

Affordable Housing and the Failure of the Market

- I. Lack of decent affordable housing
 - A. Relatively small number of physically sub-standard units
 - B. More significant number of units for which occupiers pay (or would have to pay) more than 30% of household income for housing costs
 - 1. high percentage of cost burdened households among low-income households.
 - a. homelessness
 - b. doubling up
 - c. reduction of resources for other than housing needs
 - 2. limited availability of subsidies for such families
 - a. reduced number of public housing units
 - b. reduced level of vouchers
 - c. discrimination against voucher holders
 - C. Affordable units leave market more quickly than they enter market.
 - 1. gentrification
 - 2. public works
 - 3. converted use
- II. Barriers to affordable units entering market
 - A. Legal
 - 1. zoning
 - a. density
 - b. height restrictions
 - B. Political
 - 1. NIMBYism
 - 2.
 - C. Economic
 - 1. lack of adequate return
 - 2. more lucrative alternative investments
 - 3. high risk
- III. Costs to society of absence of sufficient number of decent, affordable housing units
 - A. Health costs
 - 1. homelessness
 - 2. physical illness
 - a. asthma
 - b. lead poisoning
 - c. conditions related illness or injury
 - i. cold
 - ii. mold
 - iii. accidents

- 3. emotional illness
 - a. stress
 - b. hypertension
 - 4. treatment costs
 - a. lack of prevention
 - b. emergency room visits
 - c. absence of treatment
- B. Education costs
 - 1. absences and disruptions
 - 2. lack of concentration
 - 3. lack of continuity
 - 4. absence of parental supervision
 - 5. high drop-out rate
- C. Productivity costs
 - 1. Under-prepared for employment
 - 2. Absences
 - 3. Lack of concentration
- D. Environmental costs
 - 1. road congestion
 - 2. emissions
 - 3. rapid deterioration of infrastructure

IV. Market failure

- A. Lack of funding for affordable housing is inefficient
 - 1. cost savings from subsidizing affordable housing production and use would save society significant costs
 - 2. collective action problem
 - a. no individual has incentive to make the investment
 - b. individual investments inadequate to effect savings
- B. Government as collective action solution
- C. Public choice problem
 - 1. moneyed opposition to affordable housing
 - 2. race as a factor