

Planning Affordable Housing and Neighborhood.

THE HOUSEHOLD INCOME-EXPENSE SQUEEZE.

The affordability of housing in America at the start of the 21st century is an issue for many households. The remedy is complicated since not only are housing costs out-of-whack, but other household expenses are also growing faster than household incomes can absorb.

A growing number of American families are struggling to meet their daily living expenses. The cost of housing is going up as is the cost of transportation, medicine, healthcare and education. Wages are stagnant. The wage/housing cost relationship is getting squeezed to the point where two income earners per household is common; choices are being made about which expenses to put off or eliminate.

THE HOUSEHOLD BUDGET DILEMMA.

Household incomes are struggling to cover household expenses. In America we hear of food deserts, child hunger, persons with three jobs, contract work with no benefits and a plethora of other ills unacceptable in the richest nation in the world. However, here we are.

No relief appears in sight despite efforts by private companies and public agencies to alleviate the crisis.

Education, health care and transportation are at the forefront of the rising household expenses necessary for day-to-day living. The rising costs limit access and inhibit household members from increasing job skills and transportation access to jobs; and the deficiencies become generational. Breaking the cycle is difficult; increasing the supply of affordable housing is a place to start.

Providing affordable housing for the town's residents is the challenge of the day. Middle and low income workers are getting hit from both ends: incomes and wages are insufficient for families to afford housing near their jobs and wages have been stagnant for decades while housing costs rise.

"The Joint Center for Housing Studies at Harvard University finds that the median American rent payment rose 61% in real terms between 1960 and 2016 while the median renter's income grew by 5%."
The Economist, January 18th-24th, 2020.

HOUSEHOLD INCOMES.

Wages are affected by a number of factors: globalization, lack of skills, part-time no-benefit jobs, reduced labor force mobility and declining labor force participation. Labor costs in the second decade of this new century have recently begun to grow, but yet not enough to greatly increase the labor pool of the trades or the wages of service workers.

A major factor that inhibits wage growth is reduced labor force mobility. People don't move to find work as often as they once did. Millions of unemployed and under-employed persons defy conventional economic theory.

Workers no longer move as freely as they once did to find work in growing labor markets. Labor mobility is constrained by dependence of the extended family, an immobile social safety net and awkward systems to train people for new skills. People are not moving to higher wage higher employment areas as labor economists believe they should.

HOUSEHOLD EXPENSES.

Housing costs are increasing dramatically due to steady increases in land and material costs in and near growing metropolitan job markets. Land costs in growth regions are escalating. Material costs are also increasing, tariffs don't help. Labor costs are not growing fast enough to fill the need for labor in growth markets.

BUSINESS INTEREST IN AFFORDABLE HOUSING.

Coincidentally, two business magazines ran featured articles in early January 2020 on the dilemma of affordable housing. See **Bloomberg Businessweek**, January 20, 2020, "A Housing Start for Microsoft" and **The Economist**, January 18th – 24th, 2020, "Special Report: Housing, Shaking the Foundations."

From The Economist... "governments across the rich world have made three big mistakes:

- They have made it too difficult to build the accommodations that their populations require.
- They have created unwise economic incentives for households to funnel more money into the housing market, and
- They have failed to design a regulatory infrastructure to constrain housing bubbles."

A subsequent article summarizes the details of the two studies but suffice it to say, their conclusions and those of CharacterTowns.org are simple. The supply of affordable housing needs to increase dramatically. A synergistic effort of private, public and institutional agents will be required to narrow the gap between wages and rents.

Mixed-use developments can produce housing affordable to the community.

CONCLUSIONS.

- **Inadequate supply is the problem.** The supply of housing affordable to low and moderate income families must increase.
- **Higher wages or increased transfer payments from the government are important for many reasons, but they alone will not solve the affordable housing crisis.** Increased housing purchasing power that finds no increase in the housing supply will exacerbate the situation.
- **The "All-of-the-Above" approach is required.** The vast number of new affordable homes and apartments required to house American families will require the collaborative efforts of the private, public and institutional sectors.

AN APPROACH.

1. **Massive monetary contributions by corporations** must continue as part of a comprehensive corporate program.
2. **The interdependence of primary jobs with community infrastructure jobs** must be appreciated to provide housing for police, nurses, firefighters and teachers, among other important occupations.
3. **Corporations must support local housing policies** that improve the political and regulatory environment for affordable housing for low and middle income families.
4. **Corporate should support experienced affordable housing providers** such as private builders and federal, state, local and institutional organizations that know how to produce affordable housing.
5. **Community regulations must support affordable housing** with programs and regulations designed to increase affordable housing for low and moderate income households.