

# 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

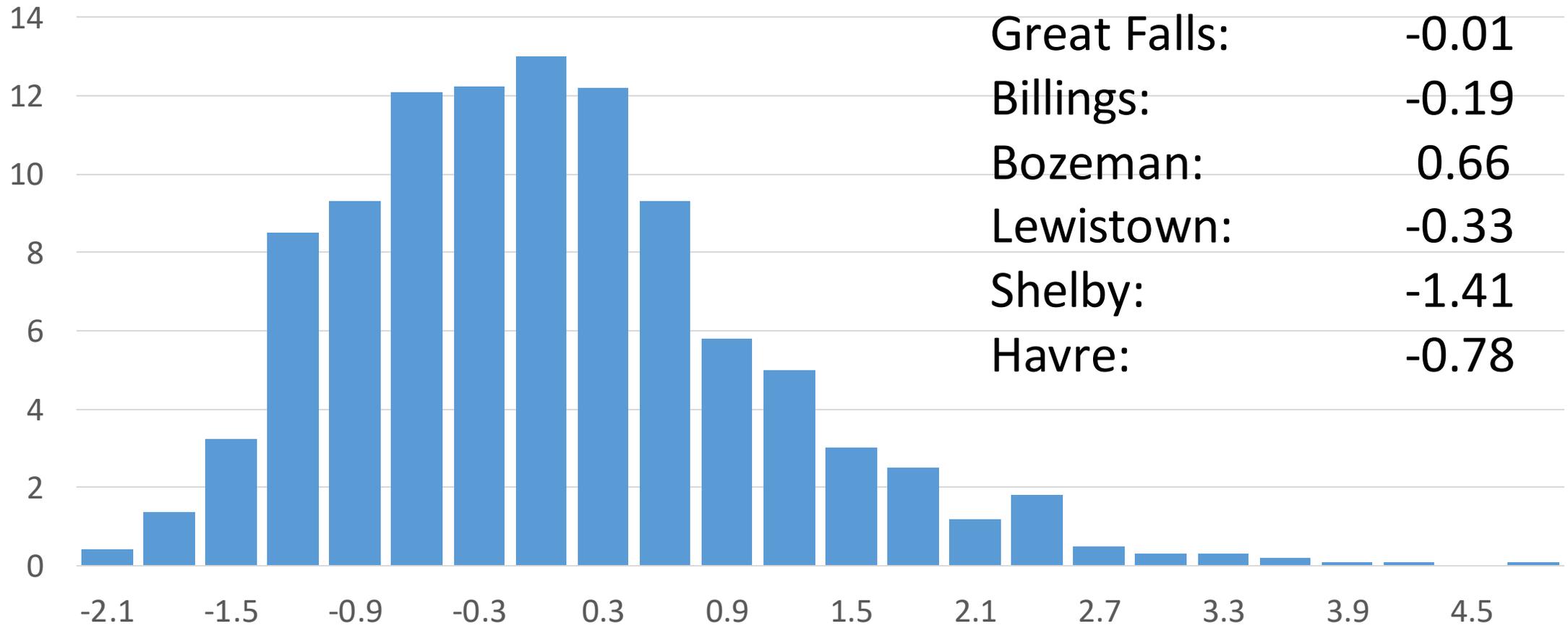
# Local Policies Overlay National and State Policies

- 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.

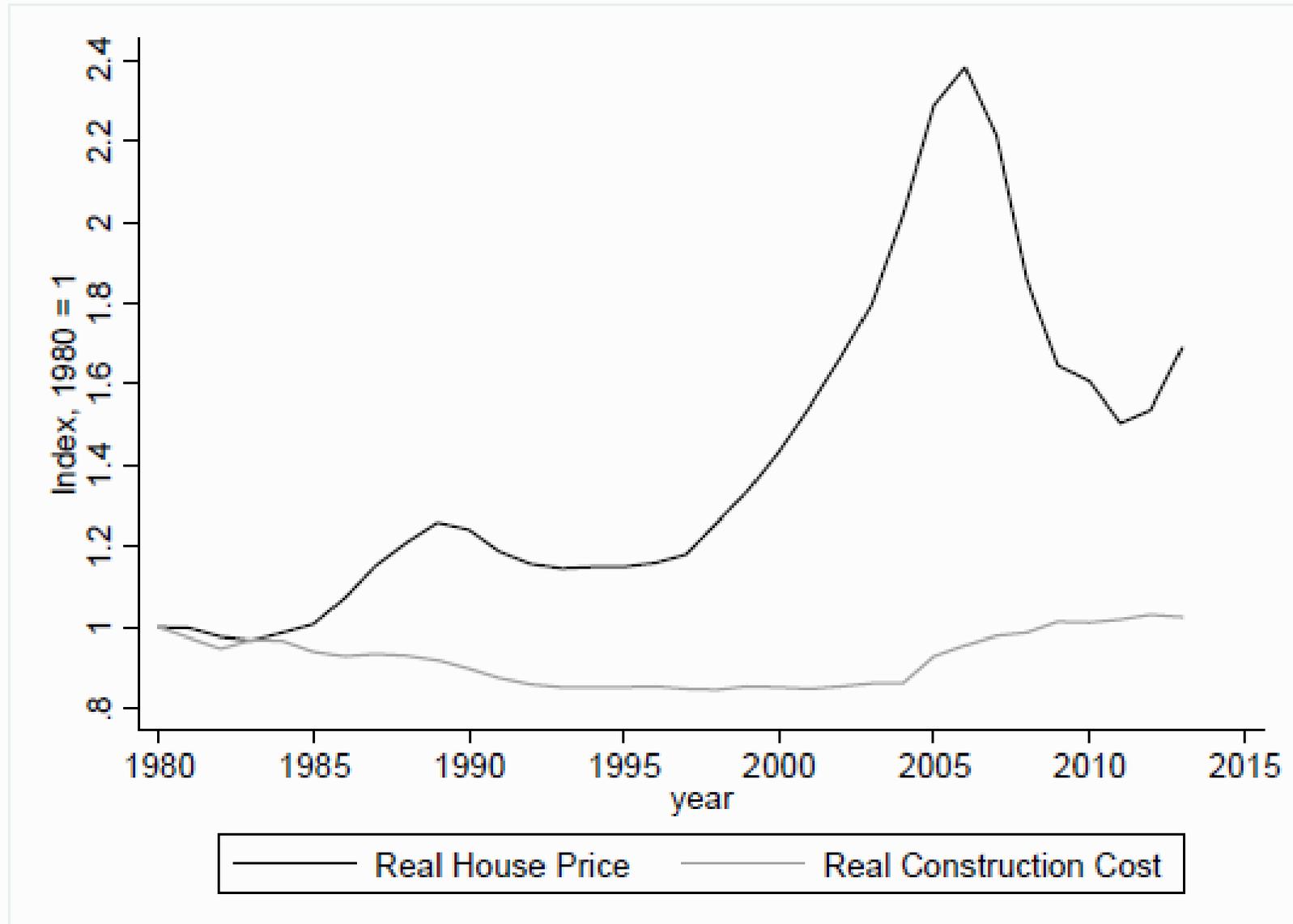
# Levels of Local Regulation Vary a Lot

Wharton Residential Land Use Regulation Index

Percent



**Figure 1: Real Construction Costs and House Prices Over Time**

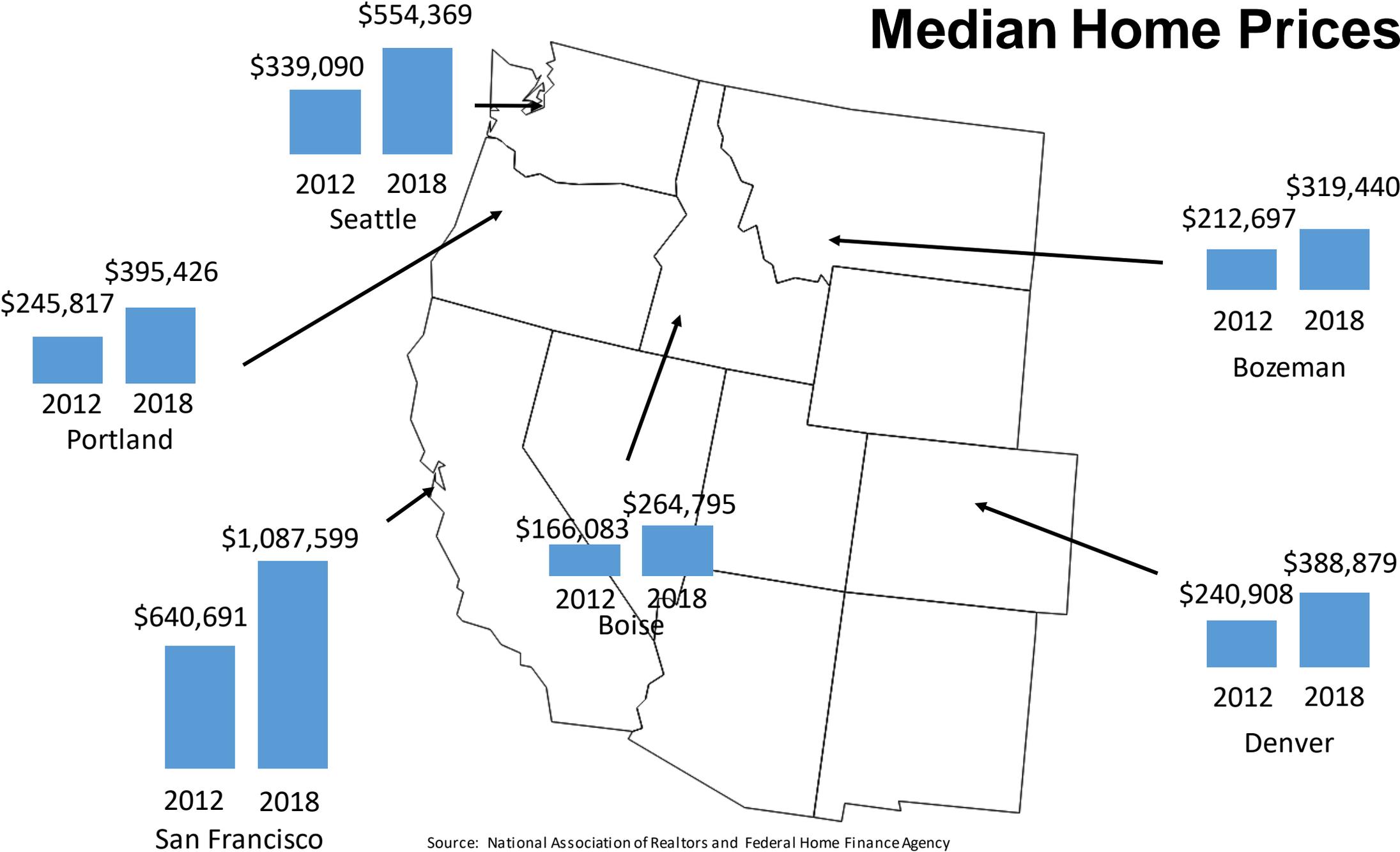


Source: Gyourko and Malloy, 2014, NBER Working Paper 20536.

# “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

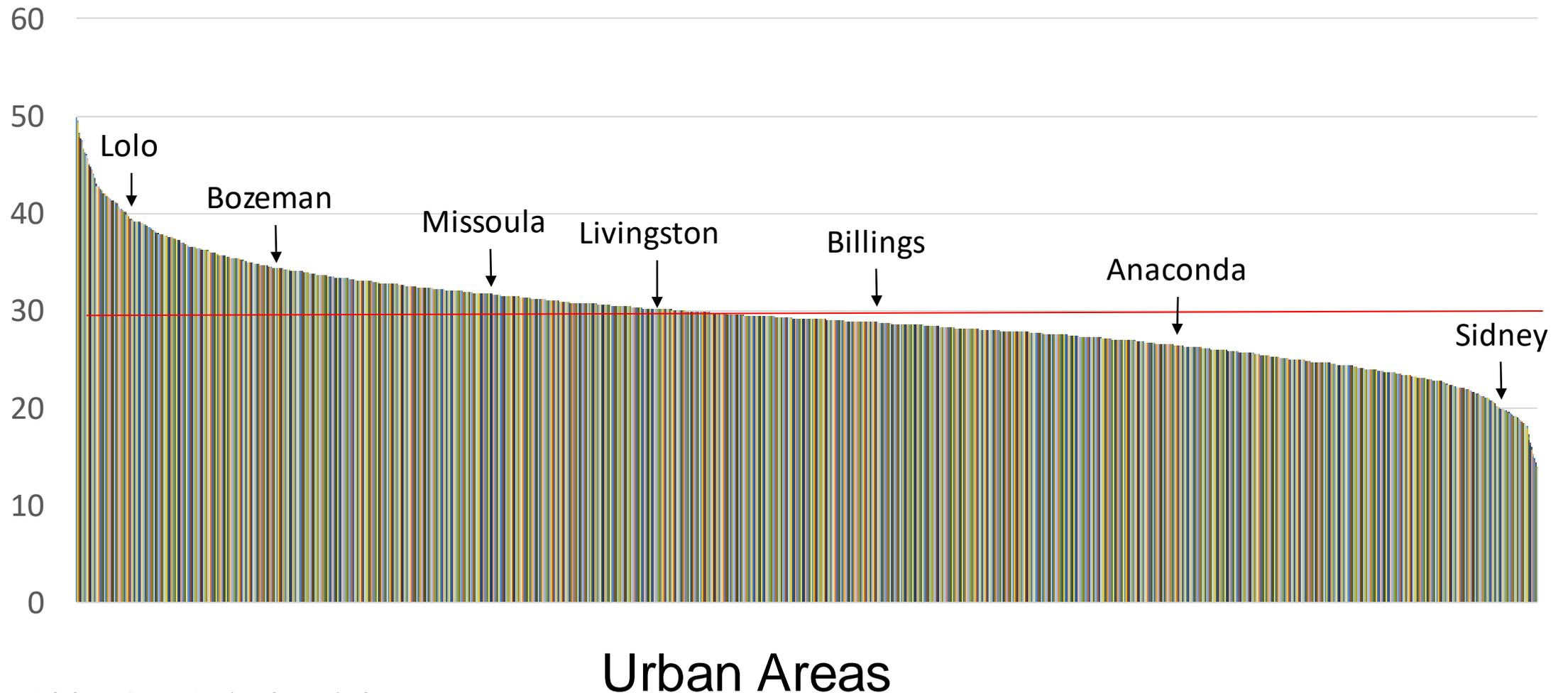
# Median Home Prices



Source: National Association of Realtors and Federal Home Finance Agency

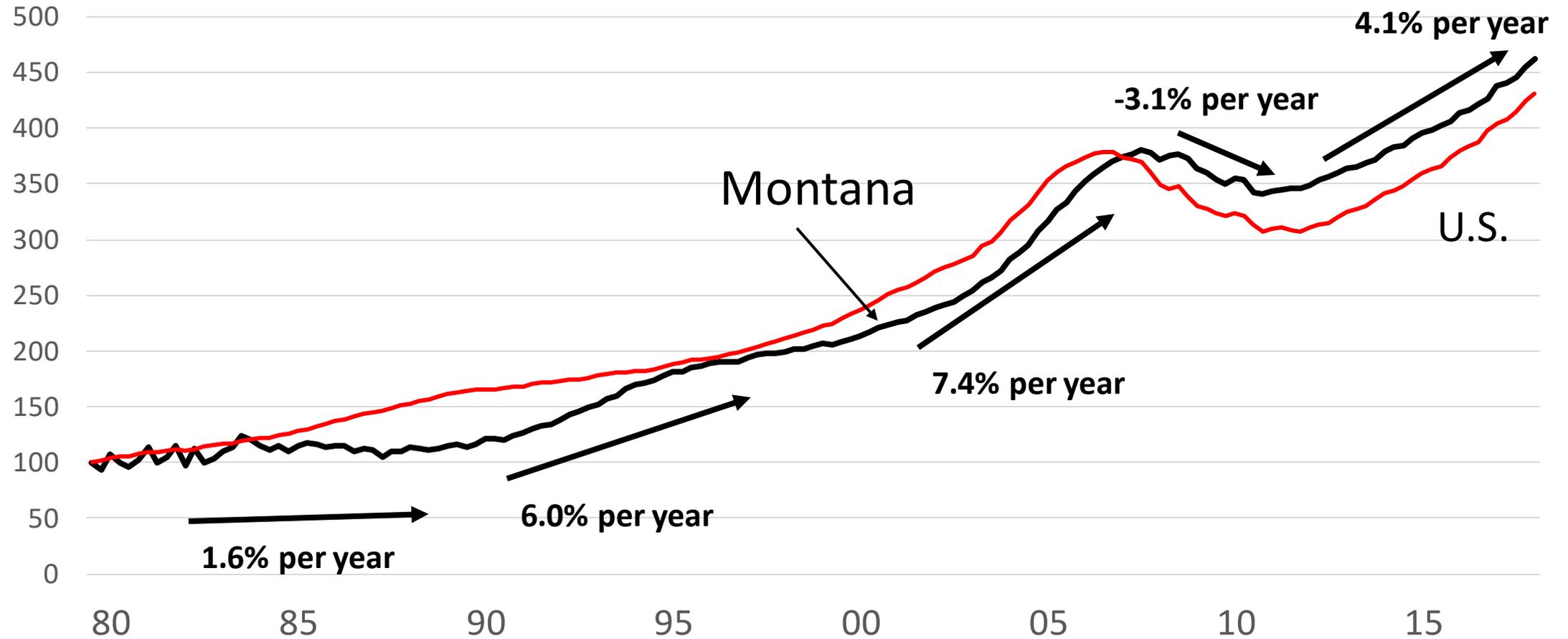
# Median Renter in 41 Percent of Urban Areas Pays More than 30 Percent of Income in Rent

Median Gross Rent as a Percentage of Household Income, 2017



# Faster Housing Price Growth Has Resumed

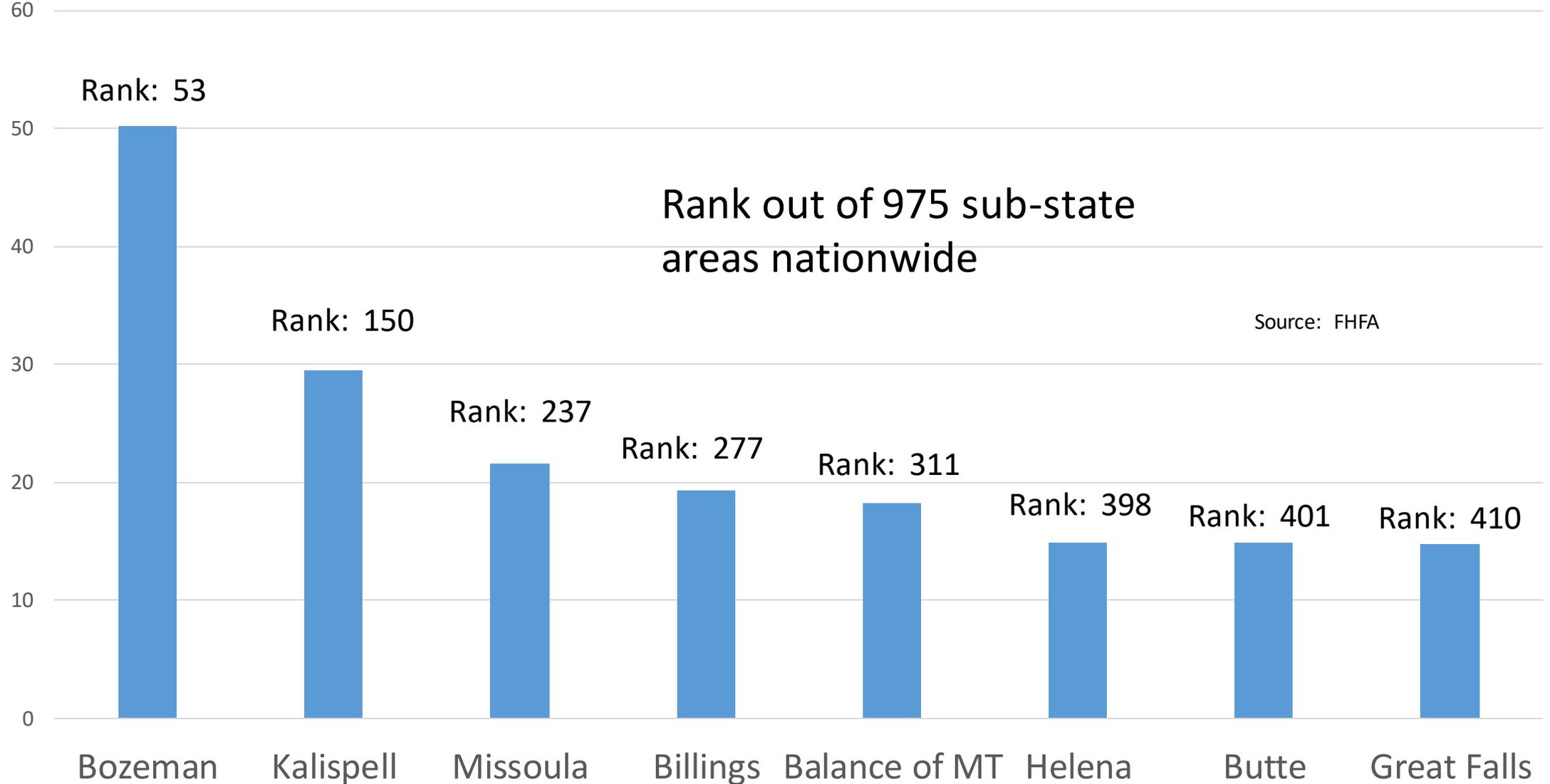
Housing Price Index, All Transactions, Montana and U.S. 1980-2018  
Index, 1980=100



Source: U.S Federal Home Finance Agency

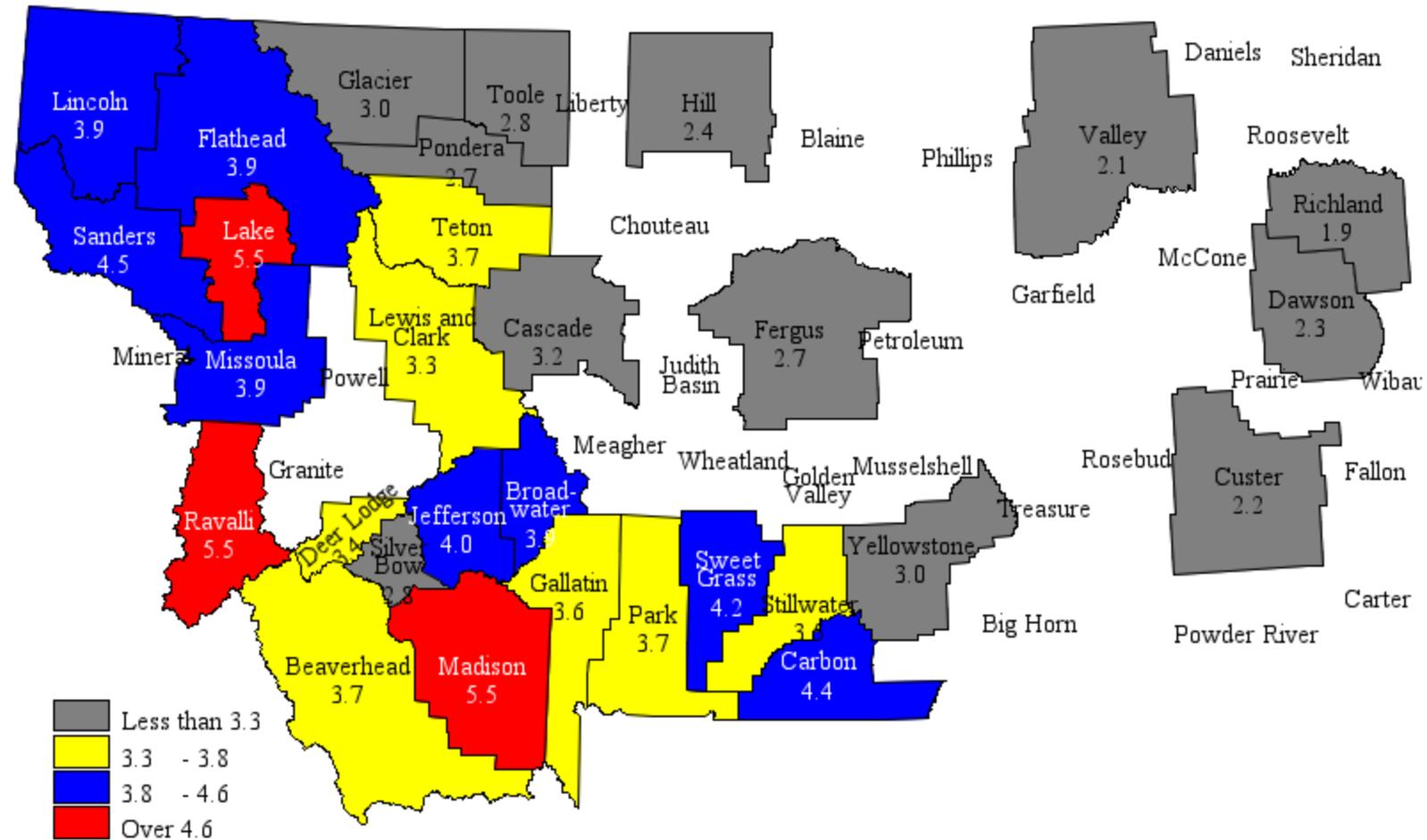
# Housing Price Growth Since 2012, With National Rank

Percent



# Ratio of Home Price to Median Household Income

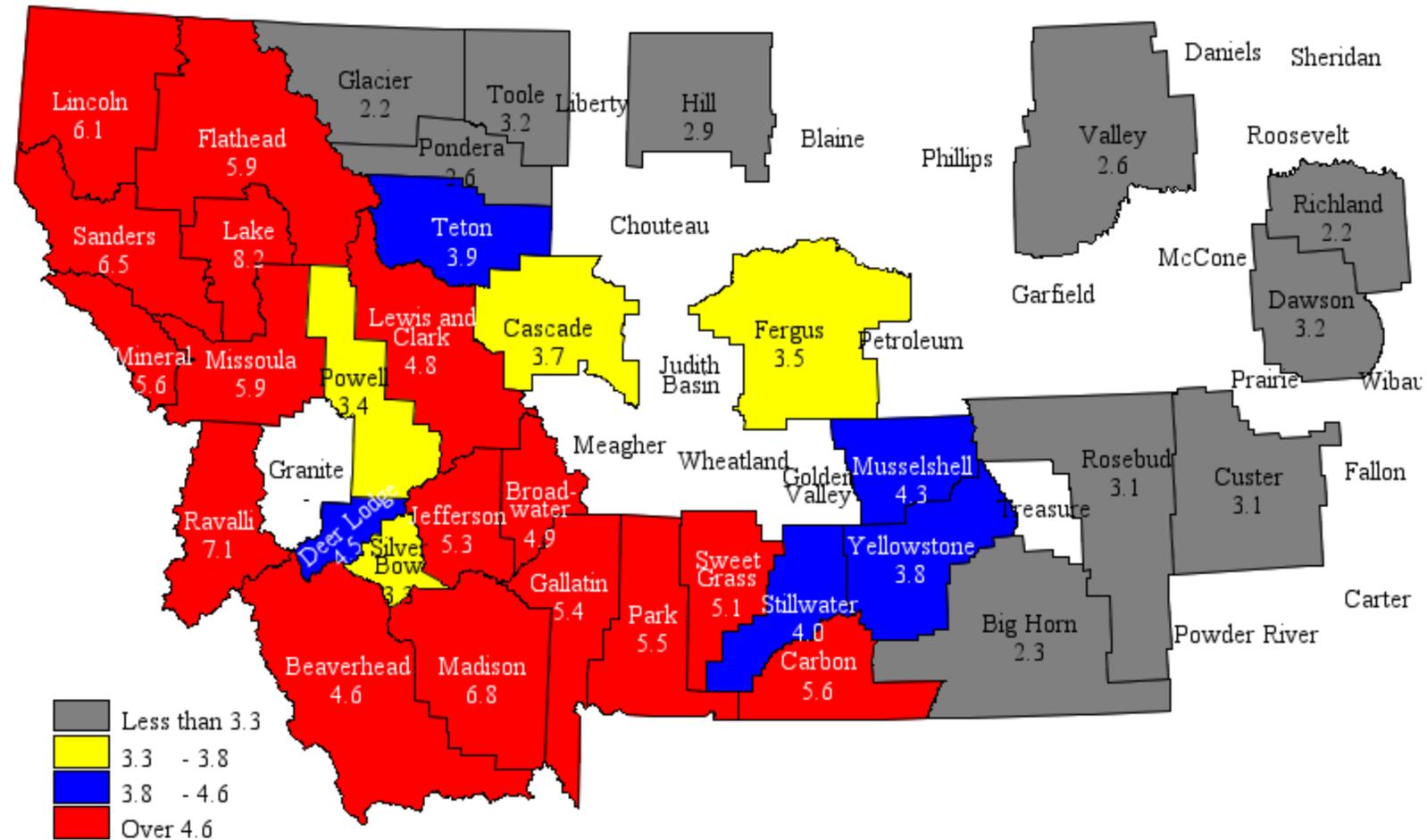
## 1998



Source: BBER Calculations from Bureau of Census, National Association of Realtors and FHFA.

# Ratio of Home Price to Median Household Income

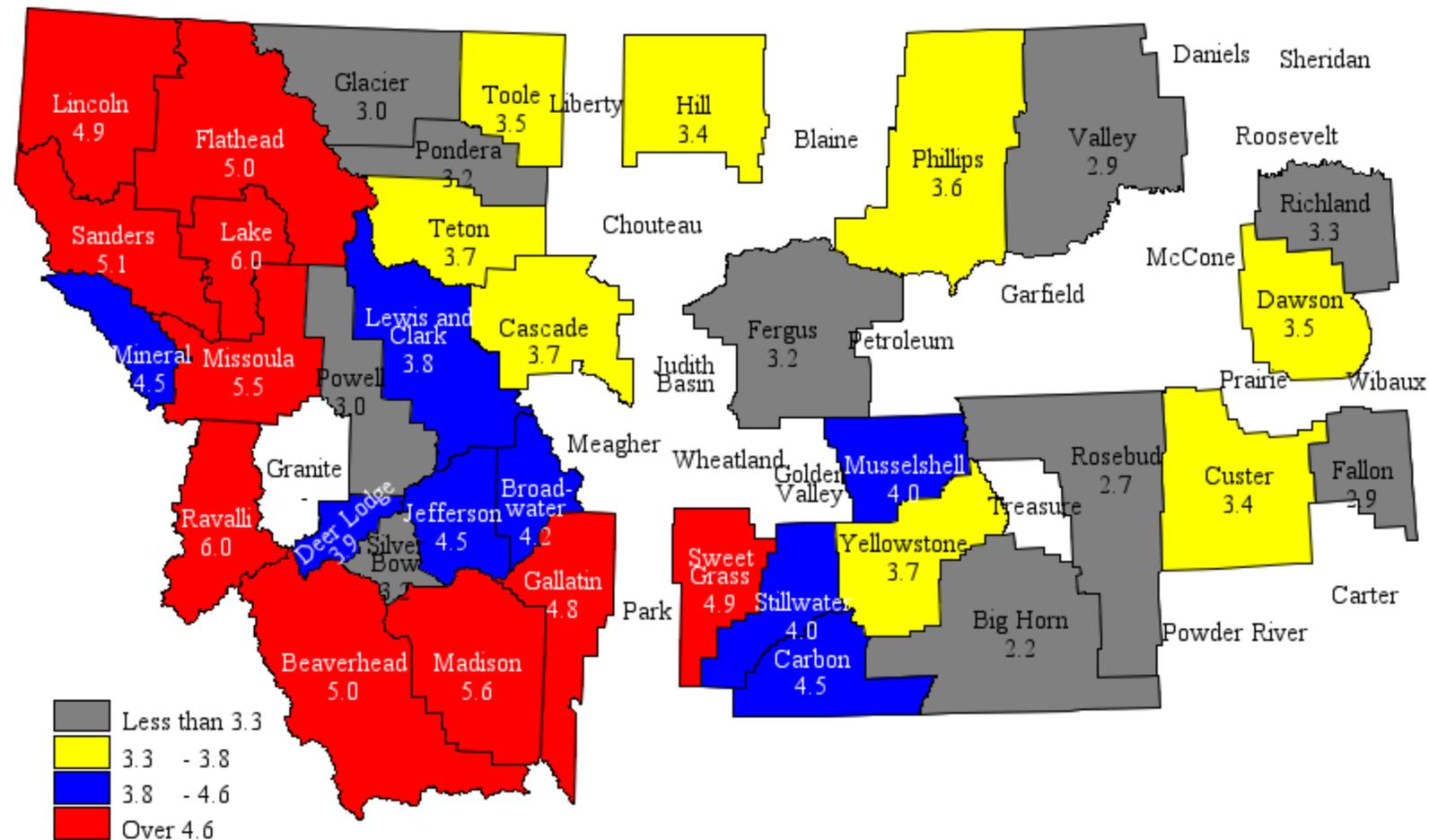
## 2007



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**

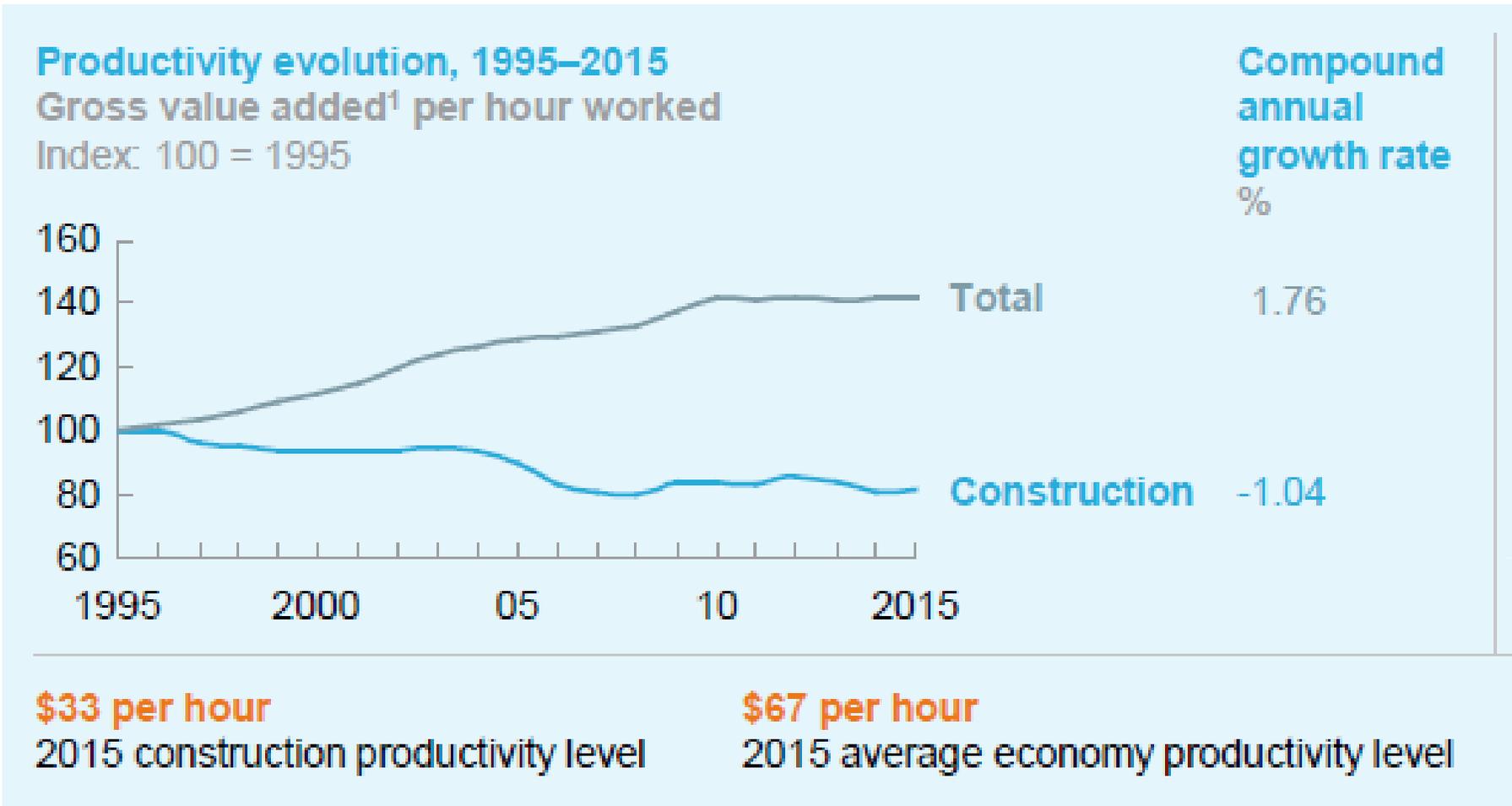
# The Market is the Problem

- “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



Source: McKinsey Global Institute.

Why do you think housing costs are high?

1. Go to [pollev.com/bber297](https://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?

High Demand - Its  
Just the Market **A**

Local Regulation  
Adds Costs **B**

Federal Policies **C**

Housing Costs Aren't  
High in Sidney **D**

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