



Written by [William P. Hoar](#) on August 19, 2019

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Correction, Please!

Housing Affordability Hurt by Regulatory State; Pols Push for More of the Same



Item: *On June 26 and June 27, the Real Deal (an online and print publication that focuses on real estate) summarized where Democratic presidential candidates stand on housing policies. Former Vice President Joe Biden wants, said the Real Deal, “to increase the energy efficiency of low-income housing and increase density in neighborhoods, which could shorten commute times.*

Vermont Sen. Bernie Sanders wants to heavily invest in green infrastructure like public transit as part of a Green New Deal, a concept many other candidates back.”

California Senator Kamala Harris, said the paper, has proposed the Rent Relief Act, which “would provide a tax credit for renters spending more than 30 percent of their income on rent and utilities, the level considered a financial burden on tenants.” (Harris subsequently offered a more extensive plan.) Massachusetts Senator Elizabeth Warren has said “she will pump \$500 billion into building and preserving affordable housing.” That plan will be financed, Warren says, by taxing inherited wealth — to include raising the tax rate of “an estimated 14,000 of the wealthiest families each year.”

Item: *The New York Times, in a July 7 editorial, noted that Senator Warren was among those who “have proposed that the federal government should pressure local governments to allow more development” in suburbs.*

The federal government, say the editors, should “require local jurisdictions to make reasonable plans to accommodate population growth,” including “allowing small-scale apartment buildings in single-family neighborhoods.” Warren, they noted, has proposed “a variant on the same theme: awarding \$10 billion in new funding to governments that adopt land-use reforms.”

Rent, declare the Times, is “simply too high” for “millions of lower-income Americans.” The editors acknowledge that 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.”

The editors proclaim: “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.”

Item: *Senator Harris, reported Politico for July 6, says the United States has to “deal with the racial wealth gap,” and accordingly has proposed “a \$100 billion federal program to help black people buy*



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homes.” This plan, “which would provide down payment and closing cost assistance of up to \$25,000 to people renting or living in historically red-lined communities, would help some 4 million home-buyers.”

Correction: Actually, since housing unaffordability has been driven by unwise rules and onerous regulations, especially restrictive land-use policies, as well as repeated handouts of expensive government subsidies, it is irrational to believe that the situation will be improved by inflicting us with more of the same.

We’ve been through this dissimulation before, with the government-caused housing foreclosure crisis of 2008 being one dramatic outcome, with the U.S. government’s Community Reinvestment Act mandating that loans be given to high-risk clientele in high-risk areas.

Meanwhile, rent control — whether in Oregon (as described below) or elsewhere — will do one thing for sure: It will limit the supply of housing. Here’s a primer from the editors of the *Wall Street Journal* on March 4:

The history of price controls on rents tells us what is likely to happen now in Oregon. Rent restrictions create an incentive for developers to maximize profits by building high-end apartments rather than units affordable to lower- and middle-class families. Some developers may opt not to build at all in Oregon. And as the new eviction rules give landlords less control over their residential property, they’ll have an incentive to demolish existing affordable housing and use land for commercial buildings.

Price controls have also helped make San Francisco one of the most expensive rental markets in the world (and the most pricey for one-bedroom apartment units, according to the Zumper company).

When economists from all across the political spectrum are virtually unanimous over the conclusion that rent controls are destructive, that should give pause to even a marginally thoughtful politician. (One poll of 464 economists, published in 1992, found that 93 percent of the U.S. respondents agreed, completely or with some provisos, that “a ceiling on rents reduces the quantity and quality of housing available.”)

Yet, because a national election is upcoming, we have another passel of wrongheaded Democrat candidates who have dressed up old bad policies in new outfits. Herein, we’ll focus on Warren and Harris because their potentially dreadful policies have been fleshed out a bit more.

Time magazine, in a cover story, described Warren’s housing plan as one of her “sweeping policy proposals” that make up her “progressive vision for America.” Here’s her not-so-novel solution: Let’s tax the rich. In *Time*’s pollyannaish view: Warren’s “\$500 billion federal outlay would help build, preserve and rehab millions of housing units for lower-income families. It would be paid for by taxing inherited wealth.”

This is, sadly, another policy rerun. As described by Thomas Aiello of the National Taxpayers Union, since most of the affordable housing is “centered in urban areas in coastal states, Senator Warren proposes to reward the disastrous actions of many of the governments located there. Their economically damaging policies may have forced out private capital, but don’t worry, Senator Warren will give them a half-trillion dollars of taxpayer money to help solve their self-inflicted crisis.”

Here are some of the details, as Aiello put it in [nationalreview.com](#) in April: Under Warren’s plan, a first-time

homebuyer in a formerly redlined neighborhood would be eligible to receive a taxpayer-funded down



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payment of up to 3.5 percent of a home's value. Interestingly enough, Warren's definition of a "first-time homebuyer" is just someone who hasn't owned a home in the past three years, not someone who has never owned property.

It is no coincidence that Warren chose 3.5 percent of a home's value, as borrowers need only a 3.5 percent down payment to be eligible for a loan backed by the Federal Housing Administration (FHA). In this scenario, a buyer can purchase a home, with a taxpayer-provided down payment and taxpayers underwriting the loan — a pretty sweet deal.

Well, for the taxpayers, it's pretty sour. When grantees don't have sufficient "skin in the game," it's a lot easier to walk away from a loan. Indeed, between 1975 and 2013, according to one estimate, one in eight FHA house-buyers was foreclosed on. According to a July piece in *Forbes*, in a number of urban neighborhoods in the United States, the FHA foreclosure rate routinely exceeded 10 times the rate of conventional mortgages.

Let's also consider, as part of the Democrats' vote-purchasing competition, the housing schemes of Senator Harris — the former district attorney of San Francisco.

This is the same City on the Bay where, according to market data, one-bedroom apartments rented this spring for \$3,600 a month on average. That was an increase of almost 10 percent from last year. Meanwhile, San Francisco's homelessness crisis is notorious. The price of single family homes is also astounding — with a 2018 real estate study revealing that about 81 percent of homes in the city are valued at more than \$1 million.

With that in mind, is Harris attempting to mitigate the problems by taking aim at the restrictions on supply? Of course not. Where are the votes for that? Rather, as explained in early July by Christian Britschgi, an associate editor at *Reason*, Harris "wants to subsidize low-income people's ability to get in on this racket. It's a similar approach to her Rent Relief Act, which aims to combat increasingly unaffordable rents by subsidizing tenants' monthly rents." Britschgi continues:

By subsidizing demand while leaving restrictions on supply in place, both of Harris' policy proposals will likely just lead to increased prices. The value of the subsidies she's offering will be absorbed by home sellers and landlords.

Harris' plan to subsidize down payments has the additional downside of potentially saddling low-income homebuyers with mortgage debt they can't afford, something we saw during the Great Recession.

If the electorate buys into the schemes of Warren and Harris, or those of their ideological allies, it will demonstrate that we didn't learn our lessons from the "housing bubble" that burst in 2008. Indeed, if we repeat the mistakes, that bubble may well be inflated again.

Speaking about Elizabeth Warren's \$500 billion program and Kamala Harris' \$100 billion plan (among others), columnist Jason Riley is more than a little dubious of their potential efficacy. Riley, a member of the *Wall Street Journal's* editorial board, commented in that paper on July 10, pointing out that the lack of affordable housing was not as widespread as many on the Left contended. It was, he acknowledged, a big problem

in a few select places, such as Arizona, Florida and coastal California, where onerous land-use regulations were enacted at the behest of environmentalists. When you place vast swaths of land off-limits to developers, the price of the remaining land — and of the homes built on it — rises accordingly.



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A record three million households received foreclosure notices in 2009, but 50% of them were sent to only four states.

Yes, multiple local and some state governments have made atrocious decisions when it comes to housing policies. But that assuredly does not mean that it is advisable to federalize such decisions — and then repeat the states' poor decisions.

As it is, a number of states and localities are already resisting legal housing moves being made by the Trump administration's Department of Housing and Urban Development. HUD Secretary Ben Carson is getting serious pushback from (among others) top New York State and New York City officials because HUD is trying to protect poor American citizens and enforce the law.

What is the hang-up? The impasse is caused because Carson is proposing a rule change that would stop illegal aliens from getting public housing aid.

As Carson has explained: Section 214 of the Housing and Community Development Act of 1980 "states that the secretary of HUD is prohibited from providing housing assistance to people who are in the country illegally. And what people sometimes don't understand is that we have millions of legal Americans in line waiting for these very scarce resources."

According to HUD, there are about 1.6 million applicants waiting to be considered for public housing across the nation. Yet at the same time, around 32,000 public household slots are being taken up by illegal immigrants. Meanwhile, the great majority of Americans who are legally entitled to housing assistance — including seniors, children, and those with disabilities — are not receiving aid.

The law states, as Carson has explained, that "if it is discovered that the home owner or the apartment leasee is harboring people who are illegal, the HUD secretary has a duty to remove them." If members of Congress don't like that law, as Carson has told them, "they need to change that."

How did this situation arise? Here's the explanation, as described by Betsy McCaughey, a former lieutenant governor of New York State: Two decades ago,

then-President Bill Clinton issued an informal "field" recommendation to loosen eligibility for welfare benefits without getting Congress's approval. Clinton dubbed illegal immigrants who have a baby born in the U.S. "mixed immigration status families" and made them eligible for public housing. As if the baby's the one signing the lease.

The mixed-immigration families are given a prorated amount of public assistance.

According to Carson, only one of every four Americans who qualifies for public housing is able to get it. Fairness, he says, "requires that we devote ourselves to legal residents who have been waiting, some for many years."

On the other (left) hand, here's the considered judgment of New York Mayor Bill de Blasio, who has thundered: "This is what cruelty looks like."

There's plenty of Marxism to go around, as in the vision of the Somalia-born Representative Ilhan Omar (D-Minn.), who says, "Housing is a human right."

How could we possibly live without bumptious, meddlesome politicians who presume to guarantee us a home sweet home? It sure would be refreshing to find out.



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