

THE BROOKINGS INSTITUTION
BROOKINGS CAFETERIA PODCAST

HOW TO FIX AMERICA'S BROKEN HOUSING SYSTEMS

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DEWS: Welcome to the Brookings Cafeteria, the podcast about ideas and the experts who have them. I'm Fred Dews.

America's housing systems are fundamentally unequal—financially well off Americans can afford stable, comfortable homes in desirable communities while millions of others cannot. And this divide deepens other inequalities, in education, employment, and life expectancy.

On this episode of the Brookings Cafeteria, an expert on housing policy discusses her new book that addresses these challenges and proposes practical changes to make more housing available and affordable for all Americans. Jenny Schuetz is a senior fellow in Brookings Metro and author of the new book, "Fixer-Upper: How to Repair America's Broken Housing Systems," publishing this month by Brookings Institution Press. You can find it on our website, [Brookings.edu](https://www.brookings.edu). She's interviewed here by Brookings Press Director Bill Finan.

The Brookings Cafeteria is produced by the Brookings Podcast Network. Learn more at [Brookings.edu/podcasts](https://www.brookings.edu/podcasts) and follow us on Twitter @PolicyPodcasts to get information about and links to all our shows, including Dollar and Sense: The Brookings Trade Podcast, the Current, 17 Rooms, and now Foresight Africa, a new podcast about Africa's dynamism and strategies for broadening the benefits of growth to all people of Africa. Here's the host of Foresight Africa, Aloysius Ordu, with more.

ORDU: Welcome to Foresight Africa, a podcast that celebrates Africa's dynamism and explores strategies for broadening the benefits of growth to all people of Africa. I'm your host, Aloysius Uche Ordu, senior fellow and director of the Africa Growth Initiative at the Brookings Institution.

I'm excited to be with you on this journey—a journey that will take us from Cape Town to Cairo; from Dakar to Lagos to Mombasa; as well as to the heart of Africa—DRC Congo.

In this podcast we will interview experts, and policymakers from the public sector, the private sector, civil society, and Africa's youths. We will talk about the key trends affecting people and the nations of the African continent.

I will encourage you to follow the Brookings Podcast Network @policypodcasts and visit us online at brookings.edu/ForesightAfricaPodcast.

DEWS: And now, the interview with Jenny Schuetz, author of "Fixer-Upper: How to Repair America's Broken Housing Systems." Over to you, Bill.

FINAN: As always, thanks Fred and welcome Jenny.

SCHUETZ: Good to be here.

FINAN: I'm going to start with a question that's so broad, and I know I'm going to come back and we're going to talk about some of the some of your themes that will be on your answer. But what led you to write this book?

SCHUETZ: Well, it's not a secret that housing isn't working well for a lot of Americans, and we tend to talk about the problems in housing in their separate silos. So there are lots of people who worry about the effectiveness of our existing subsidy programs, the fact that three out of four low-income Americans don't get any subsidy for housing. We've got a bunch of people who are thinking about housing production, land use regulation, the fact that supply isn't keeping up with demand. We have a bunch of people who worry about the climate impacts of our current development problems. But these tend to get talked about in separate silos, often by different people talking to different audiences.

And what I wanted to do was connect all of these issues together because many of them circle back to the same set of issues. We have some fundamental questions about the

way we have set up housing production, housing governance, land use planning in this country that wind up leading to bad outcomes across a number of different dimensions. And I really wanted to tie all of those pieces together and make those connections more clear.

FINAN: One of the first issues you mentioned in the book are the limitations placed on new housing production in the United States, especially in affluent neighborhoods. What are those limitations in general and why are affluent neighborhoods and major metro areas a major source of this problem?

SCHUETZ: Taking a step back from which places are restricting housing supply, I think it's important to understand that we've made some kind of upstream decisions about how housing production is regulated. So normally in a market economy, we think of supply being responsive to demand. When consumers want more of a good or service, producers will ramp up production to meet that. And unfortunately, what we see in housing is that that hasn't happened, that the U.S. as a whole country has been under producing housing for at least the past decade. And in places like San Francisco, and Boston, New York, we've actually been under producing housing relative to demand for more like 30 to 40 years.

Fundamentally, this is because we made two decisions. One, we put local governments in charge of regulating the production of housing. So it's illegal for a landowner or developer to build a new home or to change an existing home without getting the explicit permission of a local government in which the land is located. So that's really unusual compared to other kinds of consumer goods and services. And the second issue is that local governments have chosen to be very deferential to people who already live in their constituency when deciding whether to build more housing and how much to build. Not surprisingly, people who already live in a community like it the way it is and are often reluctant to have more housing, more neighbors of any kind, and are particularly nervous about the idea of having moderately priced housing that might serve low income households.

So we've created this system that makes it very difficult to build housing in the places where people want to live and particularly housing that's affordable to the lower half of the income distribution, which is a lot of people. But that's baked into the way we've created our housing production system. So it's not just a matter of there's one rule on the books that we can change, it's the entire design of the system.

FINAN: You also argue that too many homes are being built outside metro areas or outside locations like that, and these homes are being built in locations that are environmentally vulnerable, for example, far away suburbs that require cars. The reason for that and how to remedy that?

SCHUETZ: It's linked to the same problem. So if you think of, for instance, the D.C. metro area where we are located, there's a lot of demand to build housing close to jobs which tend to be close to downtown, or close to rail stations on the Metro system. But if those homes can't be built, if the residents who already live in central locations and near Metro stations push back against the idea of adding more housing, people don't just disappear. It's not that all the people who work downtown who would like to live downtown suddenly pick up and move to another state altogether. They go to where they can afford housing and where it's easier to build, which tends to be on the outskirts of the metro area.

So, for instance, in the D.C. metro, something like two-thirds of the new housing we've had in the last 20 years has been built in Loudoun and Prince William counties in Virginia, which are entirely outside of the Metro system. They're so far out, Metro doesn't even reach that far. They're far away from a lot of the job centers. And those are places where you essentially need a car to do everything, to go to the grocery store, to pick up your kids from school. So instead of building housing in the places where people want to live and where it would make sense from a climate perspective, we're building most of our new

housing in places that are environmentally unfriendly and in places that make it more difficult and time consuming for people to have to get around.

FINAN: In the book you mention within some metro areas locations that I recognize too, like Kalorama in Washington, D.C., where there's single family dwellings and it's not densely populated, but those are the areas—like Cleveland Park, too, you mentioned—that are so close to workspaces and there's a need them to rezone them, you argue, to allow higher density housing. Can you describe what you mean by this kind of higher density housing so that the people who live in Kalorama don't go, Oh my god, I don't want to have the Miami look happening where I have a 40-story apartment building next to me.

SCHUETZ: Our debate about what kind of housing we build has sort of gotten pushed into two different ends of the spectrum. So about three-quarters of the land, even in major cities, is zoned so that only single-family detached homes can be built. So this is what most people think of when they think of a house. So it's a single-family house surrounded by a yard on all sides. And the zoning says that's the only kind of structure you can build on it. There's a whole range of other housing types. D.C. is a great example. Most of the East Coast cities—Baltimore, Philly—have lots of row houses. So it's an attached house, and it's still one family living in the structure, but it's attached on both sides to other homes. Those tend to be narrower homes and narrow lots. And that means that you can fit a lot more row houses on the same size parcel of land than single family houses detached that have to have yards.

And we've got a whole set of structures beyond that. Something like a duplex, which could be to help two homes stacked on top of one another vertically or attached horizontally. Small apartment buildings, say three, four, up to 10 units. Those were very typical in sort of the 1920s through 1940s. We built a lot of them in neighborhoods where you have some single-family detached, some row houses, some small apartment buildings, and they coexist perfectly fine and they look quite similar to one another.

Then at the other end, you've got very tall, high rise apartment buildings or condo buildings. And we tend to see those in really dense places close to downtown, in places where land is very expensive, because if land costs a lot of money, then you want to use as little as possible and stack homes vertically so that you're saving money on the most expensive components.

But I think what's important is we've gotten stuck in this conversation where the world is either single-family detached homes—and often on very large lots—or skyscrapers. And we've essentially forgotten about all of the stuff in between, which is actually a very large portion of the housing that was built before zoning existed. But it's now a very small share of what we're building in new housing. And some of that is because the regulations simply don't allow it. An awful lot of older neighborhoods, the housing that there is illegal. If it fell down or burned down in a fire, you couldn't rebuild it on the same lot because the regulations have gotten that much more restrictive. So, relaxing regulations, going back to an older form of neighborhoods that has a diversity of housing types also enables you to have a diversity of price points within a neighborhood, and that makes it easier to support a variety of people living in the neighborhood.

FINAN: The models are already there, you just have to drive through or walk through those older neighborhoods built in the '20s up through the '40s, then, in cities like Philadelphia. I can name those neighborhoods, too. You also talk about housing as a right in the book, or at least that's how I'm understanding it, that the social safety net has a big hole in it when it comes to housing. One, am I right in reading you that way and, two, how do you propose to mend that hole?

SCHUETZ: So that's actually a really important distinction in language. Housing should be part of the social safety net, it should be one of those things like health care and food that is provided to everybody, and one of the reasons we care about the well-being of

poor people who may not be able to afford housing. But there are also big social benefits to making sure that the entire population is well housed, and particularly that kids growing up live in decent quality housing that doesn't have health hazards, that they live in neighborhoods that have decent quality public schools, that their parents have access to jobs and transit. So a well housed population is a healthy population. It makes for productive workers. It makes for engaged citizens. All of us would benefit from having people well housed.

Where I'm going to reframe a little bit—there's a conversation around housing as a right, meaning that people are guaranteed the housing. Giving people the right on paper doesn't help if you don't actually have homes to put people into. So rather than frame housing as a right, I would say the government has an obligation to provide financial support to everybody to find good housing, whether they can afford it on their income or not. So essentially, it's an affirmative obligation by the public sector to provide financial assistance to low-income households and make sure they can afford decent quality housing.

FINAN: There's something that many Americans do hold as a right, even though it's not really a right, and that is the mortgage interest deduction on their tax form. But you make the argument that the mortgage interest deduction skews housing policy in the wrong direction.

SCHUETZ: The mortgage interest deduction is both incredibly regressive—the vast majority of benefits go to high-income households—and it's ineffective in accomplishing its stated goal, which is to encourage people to move into homeownership. And the reason why it's not very effective is that it's not a credit that you get when you shift from being a renter to an owner. It's something that owners get every year as they continue to be owners. As though somehow if we took it away that all of the homeowners would sell their houses and become renters overnight. It doesn't work that way.

So we spend a lot of money essentially subsidizing rich people who already own homes while providing almost no support for poor renters, either to continue being renters or for sort of middle income renters who could transition to being homeowners. Particularly after the Tax Cuts and Jobs Act of 2017, most middle income homeowners actually don't get the mortgage interest deduction. They take the standard deduction. So this is become almost entirely a subsidy for rich people.

FINAN: When you were talking about new housing in the book, you note that they require a certain physical, economic, and social infrastructure and that this infrastructure is shouldered by local government. But you note that this is a problem, a big problem. Some of the reasons why that is a problem?

SCHUETZ: So, when we think about the kinds of institutions or infrastructure that communities need to function, this goes beyond just roads and sidewalks and water systems, although those are very important. It includes things like schools, which are financed primarily by local property taxes, libraries, parks. So a lot of the responsibility for building this, maintaining and paying for it sits on the shoulders of local governments. Local governments have a set of financial tools that they can use to raise revenue to pay for all of those. Property taxes is one of the main ones.

And this is how you see very quickly that there is a difficulty with linking property taxes to the provision of services in the same community. Places that have low property values, places that have high poverty, rates that have been losing jobs and population—for instance, Midwestern cities like St. Louis and Detroit have lost population, they don't have enough people even to pay to maintain their existing infrastructure. They are really stretched trying to provide good quality services for people who live there. The quality of those public services gets capitalized into property values, which means if you have a lousy public school system because you don't have money, then poor public schools mean lower property values,

which then makes it harder to raise revenue to increase the quality of the schools. So you can get stuck in a system where you're either in a downward spiral—property values shrink, services get worse, people leave, cuts into your revenue—or an upward spiral. And inherently tying the funding for local public services to the resources that are already in that community means that we're going to have enormous disparities in the quality of services across different communities.

And so essentially what we need is to figure out a way to break that spiral to be able to help under-resourced places improve the quality of their services and to make sure that we have just access to decent community infrastructure everywhere.

FINAN: You make the argument that the way to do that is to break out of letting localism be this ideology that drives how housing infrastructure should be dealt with and to look at a state and higher levels than the local.

SCHUETZ: It's understandable that the U.S. developed with a strong attachment to localism. This goes all the way back to our colonial history, where you could think of each community as being sort of a self-sustaining village that was responsible for its own economy and its own minimal public services at that point. But the decisions about how much housing to build or how much to invest in infrastructure in one community didn't really influence neighbors that much.

But at this point, we think of particularly labor markets as being regional. So Boston is a great example. The Greater Boston area has more than 100 cities and towns. They're all effectively one labor market. People live in one community and commute to another one to work. And so the availability and cost of housing in the entire region is affected by the decisions of every single one of those 100 cities and towns separately. But local governments don't think about the regional interests. And it turns out that some of the policies that are popular with local voters that push their city councils and their mayors to adopt certain

policies are actually really bad for the region's economic well-being, its environmental well-being, and certainly on a human level, it doesn't provide enough support for low income families.

FINAN: You outline a number of paths toward dealing with the nation's housing problems in the book, and two things jumped out at me. The idea that housing is a nonpartisan or cross-partisan issue, and the other is the growth of YIMBYism, something new for me, too, Yes In My Backyard. I'd like to end our interview in talking about these two solutions and how we go forward. The idea of the cross-partisanship is very appealing because of our very divided nature at this moment, and also a bit more about what exactly is YIMBYism.

SCHUETZ: Starting first with the partisan, or nonpartisan or bipartisan nature—you can think of a couple of different reasons why the current regime of land use regulation and governance doesn't work. One is from very much of an economic competitiveness standpoint. We're not building enough housing. It's artificially expensive. This is bad for the economy. That's the kind of argument that traditional business-friendly Republicans would find very persuasive. You're hindering businesses from doing their job and economies from growing.

Another way to think of this is land use regulation is an infringement on property rights of people who own the land. If I have a piece of property that has a single family house, why can't I build a basement apartment or garage apartment? Or, for that matter, why can't I tear down the house and replace it with a five story apartment building? Who is the government to limit the rights I have on my piece of property? That's an argument that has appeal for libertarians.

Then there are a couple of other arguments that tend to lean more towards traditional democratic constituencies. One is that our current systems of land use governance are terrible

for climate change, and they tend to entrench existing economic and racial segregation. So those are both arguments that are more compelling on the left side of the political spectrum.

But because of this, it's essentially the same policy change would be good for business-friendly Republicans, for property rights advocates, for climate change, and for racial equity. So if we can build coalitions across different spectrums, unite them around whatever framing motivates them, it's still the same policy. And so I think this is the greatest potential to build from both sides of the aisle to make the case that this is going to help us on a number of different dimensions.

And we can see in this very young YIMBY movement, which is emerging in a number of places around the country—California has a lot of YIMBY activity, but this is also shown up in places like Utah, which has been pushing for greater legalization of accessory dwelling units. We're seeing it even in places like Raleigh, North Carolina, that legalized duplexes. So we've actually seen this showing up in different places. At this point, there are local groups who are lobbying their city councils or their counties for changes in policy. A couple that are working at the state level, and there is increased interest by states in leaning into this. So there's starting to be more of a statewide infrastructure to push for this. But we don't have a national movement at this point. So this is still very early and it's primarily dealing with the state and local level.

FINAN: I want to thank you for coming by today to talk about your new book, "Fixer Upper: How to Repair America's Broken Housing System." It's a really clear eyed, invigorating, and inspiring look at a problem that a lot of people want to not deal with because they think it's just too complicated. You do an incredible job of decomplicating it and making it sound assailable and fixable. So thank you for writing the book.

SCHUETZ : Thank you. I tried to make it comprehensible. I will say that none of the changes that I'm advocating for are in any way easy. So all of these are going to require

pushing back against entrenched political interests, and in a lot of ways, getting people to look at things that they've seen their whole life, but look at them differently and understand them as problems.

So I think one of the biggest political obstacles to getting housing on the national agenda and making large-scale reform is that two-thirds of Americans own their own homes, and many of them are benefiting financially from the system we have currently, haven't realized that this is a problem for them in a way that makes them call up their lawmakers and ask for changes. So part of what I'm hoping to do is help middle-income homeowners who are personally well housed understand that things like our impact on climate and undermining the workforce of the future because so many children have poor quality housing, those are social problems. So even if you personally are not harmed by the current system, you are harmed by it because we could be achieving better things as a country.

FINAN: I'm hoping that's what we will see, too. A book in every hand, a book in every backyard.

SCHUETZ: Excellent.

FINAN: Thanks again.

SCHUETZ: Thank you.

DEWS: A team of amazing colleagues makes the Brookings Cafeteria possible. Gastón Reboledo is the audio engineer; our audio intern this semester is Skye Sutton; Bill Finan, director of the Brookings Institution Press, does the book interviews; my Communications colleagues Adrianna Pita, Chris McKenna, Chris Peters, and Colin Cruickshank are key collaborators. And finally, Ian McAllister, Soren Messner-Zidell, and Andrea Risotto provide guidance and support.

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Until next time, I'm Fred Dews.