

COUNCIL CORNER

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Housing Policy, Moving Beyond the Crisis

The economic meltdown of the past four years has clearly placed housing policy and homeownership in the spotlight. Economic upheaval in the country and the world has occurred and the prospects for a quick recovery are slim. It has been well documented that this latest crisis stemmed from the collapse of the housing market. The general view is that people without sufficient incomes were supplied mortgages they could not afford by lending institutions motivated by profit. Improper regulatory oversight led to increased risk which eventually led to an unsustainable real estate market. Prices for land and existing housing stock exploded, speculation led to more risk and eventually the wind blew the house of cards down taking banks, homeowners, and investors with it.

Many lessons from the collapse are out there and some may actually make it into the reform playbook. For potential homeowners, regulations limiting income-stated loans (where assets sufficient to cover mortgage debt are stated without proof) will now be tightened or eliminated. Zero down payments where no equity is required for the loan to be originated will become rare. Interest only loans and loans for 100 to 110 percent of the property value will be all but removed from the mortgage product portfolio of lending institutions.

On the investment side, lenders will see additional regulatory oversight of the appraisal industry to eliminate baseless hyper-inflated property values from skewing the value of land and property. Lenders will also see government require more conservative lending criteria and more securitization of assets so that that “government bailouts” are less likely in the future. These and other reform proposals will work their way through Congress and may eventually result in legislation that will provide guidance to federal agencies charged with oversight.

Once the dust settles, the system we recognize as the housing industry will be stronger and the likelihood of future housing bubbles will be lessened. But with that said, what should the future of housing policy be? At the recent Utah Intergovernmental Roundtable Summit, Arthur C. Nelson, PhD., FAICP, of the University of Utah’s College of Architecture + Planning, estimated that the U.S. population will reach a half billion by the year 2050. He also estimates that Utah’s population will grow from 2.6 million in 2005 to 5.2 million by 2040. Unfortunately, there is not a crystal ball to tell us how to adjust to the demands such population increases will have on our country and our state.

This explosion in population leads to some obvious questions. First, are there sufficient resources, land, water, construction materials, waste disposal systems, roads, energy, etc., to create and support the development of traditional housing units for the projected population? Second, beyond the physical infrastructure, what increases will be needed to meet the demand in social institutions? Schools, medical services, police, fire, civic government and other institutions will need to expand to meet the demands of additional citizens. What will be needed to pay for these increased services? Finally, will the job sector be able to pay sufficient wages to provide for these households? We have moved dramatically to a service centered society, but

service sector jobs typically do not provide sufficient wages to allow families to thrive economically.

The current administration has adopted some measures that move us along a path that improves housing quality. There has been a significant infusion of funds to upgrade public housing units to make them more energy efficient. This not only maintains a significant housing asset for lower income residents, it saves energy and creates jobs. Homeowners are also benefiting from programs that reward energy efficiency upgrades to their homes.

But these steps are small and will not bring us to a place that will give us the tools we need to truly keep America's citizens well housed and address the needs of the millions of citizens that live in substandard housing today. I suggest a more energized national debate be undertaken and include the following:

- The tax advantage of homeownership should be re-examined to allow for a balanced system for renters as well as homeowners.
- Create a national campaign on rental housing that provides new community incentives for neighborhoods who allow a greater number of rental housing units to be developed. The campaign would include educating the public on the benefits of increased housing density, and dispel the myths that rental housing degrades communities.
- Reward smaller and more innovative housing designs that incorporate energy efficiency, "visitability" and aging in place.
- Engage planning professionals and the legal community to create more innovative zoning ordinances that encourage mixed-use, mixed income and rental/ownership opportunities throughout a community.
- Rethink strip-mall developments, big box and shopping center designs to incorporate office and housing opportunities. This is the idea of growing up instead of out.
- Redefine the concept of the American Dream to one that values safe, secure, affordable housing in all its forms, whether it is owned or rented.
- Engage more disciplines in the community planning effort so that the "General Plan" incorporates housing, education and health conditions as linked co-dependent systems.
- Renters must maintain their apartments and landlords must maintain their properties so they are viewed as an asset to the community. Incentives and educational programs should be developed to encourage this.

Most of these ideas are neither new nor revolutionary but they are timely. Given the changes underway at the national level, a few more innovations may just be the ticket we need to get us where we need to be given what we know is coming.

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