

Can Florida Produce Affordable/Workforce Homes Through Regulatory Reform Alone?

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Regulatory reform plays a valuable role in reducing the cost of housing; but can affordable/workforce homes be created through regulatory reform?

In short, no. Here's why.

Housing prices and rents are set at the highest price that the market will bear. Neither a home builder nor a homeowner sets the asking price based on what the home cost to build, but rather on the highest price a willing buyer will pay. Rent is set the same way.

Regulatory reform in the form of local government expedited permitting, modification or waiver of impact fees, reduction in parking requirements, increase in density, and the like, can make it less costly for a home or an apartment to be built. But will those savings be passed along to the buyer or renter, making the house or apartment more affordable?

That depends. In scenario A the answer is yes. In scenario B the answer is maybe. In scenario C the answer is no.

Scenario A. The developer is a mission based nonprofit in the business of providing affordable home ownership or rentals to households who would otherwise be priced out of the market. There are hundreds of mission based nonprofit housing organizations in Florida, such as Habitat for Humanity and Community Land Trusts. The savings from regulatory reform may very well pass to the income eligible buyer or renter, perhaps serving lower income families or more families than could otherwise be served without the cost savings from regulatory reform. But those savings alone will not produce an affordable home. Financial subsidy will be needed to make a market rate home into an affordable home.

Scenario B. The developer is a for profit affordable housing developer, providing rental housing using federal tax credits. Using 9% Low Income Housing Tax Credits is far and away the highest producer of affordable workforce housing in the Florida and throughout the nation. If the house or the apartment is "affordable", meaning the house price or rent to be charged is regulated by the federal government pursuant to a land use

restriction agreement or the terms of federal, state, or local funding, the cost reductions realized by the developer can make it much easier for the developer to produce the affordable unit, and indeed, may make the difference between the affordable unit being produced or not being produced at all. But the savings from regulatory reform will not make the apartment more affordable. The rent is set by HUD; additional savings to the developer are unlikely to affect the rent that is charged.

Scenario C. The developer is a for profit business, providing home ownership and rental housing. In this case, the savings is more than likely going to increase the developer's profit. It is possible that a for-profit builder would have an "affordable" line, given the ability to develop smaller homes on smaller lots, for example. But without the requirement to sell those homes at an affordable price and without a land use restriction agreement or a land-lease provision requiring long term affordability, those modest homes will follow the laws of economics and sell for whatever the market will bear. If located within a desirable area, such as near downtown or in community rich in amenities and transit, the market price will be high. If located within an undesirable area, the price will remain low, irrespective of regulatory reform.

Summary

Regulatory reform is most helpful to mission-based nonprofits, typically trying to cobble together a variety of subsidies to produce an affordable unit. It can also help for profit tax credit developers, but the government must ensure that additional public benefit is provided in exchange for the regulatory reform, such as perpetual or longer term affordability. Removing zoning laws that were enacted for exclusionary purposes, such as single family only zones is good public policy. But under no circumstances will regulatory reform by itself result in the production of the affordable/workforce housing that Florida so desperately needs. The difference between market rate housing and affordable housing is financial subsidy. In Florida, it is the Sadowski state and local housing trust funds that are key to producing affordable/workforce housing. **HNN**