FACING THE CHALLENGE OF AFFORDABLE HOUSING

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Housing Has Always Been a Public Policy Priority
Federal Policies Supporting Homeownership

Mortgage interest deduction
Mortgage revenue bonds
Mortgage credit certificates
Capital gains treatment for sales of primary residences
Savings and Loan Associations
FHA insurance
Fannie Mae and Freddie Mac mortgage guarantees
Quota for Fannie and Freddie for targeted populations
Support for institutions like FHLB’s
30-year fixed rate mortgage with no pre-payment penalty
FHA and VA loan programs
HUD Section 502 low-rate mortgages to low-income households
Local Policies Overlay National and State Policies

- Infrastructure requirements
- Exactions
- Height restrictions
- Caps on numbers of units
- Population growth limits
- Urban boundaries or green zones
- Restrictions on rezoning
- Super majority, voter, or multiple jurisdictional approvals
- Minimum lot size requirements
- Delays in local government decision-making.
Levels of Local Regulation Vary a Lot
Wharton Residential Land Use Regulation Index

Great Falls: -0.01
Billings: -0.19
Bozeman: 0.66
Lewistown: -0.33
Shelby: -1.41
Havre: -0.78

Figure 1: Real Construction Costs and House Prices Over Time

“High” Housing Prices Matter

• “High” prices = prices pushed higher by regulatory constraints or other inefficiencies

• Even if markets were efficient, the price might be too high for many households

• Not enough money left over for other essentials

• Increase sprawl, commuting costs, congestion

• Reduce labor availability for lower and medium paying jobs

• Limit population mobility and economic growth
Median Home Prices

Source: National Association of Realtors and Federal Home Finance Agency
Median Renter in 41 Percent of Urban Areas Pays More than 30 Percent of Income in Rent

Median Gross Rent as a Percentage of Household Income, 2017

Source: U.S. Census Bureau, American Community Survey.
Faster Housing Price Growth Has Resumed

Housing Price Index, All Transactions, Montana and U.S. 1980-2018

Index, 1980=100

Source: U.S Federal Home Finance Agency
Housing Price Growth Since 2012, With National Rank

Rank out of 975 sub-state areas nationwide

Source: FHFA
Ratio of Home Price to Median Household Income
1998

Source: BBER Calculations from Bureau of Census, National Association of Realtors and FHFA.
Ratio of Home Price to Median Household Income
2007

Source: BBER Calculations from Bureau of Census, National Association of Realtors and FHFA.
Ratio of Home Price to Median Household Income
2016

Source: BBER Calculations from Bureau of Census, National Association of Realtors and FHFA.
What’s the Solution?

It Depends on What You Think is the Problem
The Market is the Problem

- “Hot” housing markets have high in-migration and high demand
- Land use policies and regulation reflect the “proper” pricing of the spillover effects of new housing
- Solution is to subsidize those who have difficulty paying
- Housing programs vs. poverty programs
The Problem is Regulation and Policy

• Local regulation constricts housing supply, pushing prices up beyond construction costs plus profit
• Federal policies inflate demand for larger, more expensive homes
• No single rule or regulation is the culprit
• Solution is rollback or override of local regulatory power – from the state?
The Problem is Something Else

Why do you think housing costs are high?

1. Go to pollev.com/bber297 to respond
or,

2. Text BBER297 to 22333 once to join
Then text A, B, C, or D to vote
What do you think is the most important reason why housing costs are high in Sidney?

A. High Demand - It's Just the Market
B. Local Regulation Adds Costs
C. Federal Policies
D. Housing Costs Aren't High in Sidney
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