

Local government mandates — and a vocal minority — often stand in the way of affordable housing

Housing density needs to be created in the limited areas where utility services are provided.

by [Robert Fralin](#), December 19, 2023

Cardinal Way: Civility Rules encourages constructive dialogue on difficult issues. [You can participate in the project by filling out this survey that asks your views on development](#): Do you support construction of apartments in your locality? What about in your neighborhood? What advice would you offer elected leaders when evaluating development of green spaces?

When Cardinal News recently asked me to write about housing affordability from a real estate developer's perspective, it occurred to me that I had not really thought enough about that question from a macro lens as my company simply operates in the markets that exist today. It does not set policy. In basic terms, along with some commercial operations, my company rents and sells new housing. So, when asked about housing affordability and its availability in our region, I immediately thought about "why" we have the affordable housing we do.

In my opinion, broadly speaking, three things and the interaction of them create our current affordable housing inventory: government and its associated financial policy, local government, and building techniques (invention). I will briefly explain the impact of each of them in this article. Each of them could be its own book, so I will oversimplify.

As one may expect, it turns out that none of them are simple, and they interplay with each other to create affordable housing.

Building techniques: I would like to start with the easiest to understand of the three: building techniques. After World War II our country had a massive need for housing, and therefore, as Milton Friedman suggested, in a market-driven economy, private business will inevitably create better products and techniques to meet demand at a more affordable price. The building industry is no exception. Much like Henry Ford did in 1913, builders learned how to inexpensively produce homes and rental properties. This was particularly true after World War II as new household formation was exploding. Builders responded to the demand with the invention of mass offsite production of items like trusses, windows, doors and trim. Since this time, industry has made additional strides in streamlining quality and affordable products to replace those of the past.

Finance: There is not room in this article to be granular in a discussion of the evolution in the United States' policy on finance and how it has positively affected both buyers and renters of new housing. However, in my opinion, the primary ingredient which ultimately allows a developer to build affordable housing or affords most buyers the ability to purchase a home is the financial instrument allowing access to capital.

Most financial products related to housing are sanctioned, issued and regulated by the United States government, state government or, in a few cases, a local government. There are too many financial products to list here but suffice it to say that developers (landlords) and consumers (homebuyers) have a plethora of options to assist with their need for capital. Further, federal rent vouchers and similar programs assist low-income citizens an ability to pay landlords.

For landlords and tenants, the government's establishment of federal loan programs allows for financing to developers which in turn allow them to build affordable apartment homes for a profit.

For home purchasing, the evolution into the 30-year mortgage and other mortgage products have allowed home buyers access to the capital required in order to buy homes. The 30-year mortgage is mostly a result of financial policy established by the federal government after the Great Depression.

Local government: Of the three major things that I list as impactful to housing affordability, it appears the local government's role is one area where things can become a bit more contentious. For example, take these questions:

1. Who wants affordable housing? However, who wants affordable housing near them? The answer to that becomes less unanimous.
2. Who understands that higher density reduces the cost of housing due to lower infrastructure cost? However, who wants higher density next to them?
3. Who would like playgrounds, sidewalks, more greenspace and nice landscaping to be part of their new community? Again, we have another unanimous, Aye!
4. Who agrees that it is the local government's role to mandate these things only to make new housing much less affordable? This answer becomes much less than unanimous.

The answer

So, who gets to decide if we need more affordable housing and what methodology should we use to create it? Well, the answer is of course simple: you and me. As a citizen in a democracy, our vote ultimately shapes all policy and corresponding legislation in the venues contemplated above.

But when I am asked my opinion on the question as to if and how we create more affordable housing, there is not room on this platform to be adequately detailed in my response. And in some cases, my opinion on this is different than my company's sources of income may espouse. For example, the housing crisis in 2010 was, in part, the result of irresponsible governmental policy on mortgage lending, but it enriched many builders and other real estate professionals while the market was exploding (prior to the ensuing crash!).

As to federal financial policy established to allow developers to create affordable housing to tenants, I will just say that I think this has inspired affordable housing, and it is one of many reasons people from all over the world try to immigrate here. Our housing quality for the impoverished is far better than most of the world. Can it be improved? The answer is yes, but it has created a great quality of life for many in this country. To be clear, the government allows certain loans to be given developers in order to generate the capital needed to create this housing. I do not address subsidy programs which allow the tenants to pay developers here, but that, too, is a source of funding created by the government.

As for the building techniques, I believe much has been created to allow for more affordable inventory for the consumer. However, much has been created to make the end product more expensive too. For example, HVAC costs have become more and more expensive as the U.S. government keeps increasing the demand for efficiency on HVAC systems. The cost associated with installing the required system simply does not correlate positively to the savings on utility bills.

As for the local government's role in providing housing affordability, I believe housing density needs to be created in the limited areas where utility services are provided. This density makes housing affordable as it lowers the developer's infrastructure costs (land, sewer, water, paving, etc.) and therefore, a developer is able to sell or rent at a lower price to the tenant or buyer, whichever the case may be. Too often, I see only 10 to 100 people in the vocal minority of a rezoning establish policy in affordable housing. They do this by speaking against a rezoning and making it appear all voters are against a project. Elected officials in turn become concerned about their own electability. Often when a rezoning is denied, the whole community loses. Of course, the neighbors are going to speak in a public rezoning, but rarely do the other 99,000 people who are positively impacted get heard. Further, a denial of density near utilities creates urban sprawl as people tend to live outside of metro areas on well and septic as a response to a lack of housing in urban areas. This consumes even more land. One locality in our region mandates sidewalks and expensive landscaping in all new residential communities, and another requires developers to donate 50% of their land to open space. These decisions by local officials simply increase the cost to their future citizens or may even disallow them to live in their locality. Is this "better?" I have doubts.

I end, ironically, by "borrowing" a variation of a slogan from AT&T: "It's complicated."

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