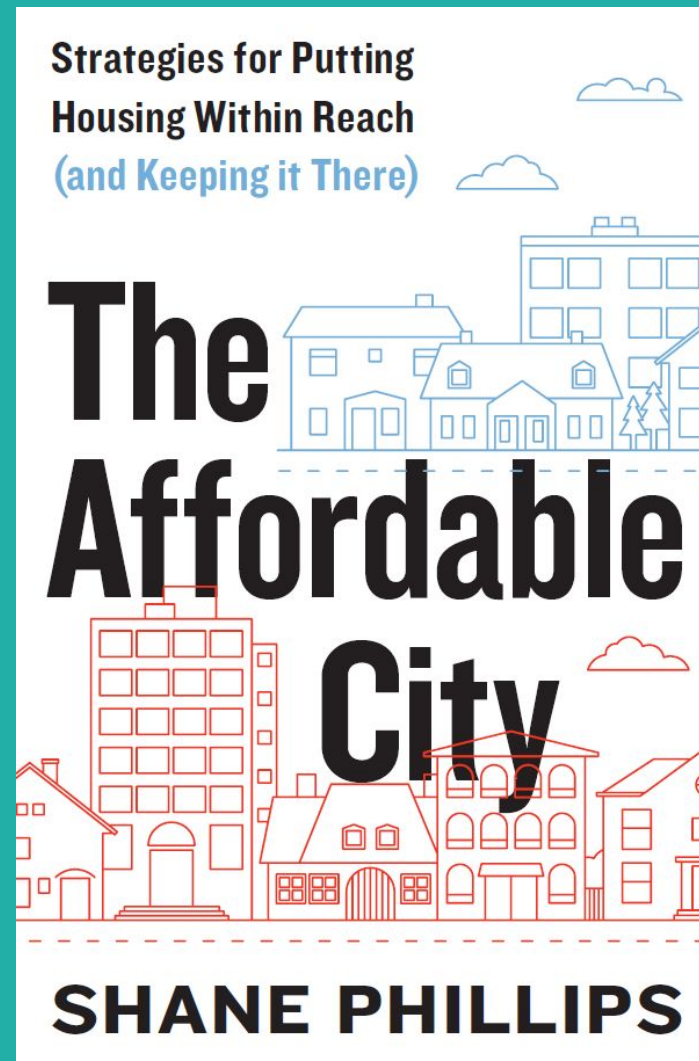




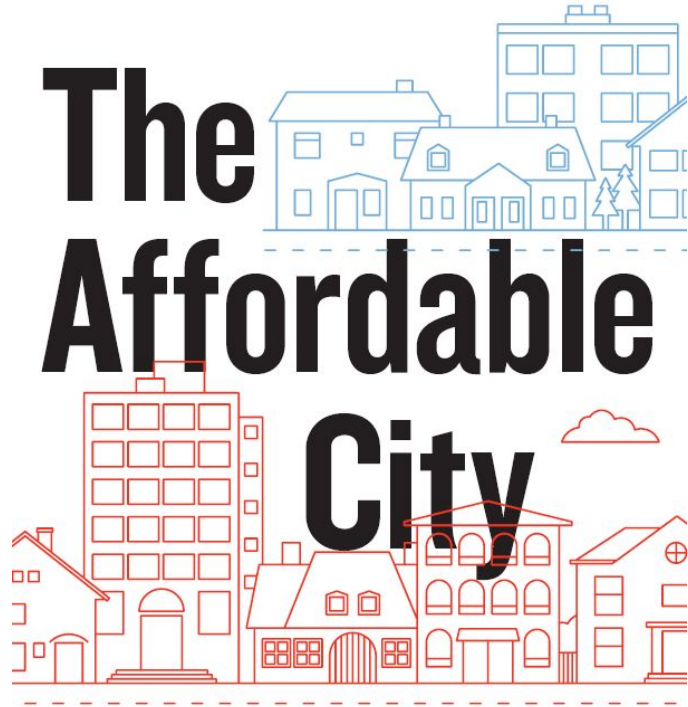
Saying 'Yes' to Affordable Cities

Supply, Stability, and Subsidy

APA Utah



Strategies for Putting
Housing Within Reach
(and Keeping it There)



SHANE PHILLIPS

UCLA

Lewis Center
for Regional Policy Studies



Learn more by listening to our podcast:



- Eight-part series on homelessness (causes, demographics, solutions)
- Community land trusts
- Rents and migration
- Right to counsel
- Social housing in Vienna
- Upzoning in New Zealand
- Inclusionary housing, minimum lot size reform, the Fair Housing Act, de-valuation of homes in Black neighborhoods, suburbanization in Mexico, Singapore's public housing, bundled parking, transit-induced displacement, homelessness interventions, vacant housing, real estate transfer taxes, public housing and tenant power, rent control, immigration and housing precarity, ADUs, homeownership...

Zillow Home Value Index



All homes



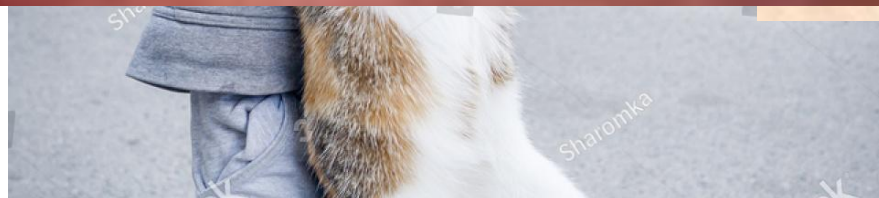
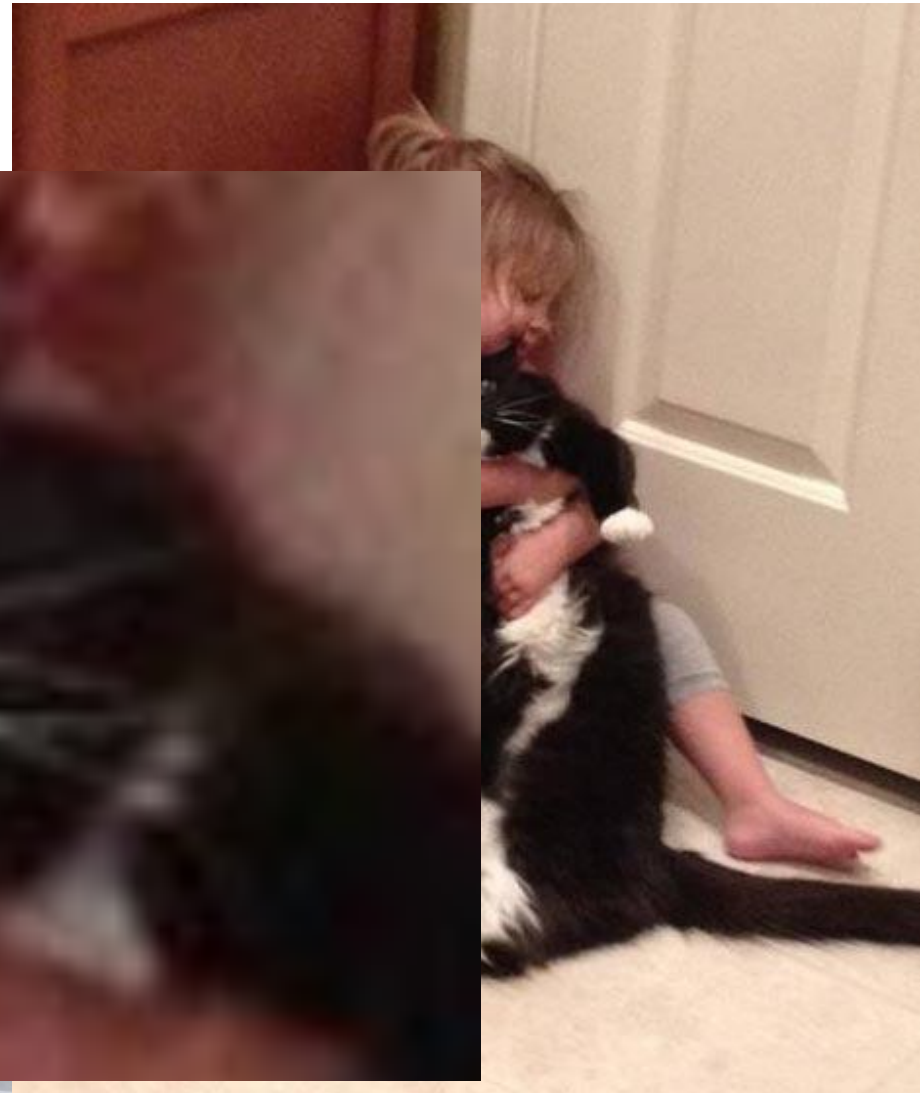
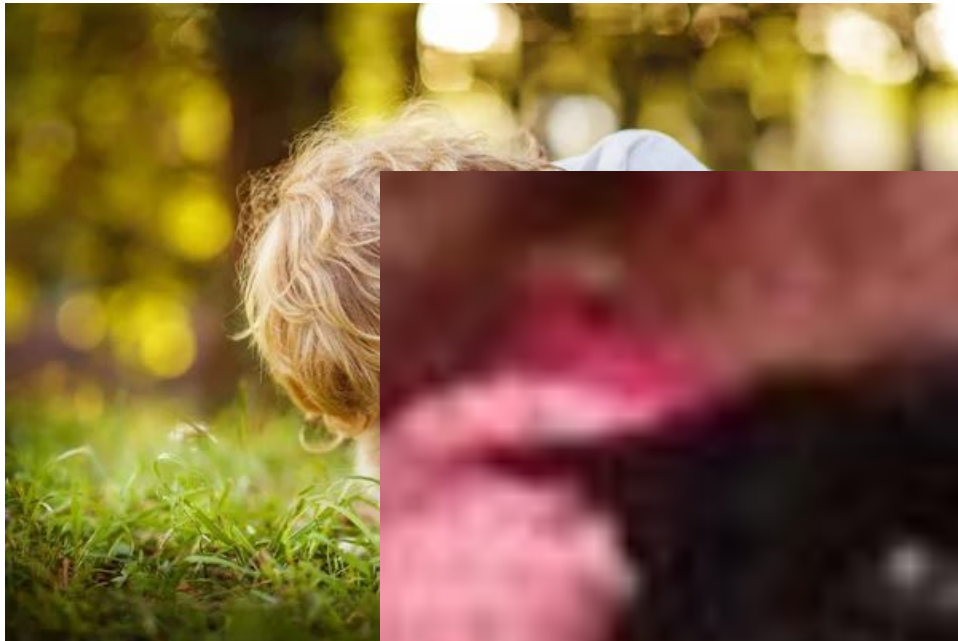
1-yr

5-yr

Max

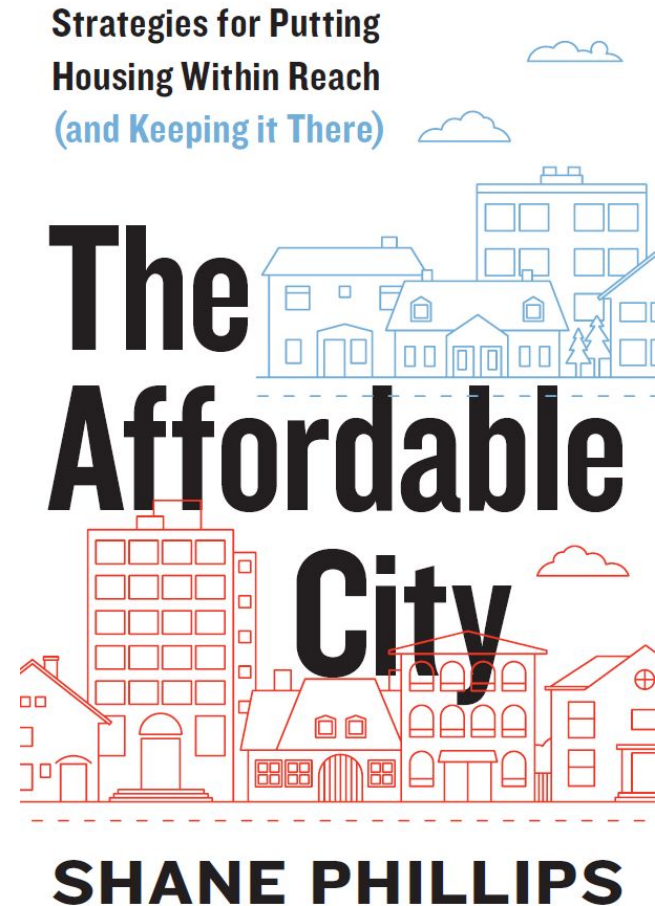
Los Angeles





THE THREE S'S

Supply
Stability
Subsidy



Supply

Scarcity and affordability are mutually exclusive

Supply

Physical constraint: You can't redistribute your way out of a shortage

Economic constraint: Scarcity increases the market power of property owners at renters' and buyers' expense

Stability

What are our moral obligations?

What level of security does each person deserve, whether they rent or own?

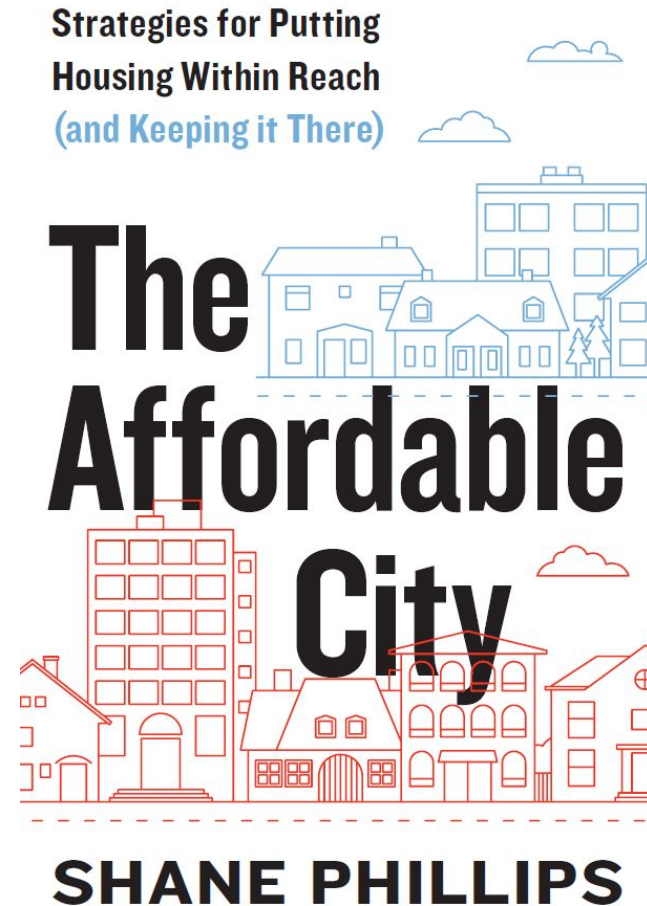
Subsidy

What gaps are left by supply or stability policies?

How can taxes, fees, etc. also incentivize helpful behavior?

THE THREE S'S

Supply
Stability
Subsidy

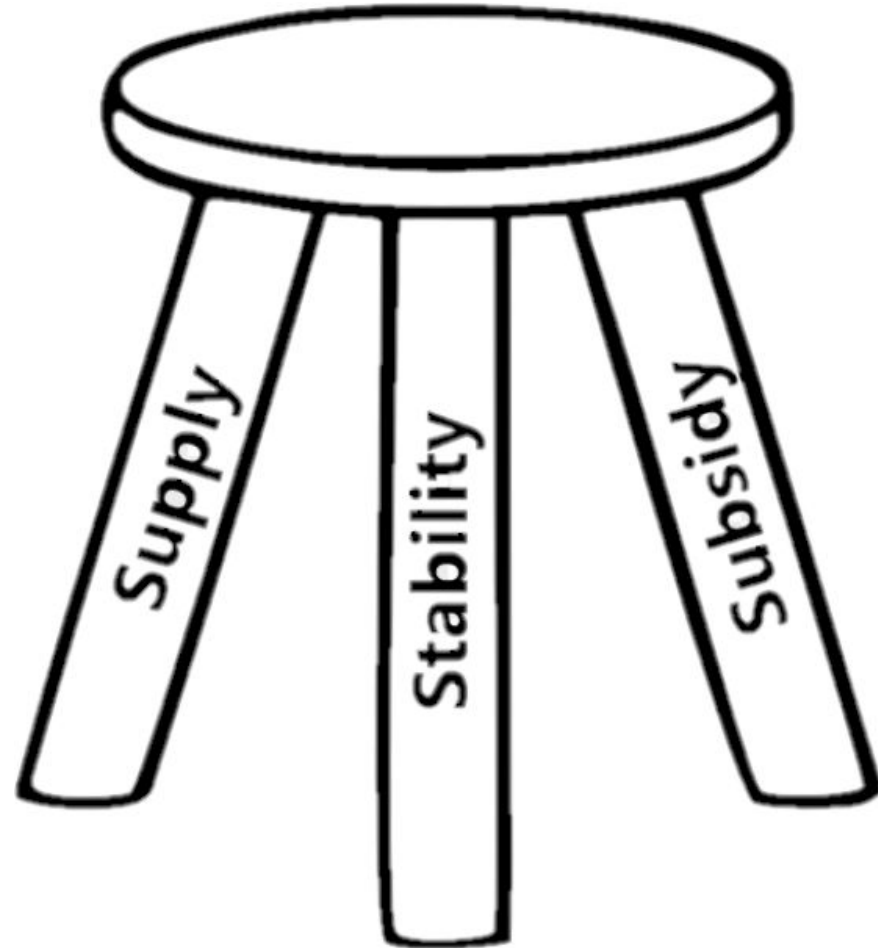


A three-legged stool for affordability

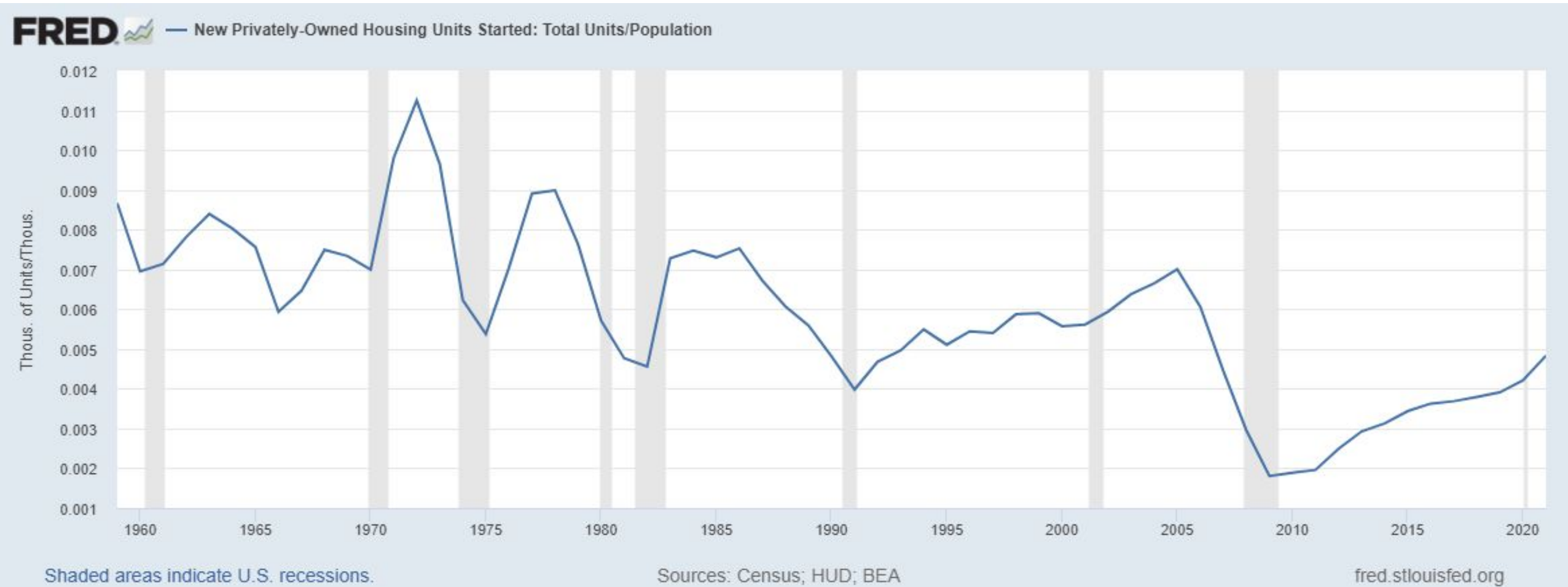
Supply, Stability, and Subsidy
are mutually reinforcing

Together, they are a strong
foundation

Alone, they are unsteady and
out of balance

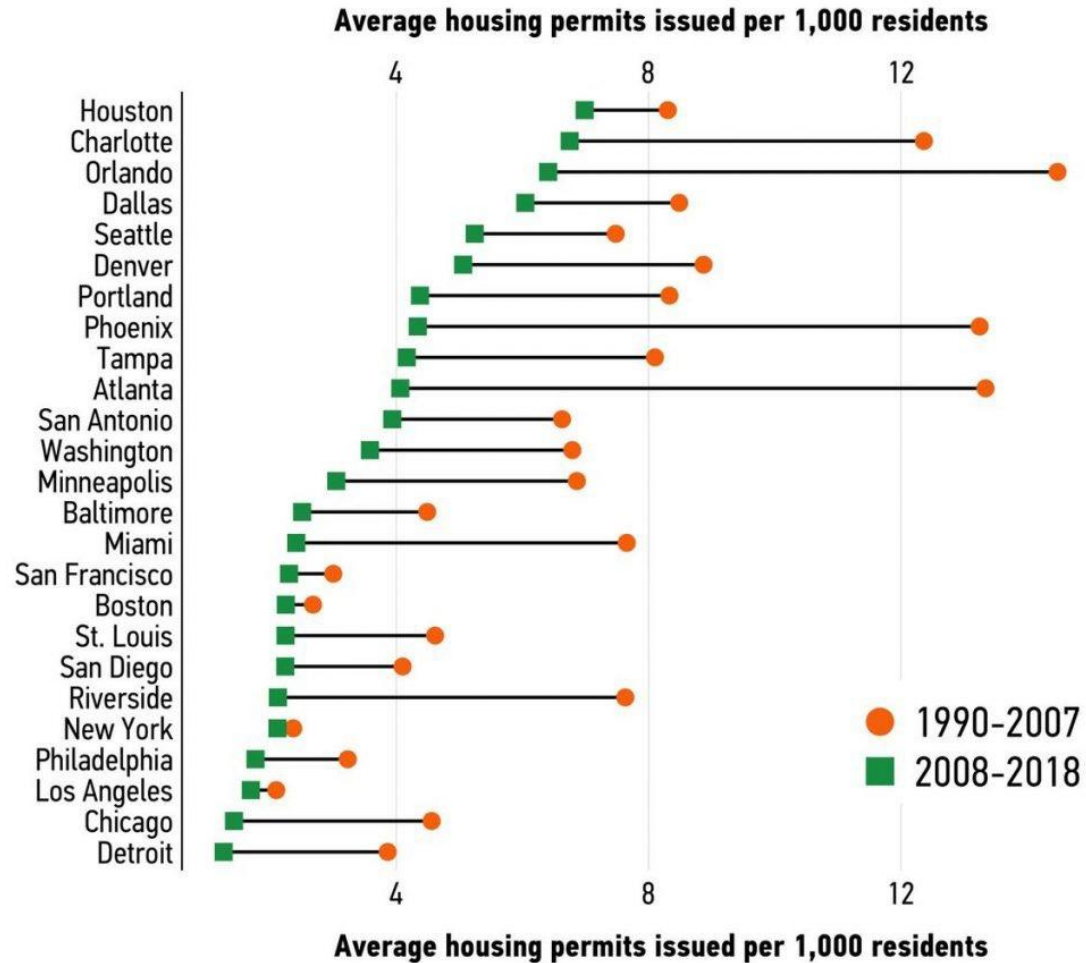


Housing scarcity is worsening



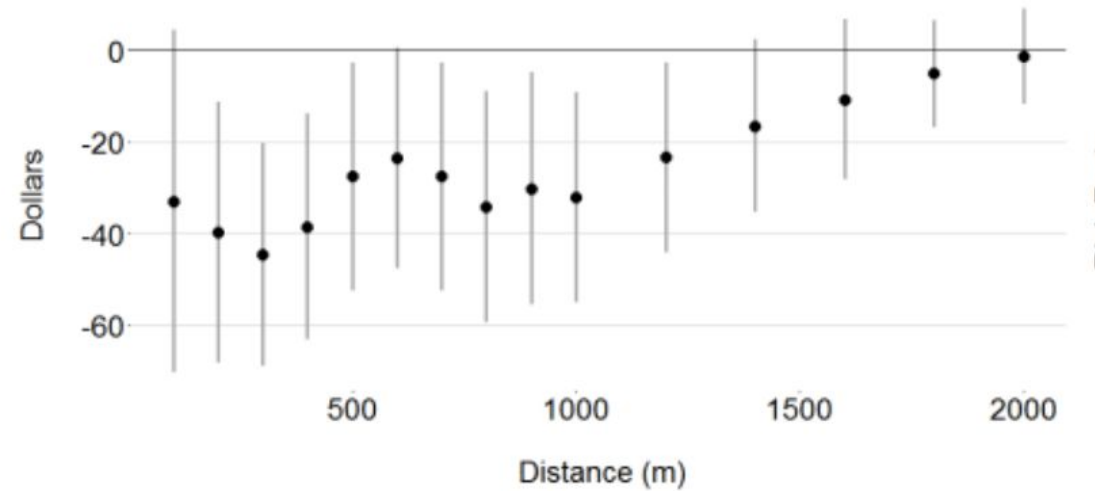
Housing scarcity is worsening

Every major U.S. metro is building less housing



All else equal, places that build more housing are more affordable than those that build less

See: “Supply Skepticism Revisited”
from the NYU Furman Center



(a) 1BR Rents

Pennington, K. (2021). Does building new housing cause displacement? The supply and demand effects of construction in San Francisco.

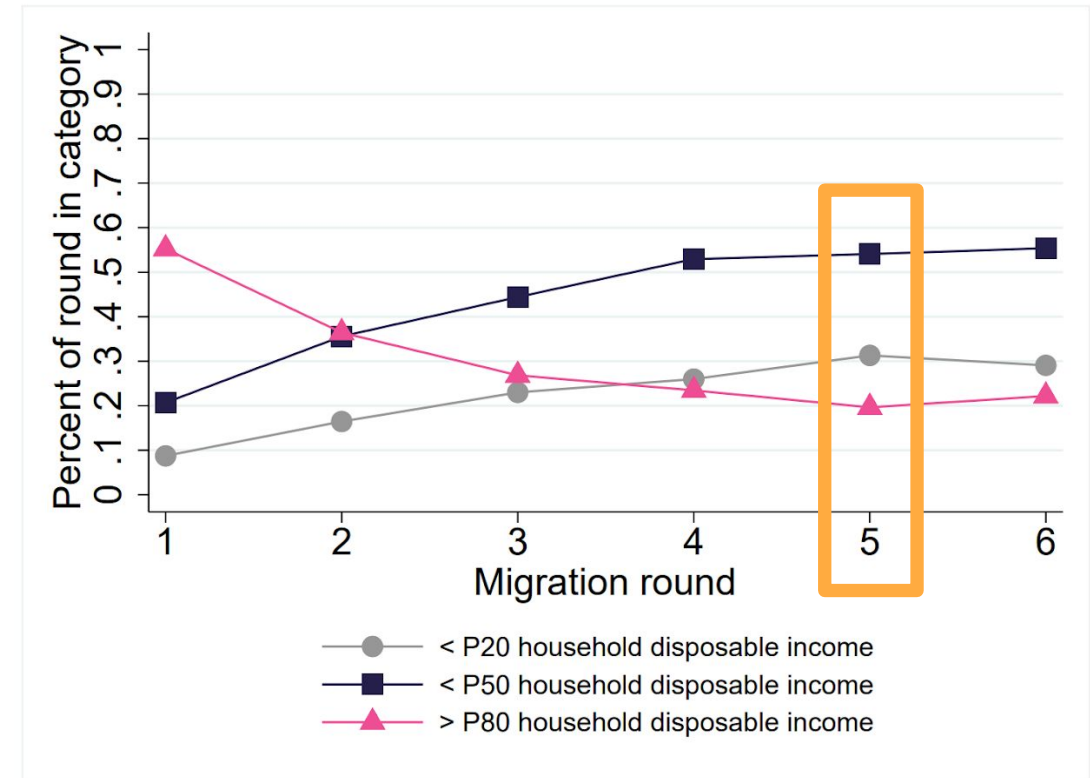
New buildings “pull people up” into higher quality homes, loosening pressure across the market

Move 1: Household A moves into new \$2,000/month market-rate unit, leaving behind a \$1,600 unit.

Move 2: Household B moves into \$1,600 unit, vacating \$1,300 unit.

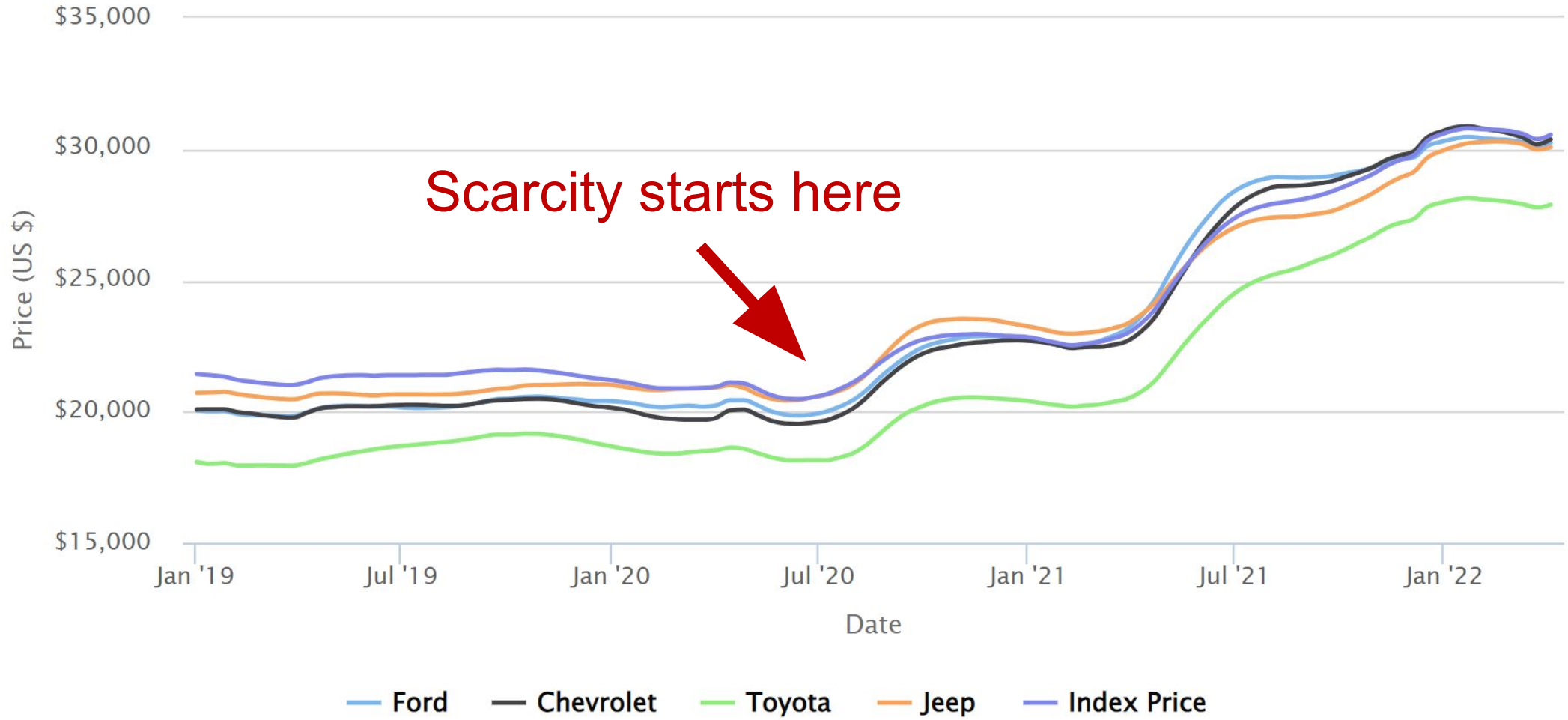
...

Move 5: A vacancy is created in an \$800/month unit – without subsidies



(e) Market-rate, individuals

Learning from the used car market

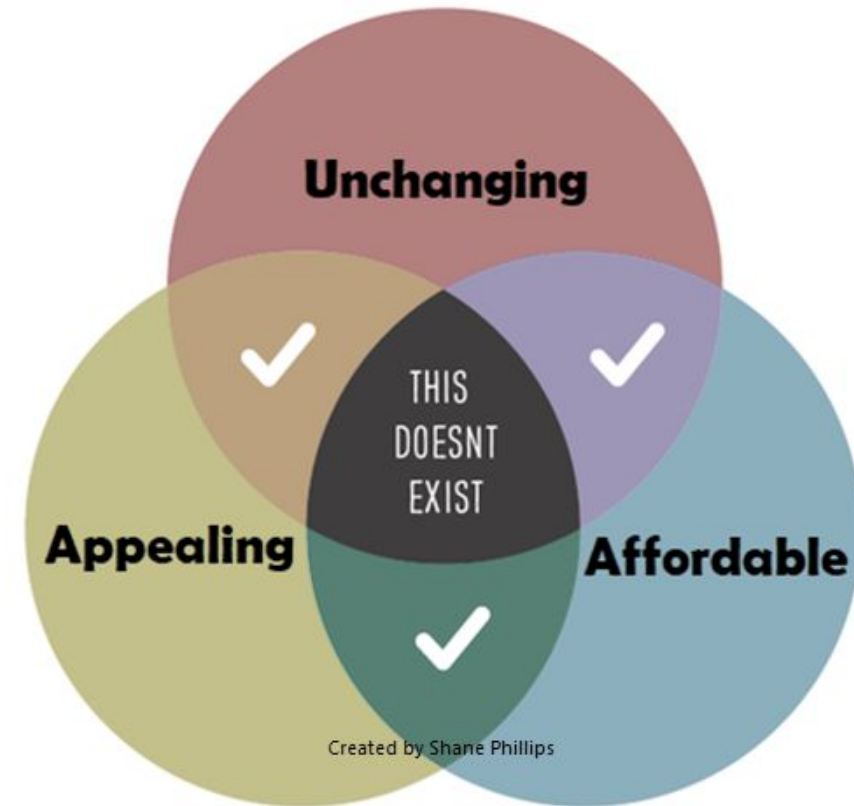


There's no such thing as "no growth"

Cities and towns generally have three paths:

1. Growing housing stock
2. Growing housing prices
3. Stagnation and decline

EVERY CITY CAN ONLY PICK TWO



WHICH PATH WILL YOU TAKE?

What's New and Next?

Where housing is headed

Missing middle housing

Missing middle: Everything from rowhouses to 3-4 story apartment and condo buildings

Benefits:

- Low construction costs
- Low (shared) land costs
- Low barrier to entry for homebuilders
- Similar scale to existing buildings

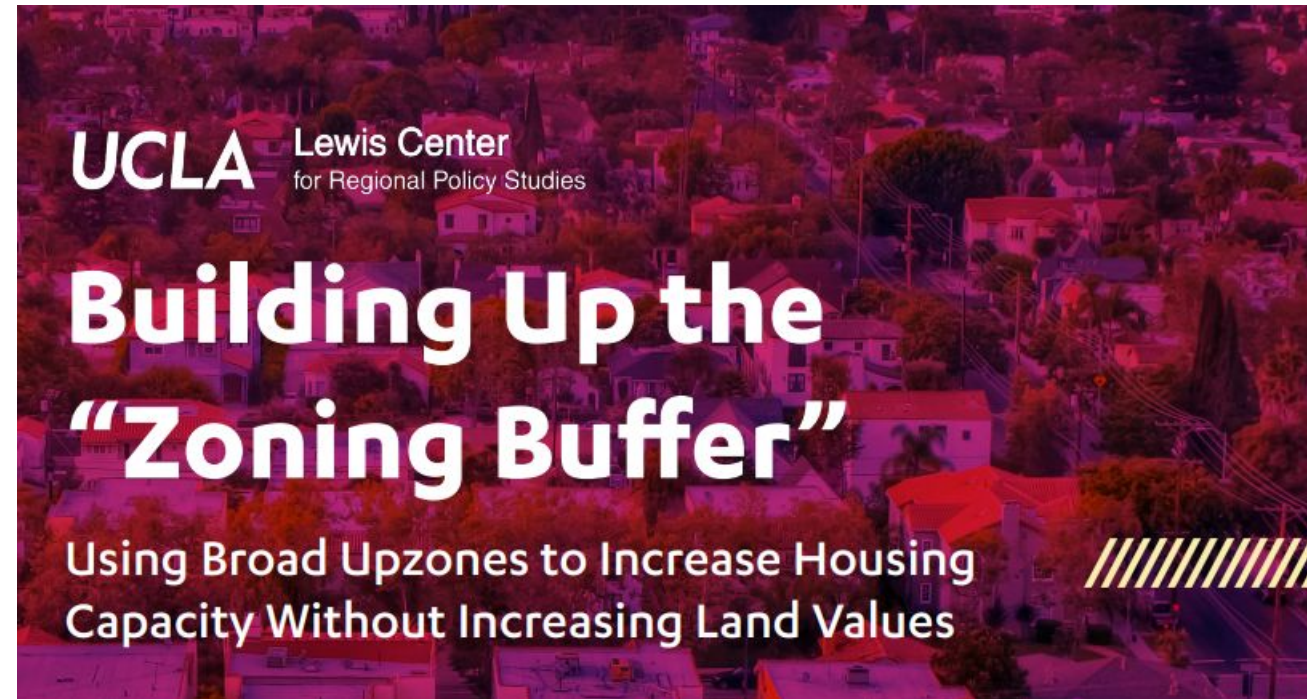


Broad upzoning

Broad upzoning: Allowing denser, more affordable housing citywide, not one n’hood/corridor/parcel at a time

Benefits:

- Reduces windfall increase in land value from targeted upzones
- Lower land costs can be passed on as lower rents/prices
- Shares burdens of growth

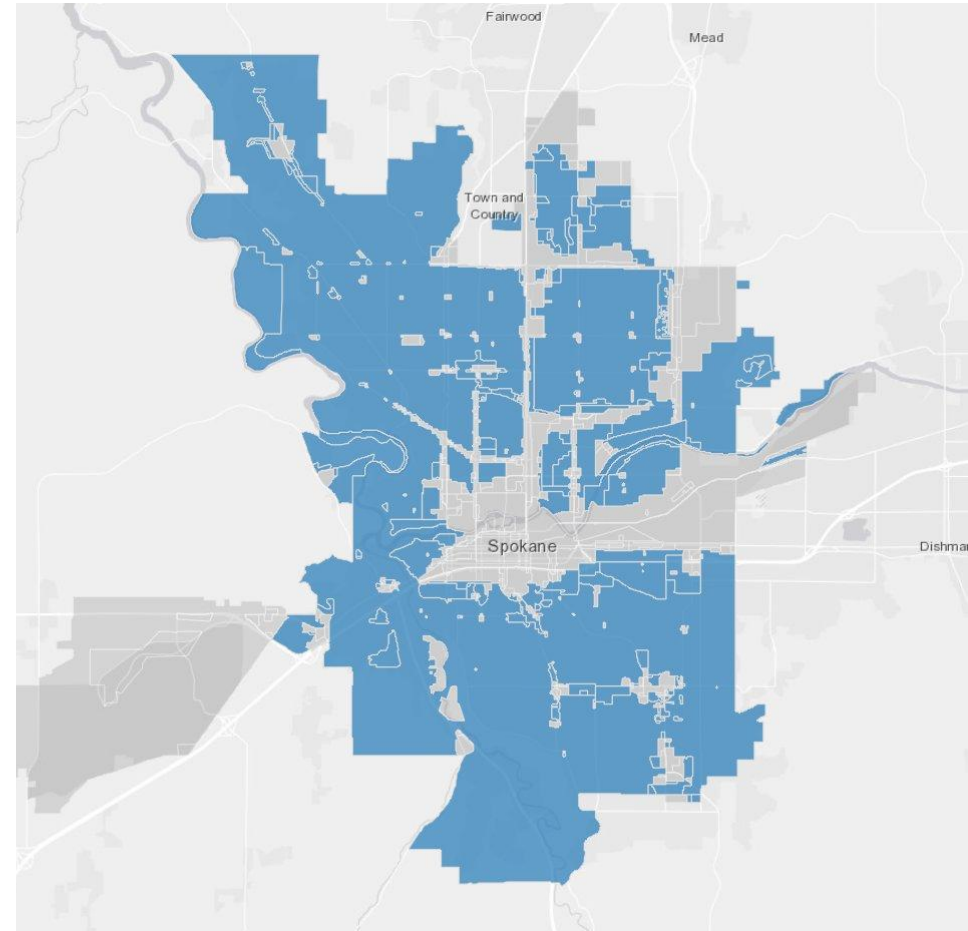


U.S. cities are already pursuing broad upzoning + missing middle in big ways

In late 2023, Spokane, WA upzoned 2/3 of the city, allowing 3 stories, unlimited floor area and density, and at least 50% lot coverage on all residential parcels

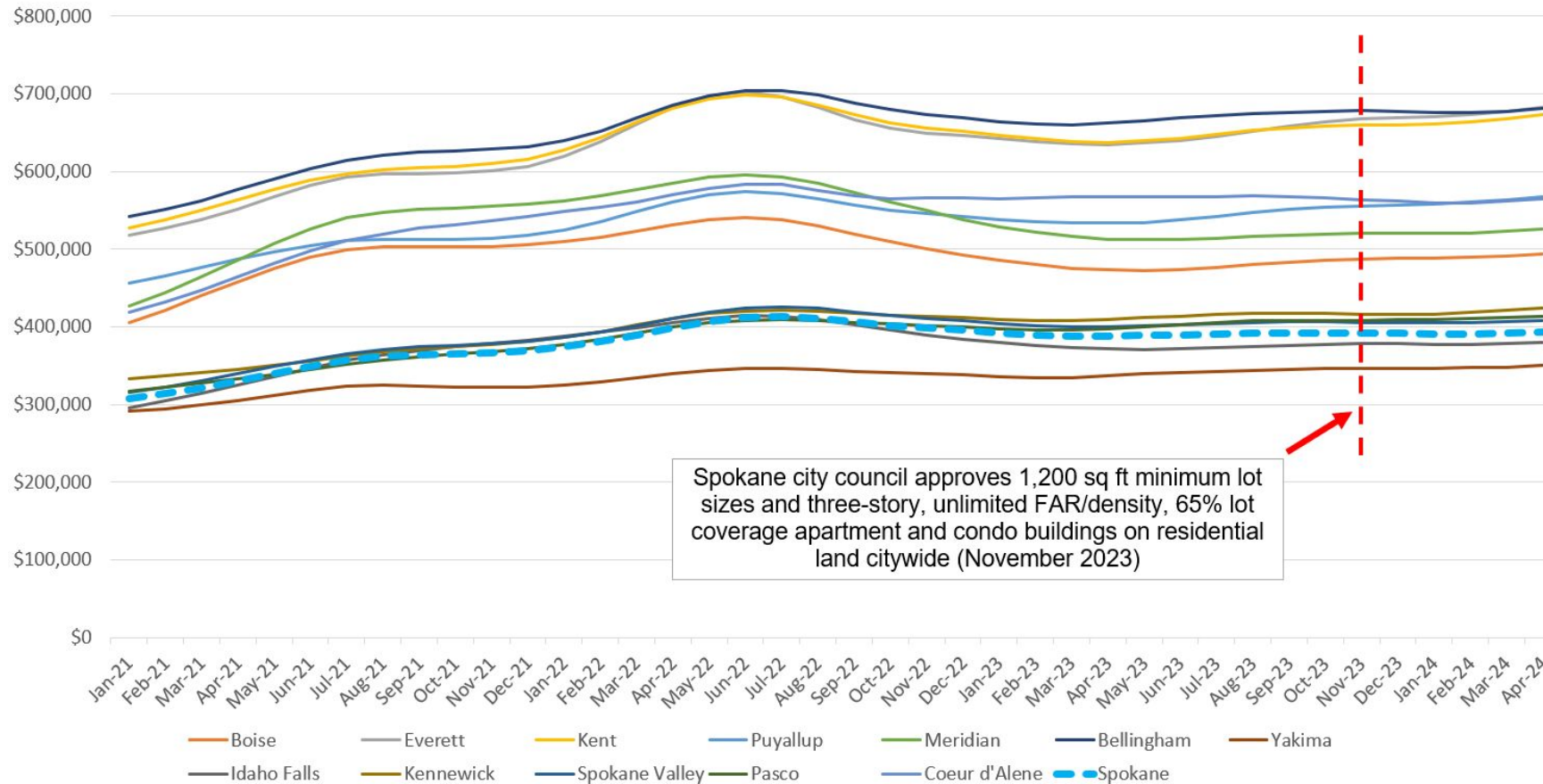
Other places to watch:

- Burlington, VT
- Sacramento, CA




Upzoning didn't send Spokane home prices through the roof

Zillow Home Value Index (ZHVI) Single-Family Homes Time Series, Selected Washington and Idaho Cities, 1/31/2021–4/30/2024 (Spokane = Dashed Blue Line)



Making the case

Reasons for optimism on reform



LEARNING FROM THE “MONTANA MIRACLE”

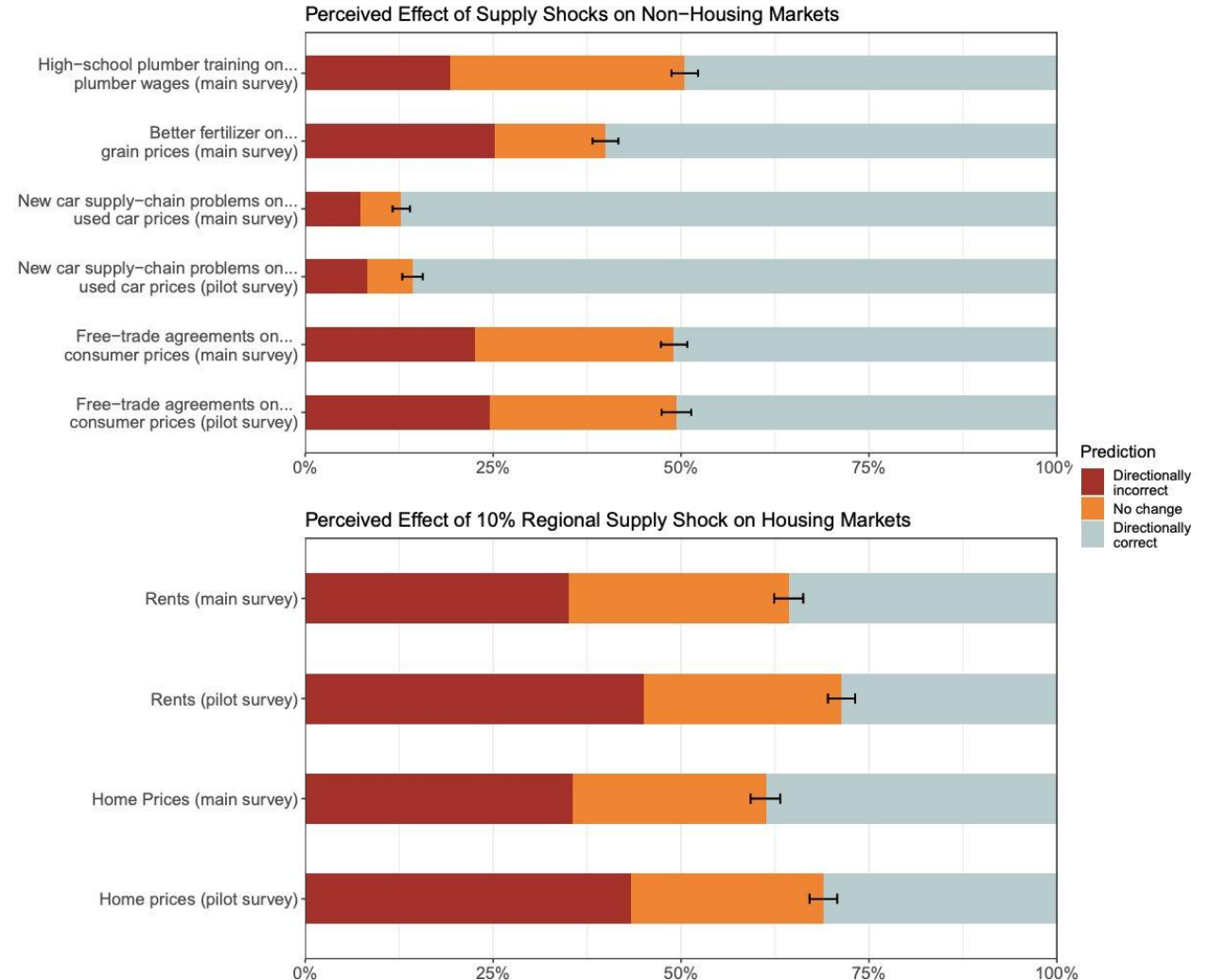
- Big tent
- Quick process
- Open dissent
- Healthy fear about the consequences of inaction

People have strange views about housing...

In a survey of US adults, when asked about the effect of increased supply on the price of food, cars, services, etc., most people answer correctly

But on rents and home prices, nearly half answer incorrectly

Source: Nall, Clayton and Elmendorf, Christopher S. and Oklobdzija, Stan, *Folk Economics and the Persistence of Political Opposition to New Housing* (April 29, 2024).



But they don't feel strongly about those views

Only about 1/4 to 1/3 feel confident in their views

And the views seem to be genuinely held – not a self-serving excuse for NIMBYism

In other words: for many people, supply skepticism is their default view, but not a strongly held one

F.2 Confidence in Price Predictions

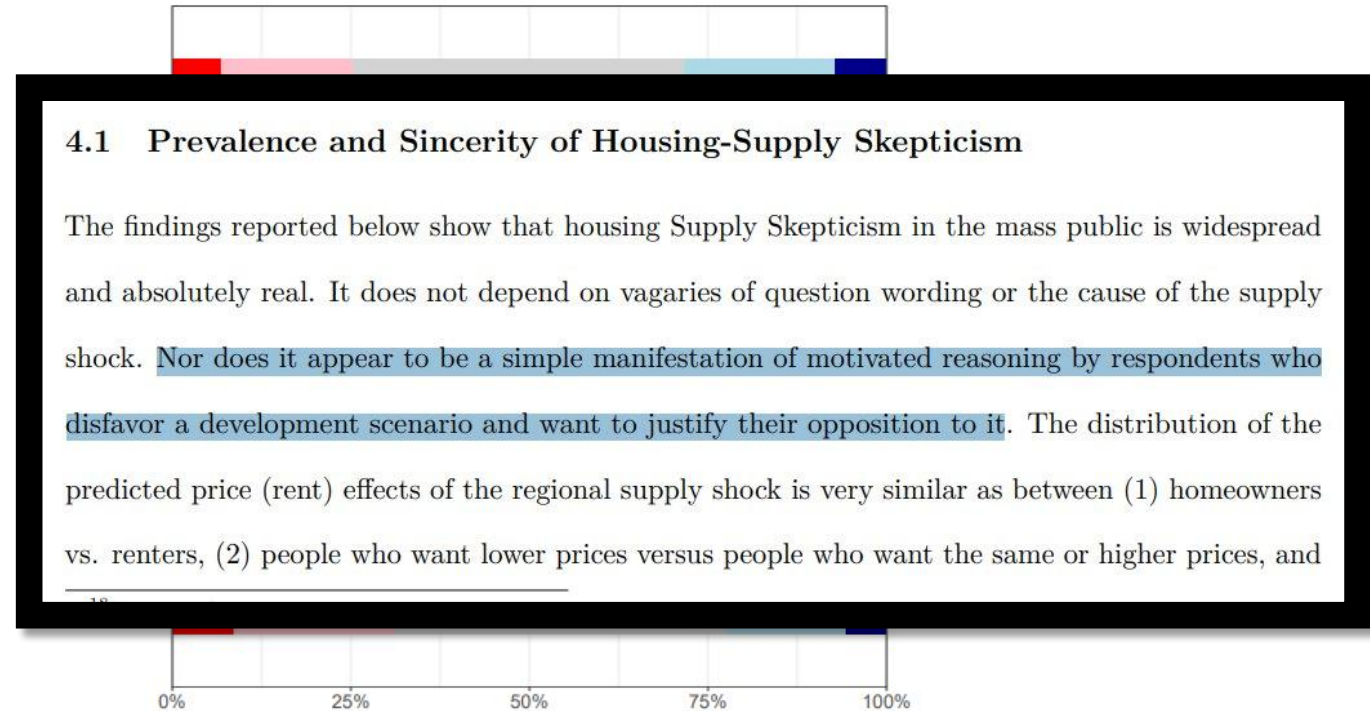


Figure F.2: Self-reported confidence in elicited price predictions by tenure. Main survey. Only about 30% of respondents reported being “confident” or “very confident,” with slightly higher rates among homeowners than renters.

People are open-minded and persuadable

In a follow-up study, survey takers were offered one of four “informational interventions” on benefits of homebuilding

Support increased up to 15 percentage points, or 43%

Elmendorf, Christopher S. and Nall, Clayton and Oklobdzija, Stan, Do Housing Supply Skeptics Learn? Evidence from Economics and Advocacy Treatments (September 12, 2024).

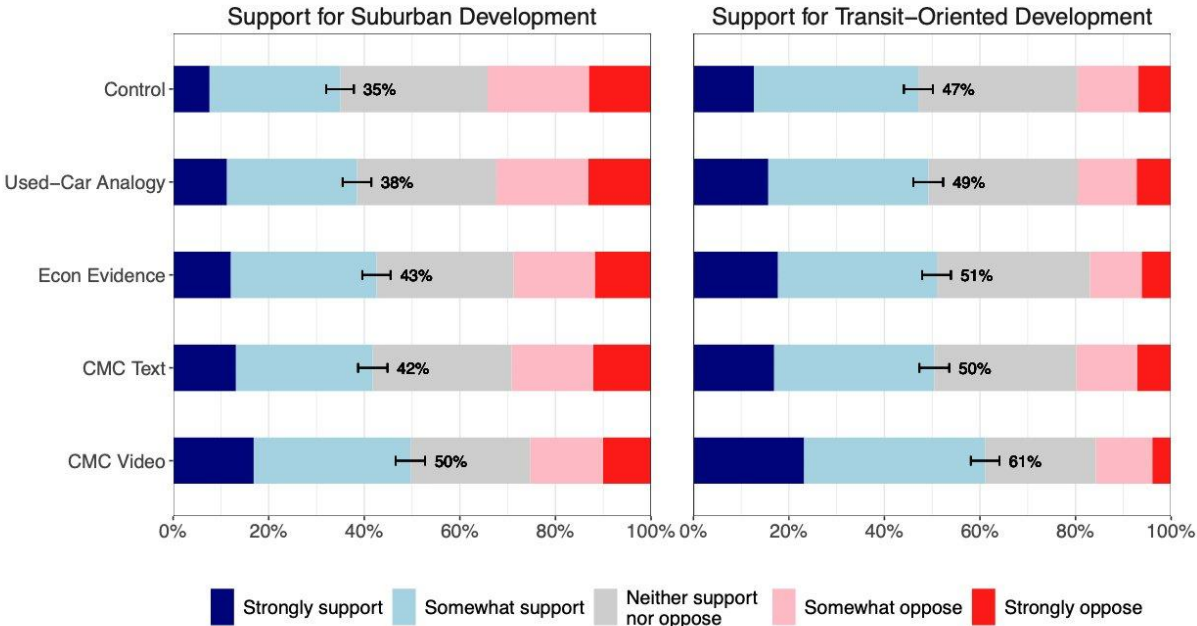


Figure 4.1: Distribution of policy opinion about market-rate housing development. Error bars are robust 95% confidence intervals (unadjusted for multiple comparison) on proportion of respondents who “strongly” or “somewhat” support building more of each type of development in their metro region. Percentages are the corresponding point estimates.

Stay Positive!

You've created wonderful places that people want to call home. Demand for housing is what drives up prices, but it can be harnessed to improve your communities and share your state's opportunities with even more people.

THANKS!

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