a day, in a Zip code that is gaining white people at a rate faster than any other place in the city. This spring, NPR moved in across the street. The city bestowed \$40 million worth of tax abatements and froze property taxes for 20 years to keep the media organization in the city.

Some residents who lived in the neighborhood found themselves in suburban Maryland. Most moved from one concentrated pocket of poverty to another, east of the Anacostia River.

Mayor Anthony A. Williams (D) dispatched his city administrator, Robert C. Bobb, to work with the community to dream up a new neighborhood.

They created a plan that would preserve at least 520 units of low-income housing. The city and the housing agency would sprinkle those units throughout new townhomes and high-rises for middle- and upper-income residents. The area was bound by New York Avenue to the north, K Street to the south, New Jersey Avenue to the west and North Capitol Street to the east.

"It was the single greatest project of my career," Bobb said. "And it was done the right way; it was community led."

Bobb thought the plan was doable if the city kept it a priority.

Instead, former officials said the D.C. Council might have strained the effort by adding similar projects to the initiative: Barry Farm in Southeast, Park Morton in Northwest and Lincoln Heights and Richardson Dwellings in Northeast.

Attracting wealth

Mayor Williams had a plan: Leverage the city's bustling housing market to bring in new wealth. Developers were already flocking to the area, which was being rebranded as "NoMa." He hoped to court those who would create buildings in which a third would sell at market rate. Another third would be for those who made 60 percent of the area median income. The taxes from those units could help subsidize places for impoverished residents already living there. "Lawyers and doctors, in my neighborhood!" Dews-Hall said. "I wouldn't mind them. I'm a doctor, too — a doctor of doing hair."

The relocation cost \$1.2 million. The city hired caseworkers to help 190 families find new apartments, place them in job training, help them boost their credit scores, sign them up for college courses. They figured those programs would help residents adjust to a more economically diverse neighborhood. Residents with certain criminal convictions or bad credit scores wouldn't be invited back.

Developers envisioned 535,000 square feet of apartments and townhomes on the property, but could build nothing.

"We no longer looked at programming for that site because it was unclear what we could actually build there," said W. Christopher Smith, the chairman of W.C Smith. "So we focused on the other two sites." They could only find financing for one.

That project, just east of North Capitol Street on M Street, is set to be completed by year's end. It features a rooftop pool, indoor basketball courts, community rooms — and \$16.8 million of city funding. Of the 314 units, 221 are market rate. An additional 34 are subsidized for the working class. Only 59 are reserved for the displaced families of Temple Courts. That means less than a third of the building is affordable, not the desired two-thirds.

The Fenty administration approved the plan because officials were desperate for progress, Albert said. Smith added that it was "very challenging" during the recession to finance a building in which only one-third of the units would be sold at market rate. It is a challenge that continues today.

Jennifer Jenkins contributed to this report.

Robert Samuels writes for the Post's social issues team. In Maryland, he focuses on issues affecting low-income children and families. He also covers life in the District.

Subsidized Housing Plagued by Neglect and Corruption, Report Says

The New York Times, By CHARLES V. BAGLI, September 20, 2007

The state housing agency's "deep and systemic failure" to properly oversee the rapidly dwindling supply of subsidized middle-income housing has led to the deterioration of the buildings, an increase in rents and a waste of taxpayer money, according to a report issued yesterday by the state inspector general, Kristine Hamann.

The Division of Housing and Community Renewal's mismanagement and lack of oversight at 80,000 apartments in 189 projects built under the state's middle-income Mitchell-Lama housing program also led to unqualified applicants getting subsidized apartments at the expense of legitimate tenants, the report said.

At the Towers of Bayridge, an 811-unit complex in Brooklyn, investigators found 59 instances between 2002 and 2004 in which the complex's landlord or agent had improperly put new applicants well ahead of other tenants on a waiting list for apartments.

At the huge Co-op City complex in the Bronx, investigators discovered that 40 of 47 contracts executed between 2002 and 2006 failed to comply with Mitchell-Lama rules. A former president of the cooperative was charged in April with taking \$100,000 in bribes from a painting contractor who was awarded \$3.5 million in contracts.

The inspector general also raised concerns that the state housing agency does not have adequate controls in place to guard against potential abuses or conflicts of interest when employees of the Division of Housing and Community Renewal live in Mitchell-Lama complexes. The report found that 10 of 30 randomly sampled agency employees responsible for supervising Mitchell-Lama complexes in New York also lived in them. One employee was in charge of reviewing applications at a Mitchell-Lama complex in which she lived.

More important, records showed that agency field staff, who are the primary contacts between the agency and the landlords, had failed to conduct all of the required inspections at more than half of the housing developments in 2005. In addition, half of the inspections conducted during the 2005-6 heating season did not include the required examination of the heating system.

"Our report shows a systemic failure throughout every aspect of D.H.C.R.'s oversight of the Mitchell-Lama program," Ms. Hamann said. "There was a complete abdication of their oversight role."

Deborah VanAmerongen, the state housing commissioner, said she has been working with tenant advocates, developers and consultants to implement recommendations by the inspector general and to "address the need for review and reform throughout" the Division of Housing and Community Renewal. She also said there is a concerted effort to preserve the remaining Mitchell-Lama housing.

The investigation of the state's Mitchell-Lama program covered the period from January 2003 to October 2006, when George E. Pataki was governor. The report comes at a time when advocates for low-, moderate- and middle-income housing, as well as many elected officials in New York City, have warned about the accelerating loss of subsidized apartments to a hot real estate market.

The Community Service Society, a nonprofit anti-poverty organization, estimated that between 1990 and the end of 2006, more than a quarter of New York City's 119,785 subsidized apartments for low-, moderate- and middle-income families were lost, as owners converted the units to market-rate housing. Mitchell-Lama rental developments, the society said, were the hardest hit, having lost 26,253 units, or 41 percent of the apartments in the program 17 years ago.

The Mitchell-Lama program was established in 1955 to spur the development of affordable housing. In return for tax breaks and government-sponsored low-interest loans, developers agreed to charge below-market rates for rentals or co-op purchases. After 20 or 25 years, the owners were allowed to buy out of the housing program by paying off the low-interest mortgage. With rents soaring and vacancy rates very low in New York City, many landlords pulled out to take advantage of a rising market.

At the highly desirable Westview complex on Roosevelt Island, investigators found a troubling proposal to convert the building to market-rate condominiums. The Division of Housing and Community Renewal granted a proposed buyer a waiver in 2004 to manage the complex. By August 2006, 31 apartments in the complex had been vacant for about a year, despite a waiting list of 1,000 and a policy that "there should be no vacancies in subsidized housing in New York."

It appears that the operator was warehousing the vacant apartments in anticipation of a windfall from their sale as condominiums. Nevertheless, the report said, an agency inspector "termed the complex's inflated vacancy rate 'satisfactory.'" The sale fell through in March 2006.

Amy Chan, the Mitchell-Lama organizer for Tenants & Neighbors, a citywide tenant organization, said she was not surprised by the conclusions of the inspector general's report. "Tenant leaders and tenants have been voicing concerns about mismanagement and corruption for some time," she said. "They will be happy to see that the report legitimates their experience."

She gave Ms. VanAmerongen high marks for trying to deal with the problems she inherited.

The Case Against Affordable Housing

Trenton Downtowner, September 2002, by Dan Dodson

Affordable housing is the wrong way to revitalize Trenton

Rising median income is the surest sign that a city is revitalizing, but Trenton has lost ground over the last decade. According to the 2000 Census, New Jersey's median household income has risen 4% over the last decade to \$54,226 when adjusted for inflation and Mercer county's has risen 6% to \$56,612. Meanwhile, Trenton's median household income has actually decreased 6.7%, when adjusted to inflation, to \$31,074, that's right, decreased.

There are only three ways this could have happened: 1) Trentonians didn't receive pay increases, 2) highly paid people moved away, or 3) low income people moved in. The debate over housing won't affect salaries much but it has everything to do with immigration in and out of our city.

The debate over housing is difficult

Affordable housing is a popular cause because it's easy to want people to have nice homes. Arguing against the cause elicits strong emotions and breeds suspicion of racism and classism. The debate is made harder because the unintended consequences of subsidized housing manifest themselves over long periods of time to which the press and politicians have difficulty responding. Finally, workers in both governmental and non-governmental agencies tied to the affordable housing industry create a powerful lobbying force to which the public responds.

I take the approach that real public debate needs to think beyond short term benefits no matter how uncomfortable it may be.

Why is subsidized housing a bad idea for Trenton?

Building homes for low income people sounds like a good idea. But if it were such a great idea, why aren't our wealthy suburban neighbors doing it instead of paying us to do it for them?

More low income housing won't revitalize Trenton

Becoming Princeton's poor neighbor isn't sustainable. One argument for affordable housing subsidies is that working people need a place to live and all those jobs in Princeton and West Windsor would go unfilled without affordable housing. That's true, but low income housing also places a burden on police, social services, schools and has a negative impact on property values. Overburdening a city with low income neighborhoods drains the very social welfare systems meant to support the poor. The Mt. Laurel money that rich towns pay for Trenton to develop housing doesn't cover these social costs. It's a great deal for Princeton and a bad deal for Trenton.

Average is a great goal for Trenton

According to eneighborhoods.com which provides quality of life information to leading real estate brokers, Trenton's low income level ranks it in the bottom 9% of communities in New Jersey. Our schools are in the bottom 2% and our crime is in the bottom 1%. Students of NJ policy know that crime and school performance are highly correlated with a town's median income and not even increased school funding seems to make a difference. The data for Hamilton, Princeton and Trenton show this to be true.

Because Trenton's ratables¹ are lower than our neighbors, we are always in the position of having to beg for more than our fair share of state, federal and private funds. Even with these donations and the highest tax rate in the county, the city budget is always under strain, our streets are littered and pot-holed and we're closing firehouses.

If our incomes and home values were average, Trenton would no longer have these problems and with our history, charm and density would be a much better place to live than Hamilton.

Trenton has an oversupply of low income housing

According to the NJ Guide to Affordable Housing, Trenton has almost 6000 publicly funded affordable housing units; Hamilton has 436 and West Windsor 161. According to the 2000 census 89% of owner occupied homes were valued at under \$100,000, 89% of rents were under \$1000/month and 11% of rents were under \$200/month. Only 0.5% of homes in Trenton are valued at more than \$300,000. Trenton's median home value is only \$65,500, much below the \$120,000 median national price and \$171,988 in New Jersey. Trenton is a low cost housing haven in the middle of the highest priced state in the union. It is disingenuous to argue that Trenton has a shortage of affordable housing when the evidence clearly points to the contrary.

Downtowner readers who surely aced their college Economics courses, will know that increasing the supply of a product pushes down prices and then stimulates demand. When a family moves into new affordable housing there is always another family ready to move into their old apartment. Because Trenton has so many low income housing units, it is a very popular destination for low income people moving into central Jersey. We should be more worried about creating a better community for the folks who already live here than attracting low income newcomers.

¹ "ratables refers to the property tax base, the value of all property in a city or town than can be taxed.

Affordable housing initiatives hurt revitalization efforts

Low cost housing is not a bad thing and a healthy economy produces all types of housing and even allows housing stock to change in value over time. The damage is done when housing is restricted to a certain income group. Income restrictions prevent housing units from gaining value if a neighborhood improves. Therefore, the only direction income restricted housing and the neighborhoods surrounding it can go, is down. That's what has happened with public housing projects.

If Trenton can find a way to move its median income up, then its quality of life factors will improve as well. Since affordable housing production moves income levels down, it has the opposite effect.

Trenton needs to be attractive to people with the money to build and renovate expensive homes, spend money in our restaurants and support our cultural organizations. More neighborhoods with homes in the \$200,000 to \$400,000 range will attract these middle class emigrants. A manageable urban city like Trenton could be a very attractive alternative to suburban sprawl, if only we provide a reason to move here.

Dan Dodson, a resident of Trenton, is a management consultant and Leadership Trenton Fellow.

In Defense Of The 'Poor Door'

Business Insider, by JOSH BARRO AUG. 19, 2013, 4:22 PM

Why It's Fine For A Luxury Condo Developer To Keep Its Low-Income Units Separate

Imagine if the federal government abolished food stamps and replaced them with need-based price mandates on supermarkets.

That is, supermarkets would be required to make a percentage of their sales at regulated "affordable" prices to needy families. The regulated prices would often be below cost, so supermarkets would raise prices on everybody else to make up for the loss.

Since we don't want any "classist" dietary divisions, the regulated products would span the range of tastes and prices: if rich people are buying lobster, so must poor people, even if that means the program can feed fewer people overall.

Supermarkets would probably complain about the cost of all this, so the federal government would give them compensating tax breaks.

It would also contain their losses by capping participation in the "affordable food program" and creating a waiting list. Once you got in, you could buy cheap food as long as you want it, but until then you'd be stuck waiting and hungry.

Why make this change? Well, food stamps cost money, but this program would have no direct cost to taxpayers. And while food stamps often lead to poor people buying food from cheap supermarkets in poor neighborhoods, this program would end food segregation, ensuring that people of all economic classes eat similar foods from similar sources.

This idea probably sounds insane to you, because it is. But it's roughly the same as New York City's "inclusionary zoning" strategy for providing affordable housing.

We require and incent developers who build market-rate housing to also sell or rent some units in the same developments at cut-rate prices. The idea is that affordable housing shouldn't just be affordable and livable; it should be substantially similar in location and character to new luxury housing. If rich people are getting brand new apartments overlooking the Hudson River, so should some lucky winners of affordable housing lotteries.

Hence the outrage over the "poor door" at a planned luxury condo project that Extell will build on Manhattan's Upper West Side: market-rate buyers will use one entrance, while tenants in the project's affordable housing component will use another. Affordable apartments will also be on low floors and, unlike many of the market-rate units, they won't face the Hudson River.

Getting mad about the "poor door" is absurd. The only real outrage is that Extell had to build affordable units at all.

New York's housing advocates are right about one very important thing: upzonings are a windfall for landowners and the city should be asking for something in exchange for allowing more development. But what it should be asking for isn't luxury apartments with river views to give out by lottery. It should be asking for cash.

That is: Upzone land so more housing units can be built to meet supply. Let developers decide what to build and what to charge for it based on market forces. Charge developers substantial fees to access those newly-created development rights. Collect full-freight property taxes on new property that gets built. Use tax and fee proceeds to pay for projects of broad use to New Yorkers, including housing subsidies.

Even though they are an artificial creation, it is probably best to think about development rights in New York City as a natural resource. If there's oil under your land, the value of the land is the value of the oil less the cost of extracting it. If you have buildable land, its value is what you can sell a developed property for less the cost of construction. When the

city upzones land, it creates value out of thin air; the instinct to demand something from landowners in exchange for this creation is perfectly reasonable.

But windfalls from upzoning are a limited resource: You can charge the developer the value of the windfall, but if you charge more he won't bother to build. And the more you charge in the form of a mandate (such as an affordability mandate that reduces rents generated by a development) the less you can charge in tax.

Let's imagine that the city forces Extell to get rid of the "poor door" and spread the affordable units throughout its new project. Since the affordable units will therefore be on higher floors with better views, Extell will earn a smaller profit. Now, the deal economics are probably so compelling that Extell would build anyway. But all that indicates is that the city could also let Extell proceed with the "poor door" plan and charge them an additional fee, revenues from which could have been used to create more affordable housing elsewhere in the city.

Or, it could simply let Extell build whatever it wants and charge an even larger fee and even more in tax.

The city's choice to impose so many mandates is undermining its tax base. Often, the city awards tax abatements to developers in exchange for building affordable housing. As of 2012, property tax abatements in New York City lead to \$2.9 billion in annual lost revenue, about 20% of actual property tax collections in the city. About half of those abatements relate to programs that promote new construction of affordable housing.

That is, even though they are off-budget, New York's inclusionary zoning programs have a very large fiscal cost.

Inclusionary zoning looks like a much worse deal when you realize it's not free. If the city received an extra \$10 million to spend on affordable housing, it would be crazy to spend that upgrading the views of existing subsidized tenants rather than helping more people afford more apartments. But that's effectively the choice the city makes by pursuing inclusionary zoning instead of just permitting and taxing market-rate development.

Our country's nutritional support programs recognize that food is a market good and the way you make it affordable is by helping people buy it on the open market even if they have few financial resources. New York would do well to realize that applies to housing, too—and to stop freaking out about the poor door.

No Such Thing as "Low-Income Housing"

By Robert Lerman, February 1st, 2013 Urban Institute: Metro Trends

Bad terminology can create bad policy. Nowhere is this more evident than in housing policy. The best example is the use of the term "low-income housing." Though widely used, there is no such thing as low-income housing in the sense that a physical place is inextricably linked only to residents with low incomes. Of course, some housing is commonly rented or bought by low-income families. But just because low-income families commonly purchase certain cars and buy meals at certain restaurants, we do not call those things "low-income cars" or "low-income restaurants." Rather, it is the low price of housing, cars, and other goods that attracts low-income families.

So what, you might ask? Low price, low income, what's the difference? Importantly, this semantic error affects the thinking and actions of policy advocates and government officials. Instead of providing low-income families with more purchasing power to obtain housing, too often policymakers attempt to subsidize and wall off certain houses and apartments for the poor and near poor. Public housing is one example. The government provides subsidies for building and maintaining specific places limited to people with low incomes. Other programs also subsidize particular homes and apartments and restrict them for use only by low-income or lower-middle-income households.

This approach is problematic. First, subsidies tied to specific "low-income" homes substantially restrict where recipients can live, and what's available may be a poor choice for their families. Second, the cost of subsidizing construction programs is higher than the cost of boosting people's purchasing power to rent or buy their own dwellings, even assuming the construction units last at least 30 years. For both reasons, the government's cost is often far higher than the recipient's benefit.

Even the much-vaunted low-income housing tax credit, endorsed strongly by the New York Times editorial board, is costly and does little to expand housing supply. The tax credit aims to encourage developers to invest in affordable housing. They sell the credits to investors, lowering the amount they need to borrow to build or fix up property. But developers generally sell their tax credits at a discount, leaving them with only about 70-75 percent of the government subsidy. To advocates of these programs, the subsidies add to the stock of "affordable" housing. But, as research has shown, the added housing financed by government is largely or completely offset by less private-financed housing.

Further, the families benefiting from the low-income housing tax credit often have incomes well above the poverty line, while many families with far lower incomes receive no subsidy. It is not even clear that significant rent savings accrue because the rents charged for reserved "low-income" housing are often well in the range of market rents.

In unusual situations, stimulating production of low-cost housing may be worthwhile because it benefits the neighborhood or gets around regulations that restrict low-priced units. But pushing for more subsidized “low-income housing” on grounds of too few affordable places can be inefficient, particularly when home prices have fallen dramatically and large numbers of existing homes are vacant. Instead, raising the purchasing power of low-income families offers a better deal for them and for the government than encouraging new construction through tax credits.

The issue is hardly academic—today, 30 percent or fewer households eligible for housing subsidies actually receive one. So any savings can be critical in extending benefits to more low-income families.

By shifting from construction incentives to rent vouchers, the government can save 20 percent or more on its current housing outlays, meaning it could offer vouchers to many more low-income families at the same costs. Moreover, as shown elsewhere, if the new vouchers emphasized homeownership instead of renting, the government’s costs would be even lower—which could mean even more available vouchers and more families covered by subsidized housing. That’s quite a benefit from thinking more clearly about the housing of low-income families!

Ease Housing Regulation to Increase Supply

The New York Times: Room for Debate, October 16, 2013, Edward Glaeser

How can America’s most expensive cities, like New York, become more affordable? Supply more housing. If we want to create widespread affordability, so that anyone can walk into a real estate office and rent something reasonable, then we must confront the laws of supply and demand.

The best way to make cities more affordable is to reduce the barriers to building and unleash the cranes. To do so, end the dizzying array of land use regulations in most cities that increase cost. Many are in zoning codes. Others relate to air rights, historic preservation districts or other barriers.

When New York built hundreds of thousands of new units during the 1920s, the city stayed affordable despite rising housing demand in those boom times.

Don’t expect new units in big cities to be as inexpensive as, say, new housing outside Houston. Abundant new housing does, however, reduce the pressure to gentrify older housing and those “used” homes can, like “used” cars, provide a cheaper option for people with less income.

If we want housing to be cheaper than its costs, we’ll have to subsidize, preferably with smaller Section 8 vouchers, which let people choose the unit they want, universally available to the poor.

Alternately, regulations like inclusionary zoning, which require developers to include affordable units in their plans, would create special stocks of affordable units. But that would essentially add an extra tax on development, making building more costly and reducing housing supply. Inclusionary zoning is preferable to other interventions, like vast historic preservation districts, but by reducing the supply of new homes it would raise prices.

New York has a long history of housing policy that favors insiders, like rent control. But cities need openness. They should allow more building, so that they can become affordable to everyone, not just someone lucky enough to get an affordable unit.

Edward Glaeser is the Glimp professor of economics at Harvard University and the author of "Triumph of the City." He contributes to The Times's Economix blog.

Rent control laws: foolish and unconstitutional

The Washington Post, By George F. Will, Opinion, February 15, 2012

James and Jeanne Harmon reside in and supposedly own a five-story brownstone on Manhattan’s Upper West Side, a building that has been in their family since 1949. But they have, so to speak, houseguests who have overstayed their welcome by, in cumulative years, more than a century. They are the tenants — the same tenants — who have been living in the three of the Harmons’ six apartments that are rent controlled.

The Harmons want the Supreme Court to rule that their home has been effectively, and unconstitutionally, taken from them by notably foolish laws that advance no legitimate state interest. The court should.

This “taking” has been accomplished by rent-control laws that cover almost 1 million — approximately half — of the city’s rental apartments. Such laws have existed, with several intervals of sanity, since the “emergency” declared because returning soldiers faced housing shortages caused by a building slowdown during World War I.

Most tenants in rent-controlled units can renew their leases forever. Tenants can bequeath their rent-controlled apartments — they have, essentially, a property right to their landlord’s property — to their children, or to a friend who lives with them for two years. This is not satire; it is the virtue of caring, as understood by liberal government.

The tenants in the Harmons' three rent-controlled units are paying an average 59 percent below market rates. The Harmons would like to reclaim one apartment for a grandchild, but because occupants of two of the units are over 62, the Harmons would have to find the displaced tenant a comparable apartment, at the same or lower rent, in the same neighborhood.

In addition to rent control's random dispersal of benefits — remember, half of the Harmons' apartments are uncontrolled — rent control is destructive because it discourages construction of new apartments and maintenance of existing ones.

Thus it creates the “emergency” it supposedly cures.

It exemplifies what the late New York senator Pat Moynihan called “iatrogenic government.” In medicine, an iatrogenic illness is induced inadvertently by a physician's treatment.

Rent control is unconstitutional because it is an egregious and uncompensated physical occupation of property. The Constitution says that private property shall not “be taken for public use, without just compensation.” The Harmons get no compensation for being coerced into privatized welfare: The state shows compassion to tenants — many of whom are not needy; one of the Harmons' entitled tenants owns a house on Long Island — by compelling landlords to subsidize them.

A property right in a physical thing is a right to possess, use and dispose of this thing. Because government-compelled possession of property by a third party is an unambiguous taking, the Harmons' property right has been nullified.

John Locke, an intellectual source of American freedom, said that property rights, which he defined to include rights to “lives, liberties and estates,” exist prior to, and independent of, government, and their preservation is “the great and chief end” for which governments are founded. Property rights provide a sphere of personal sovereignty, a zone of privacy into which government should be able to intrude only with difficulty and only so far. Because they are the basis of individual independence, America's Founders considered property rights the foundation of all other liberties, including self-government — the governance of one's self.

The Harmons' case illustrates government's steady and no longer stealthy desire to transform property from a fundamental right into an attenuated, conditional privilege. Government would like the right to be contingent on whatever agenda it has for ameliorating “emergencies” it causes.

The Supreme Court's worst decision of this century, the 2005 Kelo ruling, held that government may take private property for the spurious “public use” of giving it to a third party that will pay the government higher taxes than the original owner would. The Harmons' case is an occasion for the court to begin making amends for Kelo.

In the 1920s, even Justice Oliver Wendell Holmes, who was excessively permissive regarding what governments could legislate, said rent-control laws were on the “verge” of being unconstitutional. Surely a substantial regulation — which a physical occupation is — of real property violates the Fifth Amendment's Takings Clause if it does not substantially advance legitimate state interests. The court also has held that a regulation of real property violates the Takings and Due Process clauses if it serves no “public use” or is “arbitrary.”

Are the arbitrary distribution of unmerited benefits and the cultivation of an entitlement mentality among renters a “public use”? If not, rent control is unconstitutional.
