

“Dear Mr. President-Elect”

Dear Mr. President-Elect:

Knowing as I do that you are on tenterhooks to read my monthly Guru column, allow me to advise you on how your housing policy can be a centerpiece of your delivery of the vision on which you campaigned – a land of economic and social opportunity for all Americans.

It's simple:

Solve the problem of expanding new housing supply in big blue cities whose residents mostly didn't vote for you.

Twenty-first century American economic growth is urban-based; that's where we're making new jobs, but that's not where we're making new housing to keep up.

Though much has been made over the last few years of real and perceived socioeconomic inequality as due to structural unfairness and touted by Thomas Piketty's ballyhooed *Capital In the Twenty-First Century*, MIT's Matthew Rognlie has demonstrated that nearly all of Piketty's perceived widening gap arises from the increased cost and value of housing being captured by those who own property at the expense of those who don't.

In a further irony, it is precisely those who both loudly decry inequality and advocate for affordable housing – the affluent high-rise dwellers of Manhattan, San Francisco, Boston and many other reliably blue cities – who have, in fact, made the most from their cities' self-created housing scarcity. Nor can those cities or the country as a whole simply subsidize our way out of an affordability crunch, because our nation's population is growing and urbanizing, and as long as housing is scarce in the places where people flock to the newly created jobs, the real price of housing will keep rising.

You know this, as did your late father Fred. He was a self-made urban residential developer, a true pioneer of affordable housing. Over four decades, he built subdivision homes; Navy barracks and garden apartments in World War II; postwar veterans' housing; and 1950's affordable multifamily rental housing via FHA Section 608 and Mitchell-Lama, the New York state forerunner to HUD's §221d3 and §236. In 1964, your father built Trump Village, 4,000 affordable co-op apartments in Brooklyn that is serving affordable households half a century later. With 27,000 units under management, at one time he was the city's largest private landlord.

You grew up in that business. In the early 1970s, you began in property management, then worked upwards, both figuratively and literally (your fondness for ever-taller buildings).



David A. Smith

More than any other presidential candidate on any ballot I've ever cast in four decades of voting, you deeply understand urban residential property and the mixed-use built environment: the role and potential added value of real estate developers; the power of development to remake the built environment and change cities; the impact on real estate economics of verticality, zoning, density bonuses, and incentives like tax credits; the financial complexity required to create mixed-use, mixed-income properties; and the power of NIMBY opposition to stymie or jack up the cost of new housing.

I respectfully suggest that you make it the principal housing goal of your administration to bring down the average cost of new affordable housing and to boost the national supply, defined not just by current programs but up through and including workforce housing.

More urban housing is ipso facto more affordable housing, because pressure relieved anywhere in the urban balloon reduces pressure throughout it.

Even though much of housing policy is locally restricted through zoning and building codes, the federal government can do much to make new supply less costly, new tenures more diverse and hence, housing more affordable. Here are a few suggestions:

- Create a national demonstration program for FHA or Fannie/ Freddie financing of smaller room-bath-kitchen (RBK) or similar efficiency-style high-density cluster apartments. Get young singles and couples into affordable quality accommodations close to public transportation.
- Enact a new Community Reinvestment Act, Version 2.0, that captures all financial institutions of any stripe, and defines service agents not by zip code but by poverty concentration.

- Eliminate or provide regulatory exemptions from Davis-Bacon and prevailing wage requirements for workforce or LIHTC housing.
- Cut back the mortgage interest deduction (MID) kudzu by removing it from non-primary residences (including yours) and from movable homes, like yachts and RVs with bathrooms, and capping the maximum MID-eligible loan to (say) the FHA jumbo-loan standard.
- Use the resulting multi-billion-dollar annual tax savings to create a more flexible and shallower tax credit aimed directly at workforce housing (above 60% AMI, below local-market-equivalent, which ranges from 90% to 150% of AMI, depending on big blue city).
- Explore using federal pre-emption to override NIMBYist barriers, like California's Environmental Quality Act, where people without standing stop affordable housing properties in their tracks for years.
- Aggressively challenge antiquated large-lot exclusionary zoning as local-level violations of the Fair Housing Act.
- Create an Urban Homesteading Act where newly arrived immigrants, or those who have been in this country for many years, can become permanent residents through investing in, renovating, and living in urban infill multi-use housing – in effect, the blue-collar EB-5 that has long been the immigrants' path to becoming Americans.
- Finally, nominate as the next HUD secretary a ready-to-retire visionary affordable housing developer from one of our country's big blue cities in reliably blue states, because it's in blue states/cities that you find the fusion of entrepreneurship and urban social vision the country needs. Offhand I can think of half a dozen superb candidates.

Mr. President-Elect, throughout the last year and a half you have repeatedly confounded expectations. Now it is time to confound them again: be the urban housing president. **TCA**

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