

Henry George Newsletter

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EXPERTS CONFER ON GRIM PROSPECTS FOR AFFORDABLE HOUSING

Long Island University Center for Real Estate and Community Development, in association with the Department of Housing and Urban Development and The Henry George School of Social Science, sponsored a conference on Affordable Housing for Long Island on April 3rd at their C.W. Post Campus in Nassau County. The theme of the conference: 15,000 (new homes) by the Year 2000, is a modest proposal indeed. According to Senator Alfonse D'Amato, "Long Island is in deep, deep distress," and needs 160,000 medium priced homes to combat the housing shortage. Senator D'Amato went on to speak about his federal housing plan cosponsored by Senator Cranston of California. The problem is nationwide, he said. In 1981 65% of U.S. families owned their own homes; in 1989, only 63%. This 2% drop represents two million families.

Pessimism regarding Long Island's ability to provide the needed affordable housing was shared by all speakers, in spite of the many suggestions that much could be done by businesses and corporations, as well as government. Yet while the median home price on Long Island has doubled since 1983, the business community has not taken an active interest in solving the problem. Leo Koppelman, Executive Director of the L.I. Regional Planning Board, reported that over the past five years only 2000 new homes were built on Long Island, which needs "50,000 new units immediately. All this states that there will be a corresponding decline in economic well-being on the Island."

Edward Dodson, President of the Henry George School and economist at the Federal National Mortgage Association (Fannie Mae) was one of five panelists on successful how-to approaches. Echoing the gloomy picture already painted, Mr. Dodson reported that 50% of young people who leave home across the country come back to live with their parents because there isn't enough affordable housing. Citing lack of competition as the cause, Mr. Dodson probed deeper to the causes underneath the cause: restrictions on housebuilding laid down by local governments, skyrocketing land prices and speculation, and the fact that (unlike goods and services) rising land prices bring less, not more, land into the market. The law of supply and demand seems to work in reverse where land or location is concerned.

A prepared statement by Mr. Dodson was given to the other panel members: "In the 1950s a \$15,000 starter home in the suburbs had 85 percent of that value in the house itself and only 15 percent in land. Today, land value in many communities constitutes anywhere from 35 to 60 percent of the total." At the same time, more efficient use of sites and cheaper technologies have served to further push up land prices at the margin. "The irony of our efforts to stimulate the construction of affordable housing is that virtually everything we do pushes up land prices. As a result, less and less land is available to developers at prices on which they can build anything but housing for the highest income families."

"Removing as much of the tax burden as possible off property improvements and raising necessary tax revenue from land only. . . accomplishes several important changes. . . The higher carrying cost associated with landholding will tend to bring land onto the market, increasing supply, and stabilizing (and, in some cases, lowering) land prices. Lower land costs and reduced (or eliminated) taxes on improvements will lower the cost of new housing. . . and increase the supply of affordable housing." Since government sets the rules of the game by its tax and regulatory policies, Mr. Dodson's statement concludes, "producing affordable housing is far less an economic than a political problem."