

### Affordable housing needs some public funding

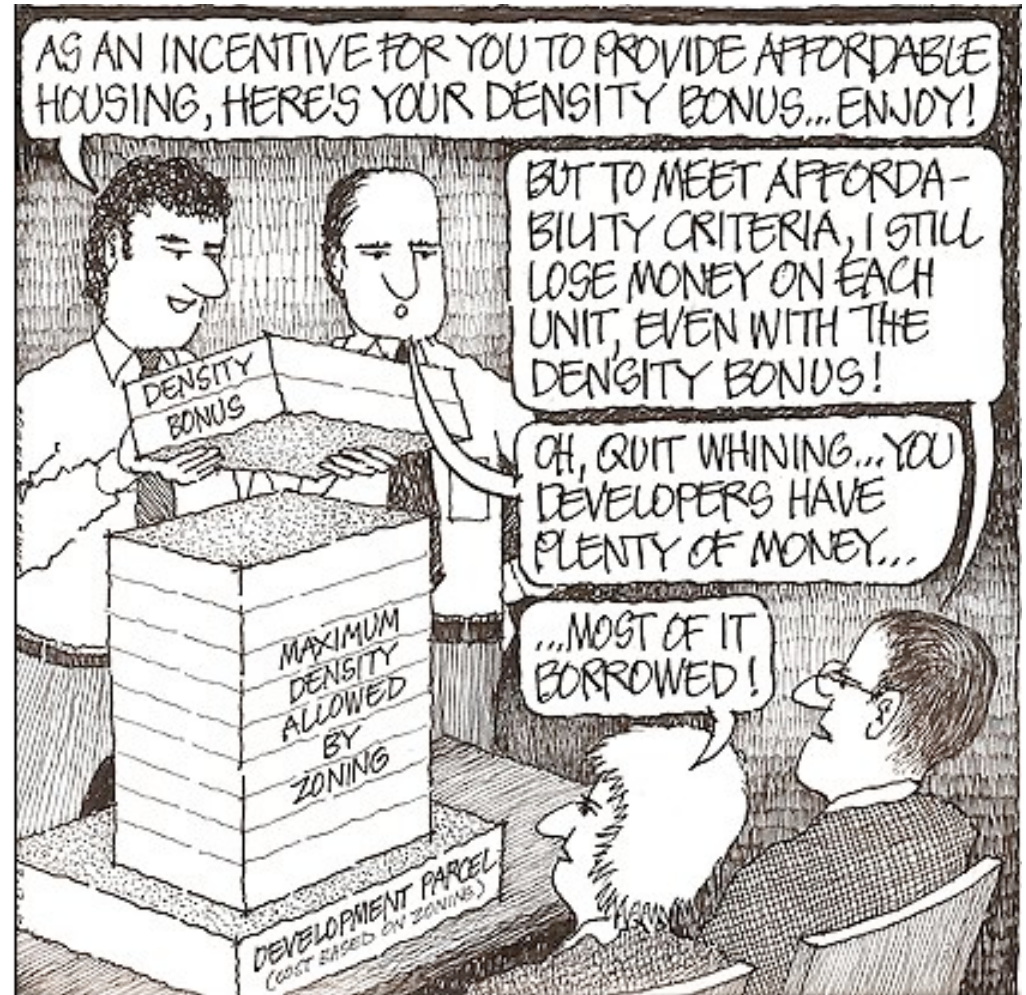
Fairfax County aspires to greatly increase the amount of affordable housing at Tysons Corner for workers who now must commute there from afar, consuming time and fossil fuel while contributing to traffic congestion. But this newspaper reported recently that achieving Tysons's affordable housing goals appears to be an economic non-starter.

*There is no question government has to act much differently if we are to solve this problem.*

*My proposed SRSOZ State Rail Station Overlay Zone for Maryland is founded upon a re-engineering of land-use regulation with respect to land within walking distance of Metro-rail stations.*

*Please visit section 28a on the Woodmont Triangle page of my website [www.VirtualAdjacency.com](http://www.VirtualAdjacency.com).*

Residential property owners and real estate developers in Tysons say that without greater public-sector subsidy, the numbers won't work. Affordable housing always requires subsidy in some form to bridge the wide financial gap between the actual cost of producing a dwelling unit and the price affordable by America's workforce -- teachers, police officers, nurses, office workers and people employed in retailing, restaurants, hotels, factories, construction and other service enterprises.



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Housing development costs, unsubsidized and market-determined, include land and infrastructure, design and construction, and extensive indirect expenses such as loan interest, zoning and building permits, legal fees, insurance, advertising and administrative overhead. This is why the actual cost of a new or redeveloped dwelling can greatly exceed what many workforce households are able to spend on housing.

*Government mis-management of the land-use regulatory process is the primary culprit.*

- 1) *They restrict supply. You cannot violate the law of supply and demand. {see Section 28a as ref in previous note.}*
- 2) *Their zoning and permit processes are dysfunctionally complex, costly and time consuming (more cost.)*

*My proposed SRSOZ in MD fixes these fundamental errors.*

Tyson's redevelopment plans seem to depend on density bonuses as the key strategy for subsidizing affordable housing. Density bonuses enable developers to exceed the allowable, matter-of-right density if they include a specified percentage of below-market units within multiunit, market-rate projects.

Normally, a project's land cost reflects the use and density allowed by zoning, without a density bonus. If increased density is permitted with no increase in land cost, then the land cost for the additional density -- and for the affordable housing units within the project -- is theoretically zero. Thus density bonuses are an indirect land subsidy predicated on the assumption that discounting the land enables developers to finance and provide affordable housing units that they otherwise would not provide.

This well-meaning strategy seeks to avoid direct public-sector subsidies or additional taxes to pay for subsidies. Appealing as all this sounds, it is wishful thinking. Regrettably, the economic benefit yielded by the density bonus/land subsidy strategy is unlikely to bridge the entire cost gap. Even with little or no land cost for below-market units, the cost gap remains wide enough for developers to incur a real loss for each affordable housing unit they deliver. The developer and the developer's customers, not the community at large, still must shoulder the subsidy burden.

*This convoluted, circuitous attempt to avoid real thinking and real logic is exactly the same as the tragically flawed TDR (Transferable Development Rights) mechanisms employed for similar well-meaning reasons by local governments.*

*My proposed SRSOZ in MD fixes these fundamental errors.*

*Please read the middle paragraph on the one page section 28a on the Woodmont Triangle page of [www.VirtualAdjacency.com](http://www.VirtualAdjacency.com)*

*It is also irrational to believe that affordable units should be located in expensive high rise buildings in premium locations.*

It also presumes that developers enjoy large profit margins, have access to unlimited capital and should willingly use some of that profit and capital to subsidize affordable units. To make matters worse for developers, weak market demand, rental and sales pricing constraints, tight financing and cost overruns can result in slim, nonexistent or negative profit margins.

**Investing in housing development entails substantial risk.** Counting on developers to subsidize affordable housing, as public policy, likewise entails substantial risk. In addition to being marginally effective in producing the thousands of affordable housing units envisioned at Tysons, the private-sector subsidy strategy is potentially discriminatory and inequitable. Most of the subsidy needed for affordable units within a project comes from the project's owners and tenants, in effect taxing only the neighbors of the people living in the affordable units.

With density bonuses, market-rate units in a multiunit building bear the total land cost. Should they also bear all the cost of common elements other than land, such as on-site and off-site utilities, landscaping, structure and facade, and mechanical and electrical systems?

*It is high time to re-think ala “zero based budgeting.” We MUST understand WHY affordable housing “cannot” be built without subsidy in pedestrian-friendly rail-served localities (like Tysons is seeking to become.) I suggest that my SRSOZ addresses this properly.*

Augmenting the supply of affordable housing benefits the larger community. Consequently, to be fair and to spread the economic burden, the **essential source of revenue for housing subsidies should be regional and not just local.** Everyone in Fairfax County and beyond should contribute.

*We must also account for the governmental cost burden to operate a dysfunctional system.*

**During the 1970s and 1980s, America abandoned meaningful, direct public-sector funding for affordable housing.** A national policy priority in the 1960s, today housing subsidies are low on government fiscal agendas. And current political attitudes and economic conditions make policy change unlikely.

Yet to achieve affordable housing objectives, Fairfax County and other jurisdictions -- along with federal and state governments -- eventually must change their policies, raising and committing funds publicly. Density bonuses and the private sector alone can never get the job done.

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