

**Dissenting Statement to the
Report of the Millennial Housing Commission**

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I have chosen to dissent from the report of the Millennial Housing Commission because the Commission's report largely deals with the superficial symptoms of high housing costs and ignores the underlying causes of the problem. In addition, the report uses faulty data and misleading measures that cause it to greatly overstate the magnitude of housing problems.

The lack of affordability (or high housing costs relative to income) is driven by two underlying factors: low incomes and restraints on supply. Low incomes make it difficult for families to pay for housing. At the same time, regulatory barriers restrain the expansion of moderate priced housing and thereby greatly increase housing costs within a locality.

To improve affordability, we must increase family incomes and reduce governmental policies that restrain housing supply and raise costs. The Millennial Housing Commission report proposes widely expanding housing programs, but, to a large degree, ignores these underlying factors that create housing problems in the first place.

Low Incomes The average poor family with children works between 800 and 1000 hours per year. That's equivalent to full-time work for only five or six months out of the year. (The work rates of families with children in government assisted housing are similar to those of poor families in general.) Clearly, if we wish to reduce child poverty, the hours of parental work must be substantially increased. And if we wish to enable families to pay more for housing, the hours of work must be increased.

In this regard, the Housing Commission has taken the positive step of recommending work requirements for housing recipients similar to the requirements created in the 1996 welfare reform law and used in the current Temporary Assistance to Needy Families (TANF) program. Work requirements in TANF have proved highly effective in increasing employment and reducing child poverty. Since the beginning of welfare reform, for example, black child poverty has fallen by a third and is now at the lowest point in U.S. history. While the recommendation to establish work requirements in housing programs is a positive step, much more that must be done to increase work and earnings.

Marriage, Housing and Poverty The second main cause of child poverty or low family income is the erosion of marriage. Nearly two thirds of all child poverty occurs in single

parent families. Not surprisingly, 87 percent of the families with children receiving housing aid are single parent families. Clearly, the erosion of marriage is a principal factor behind the need for housing assistance.

Tragically, current housing programs actively penalize and discourage marriage. Unfortunately, the Millennial Housing Commission has taken a “head in the sand” attitude toward this critical problem. It has failed to recommend altering those aspects of current housing law that penalize and discriminate against marriage among low income parents. This refusal to address the anti-marriage elements of housing law will lead to an increase in child poverty and an undermining of child well-being in the long-term.

Policies that Increase Housing Costs The Commission has also largely ignored the regulatory restraints on housing supply that greatly increase housing costs. It is a simple fact that those cities that have the greatest “affordability” problem are those that have “smart growth” or other regulatory policies that severely limit new housing growth. Policies such as restrictive zoning, antiquated building codes, and high impact fees for new construction reduce housing supply and greatly increase costs for everyone in a community. Such policies have particularly harmful effects on minority families.

Despite receiving ample testimony on this point, the Commission’s report largely ignores the issue of restraint of housing supply. It thereby ignores the main cause of high housing costs in the nation.

Faulty Data The findings of the Commission are based on surveys that undercount national income by as much as two trillion dollars per year. A substantial part of the income undercount occurs in low income families. Because these surveys severely undercount income they necessarily overstate any affordability problem.

Finally, the Commission employs the concept of “affordability” to justify expanding housing programs. According to this notion, families that spend more than 30 percent of income on housing face an affordability problem. But the basic concept of “affordability” is flawed. The fact that a family spends more than 30 percent of its income for housing does not mean that the family necessarily faces absolute or relative economic hardship.

Take, for example, a family with an income of \$20,000 per year paying \$5,000 in housing costs. This family is paying 25 percent of its income to housing and does not have an “affordability” problem. By contrast, take a similar family with an income of \$25,000 per year paying \$10,000 in housing costs. This family is paying 40 percent of its income to housing and does have an “affordability” problem. But the post-housing income of both families is the same -- \$15,000. It is unclear that the family with the “affordability” problem is worse off than the family without the problem. In fact, the family with the “affordability” problem may be better off. In short, affordability is a very misleading measure of either relative living conditions or economic hardship. Policies that are based on this misleading measure are likely to be misguided.