



## HOUSE KEYS | Season 1: Episode 1: The Affordable Housing Crisis

*We sit down with Secretary Ben Carson to discuss HUD's efforts to address affordable housing challenges, including rising costs and limited inventory for homebuyers and renters.*



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### TRANSCRIPT:

HOST: Welcome to House Keys, a new podcast devoted to all things housing, with guests who are experts in their fields. Unlocking insights from the Nation's leading 'housers'.

In coming up episodes we'll talk about the big issues: community development, homelessness, housing discrimination and how we rebuild after major disasters.

Today, we tackle the elephant in the room, affordable housing. They say all housing is local. In some parts of the country, there's enough housing to meet demand, allowing families to buy or rent without breaking the bank. There is a growing affordable rental housing crisis and in some cities along the east and west coasts, it's bad.

For 30 years now, Harvard University's Joint Center for Housing Studies produces a report on the state of the Nation's housing. This year's report finds nearly a third of all U.S. households are so-called "rent-burdened."

If you live in cities from San Diego to Seattle, incomes are not keeping pace with the rents people are paying. Here to talk about what's going on and what can be done about it is the Nation's top 'houser', U.S. Housing and Urban Development Secretary Ben Carson.

Mr. Secretary, thank you for joining us.

CARSON: My pleasure.

HOST: What's going on here?

CARSON: We have a situation of supply and demand. Go back to basic economics 101. If the supply does not meet the demand, then the quantity that is being demanded goes up in price. And this is exactly the situation that we're facing right now.

HOST: Most agree that we simply need more homes to overcome that supply and demand problem that is so serious in certain high-cost areas in the country.

CARSON: First, we have to understand, what are the impediments to creating more affordable housing? And, you know, you look in some of the high-cost areas, the zoning restrictions are significant. In Los Angeles, 70% to 80% of the land is restricted for single-family homes with a certain amount of property.

You layer on top of that multitudinous regulations. In fact, they've recently had a regulation that says 'new constructions must have solar panels.' You know, those kinds of things really add a lot of cost. And so, one of the things that we can do is encourage, you know, those places to actually address some of those impediments. Because they know what the impediments are but there's no incentive to do anything about them.

HOST: How do you overcome the, Not In My Backyard, "Nimbyism"? Affordable housing tends to get a bum rap in this country. People have an image of what that looks like and they don't want to live next door to it.

CARSON: You know what, I don't blame people for that Nimby attitude, Not In My Backyard attitude. Because in the past when we talked about assisted housing, multi-family assisted housing, you were talking about dilapidated, rapidly deteriorating places with rats and roaches and bedbugs and high crime and all the kinds of things that would obviously decrease the value of your property, if it's near you. So, I understand that.

What we have to do now is educate people to the fact that that's no longer the way it works. The federal government doesn't ride in on a white horse with a bucket of money and build, you know, a multi-family development and then depart and leave it to deteriorate, which it starts immediately at that point.

Now, we utilize public-private partnerships. There are a whole host of things, low-income housing tax credits, for instance, which are responsible for rehabilitating or building 38,000 properties. More than 2.3 million units.

Things like RAD, the Rental Assistance Demonstration Program, which encourages the private sector to get involved with these building projects and they have a long-term interest in the continued success of that. So, it doesn't have the deterioration that you've seen in the past.

You know, the new program that was initiated by the new tax plan - The Tax Cuts and Jobs Plan - Opportunity Zones, which allows unrealized capital gains to be reinvested in special zones designated by the governors of each state, economically distressed areas as Opportunity Zones. And significant tax advantages accrue to those who make those investments. And at the same time the municipality has a tremendous benefit of all that capital being brought in.

It's estimated that that could be more than \$2 trillion dollars. Those are the kind of things that obviously that are going to help tremendously getting rid of those zoning restrictions, which are there because people had the wrong impression or maybe they had the right impression 10, 15, 20 years ago but the wrong impression for now.

And actually when you build holistic communities, when you're taking into consideration, you know, health care, you're looking at food sources, you're looking at training opportunities, You're looking at a whole host of things that create a healthy community. Those are the kinds of places that actually attract more economic activity and will actually increase the value of your property.

HOST: Mr. Secretary, what about HUD's budget? Some would argue the Administration's spending plans don't seem to recognize the gravity of the affordable housing crisis in some parts of the country. What do you say to those folks?

CARSON: Well, I would say it is possible to be both compassionate and fiscally responsible. You know, the current system is unsustainable because as we talked earlier, the housing costs continue to go up.

The rental costs continue to go up. And when we subsidize housing, we subsidize it based on the prevailing rental costs. So, if that's going up, then we have to put more money in the pot.

So, every year we spend millions of dollars more to take care of the same number of people. This is unsustainable.

HOST: So, what are you trying to do when you talk about reforming the way we subsidize families in this country?

CARSON: Well, again what we want to do is get people out of assistance, if we possibly can. Those who cannot, the elderly, the disabled, we have an obligation to take care of them. We want to do that in the most efficient way, effective way and comfortable way for them.

But one of the things that is very prevalent right now are perverse incentives in the system. For instance, if you make more money, your rent goes up. You really haven't accomplished very much. So, people frequently don't want to take a raise. They don't want to get a better job. They don't want to bring another income-earning person into the environment. They don't want to get married. These are perverse incentives.

So, with our rental reform, instead of assessing their income on an annual basis, we're now proposing that it be done on a triannual basis, every three years, therefore you don't have the same kind of perverse incentives.

Also, you know, providing rental choices for the landlords and for the various housing authorities. Giving them some flexibility with the way that they do things and in some cases that might involve work requirements. There's a whole host of things that they can do. But they have the flexibility to do what works for the population that they're working with. Because the needs of a rural community in Alaska is probably different from an urban community in Chicago. So why use a one-size-fits-all mechanism?

HOST: I see. So, there is, of course, when you talk about rent reform, we rely upon landlords by and large to house people in this country, private landlords. A great many of them, most of them, in fact, do not participate in some of the programs we've been talking about. How do you encourage landlords to get involved in our shared mission of overcoming these problems we've been talking about?

CARSON: Well, you know, we've been talking to landlords and we'll continue to do that. And asking them what are the impediments to you, why, for instance, are you less likely to want to rent to somebody who has a housing choice voucher, a Section 8 voucher? And in many cases, they will tell you it's because as soon as I do that, I now subject myself to a bunch of inspections and other requirements, that I don't have to undergo with other people. And so, you know, we're looking at that. We're looking at ways to make the housing choice vouchers much more palatable to the people. And that gives, you know, the tenants much more flexibility.

HOST: Mr. Secretary, in just the brief time we have together, could you just look down the road a bit and give us a sneak peek about where HUD is moving to overcome some of these big problems we've been talking about, as they relate to affordability.

CARSON: Sure. Well, one of the things that we're doing, that you may have heard about, is re-examining the Affirmatively Furthering Fair Housing (AFFH) rule. This was part of the Fair Housing Act of 1968 and it says that if you're receiving, you know, a grant from us, you have an obligation to try to make sure that fair housing is occurring in the area. And to affirmatively do that, not just passively do that. And there was a system in place by the previous administration that took a couple of sentences and expanded it into hundreds of pages of rules and regulations and checkmarks. And made it incredibly difficult, as many of the housing authorities have told us.

So, we said maybe there's another way we can do this. And as we talked about earlier, the big problem is affordable housing. So how can we use that same rule and maybe rewrite it in such a way that it addressed the real problem. And, you know, we're seeking public comment on that and we're having open forums on it. But, you know, the idea is to find a way to incentivize the localities to look at their zoning and look at the various rules and regulations that have, you know, provided tremendous impediments to creating affordable housing. You couple that with, you know, I mentioned the Opportunity Zones. Encouraging the use of Opportunity Zones combined with the rental assistance demonstration, which brings in the private sector and enables us to leverage the federal dollars, in many cases multiple times with the RAD program, for instance. And also, you know, thinking about some of the people who aren't necessarily on rental assistance. People who are entering the home buyer's market for the first time.

Our biggest department is the FHA, the Federal Housing Administration. And, you know, we are looking at ways to make sure that we're able to extend credit to frequently first-time home buyers, millennials, people -- minorities, people who perhaps don't have a lot of money behind them. At the same time obviously we're being very careful to learn the lessons from the last time before we had the housing crisis, when you know inappropriate credit was extended and banks were doing unusual things. We don't want to get into that situation. And we've done a lot of things to make sure that we shore up the Mutual Mortgage Insurance Fund, which protects the taxpayers, who have endorsed, FHA-endorsed home loans.

So, you know, it's a whole combination of things that we're doing. We're looking at holistically and we're trying to create the kind of living environment that actually is nurturing to people, as opposed to something that just keeps people stagnant. Intergenerational poverty, intergenerational assistance which we've seen really is not necessarily helping that person, it's not necessarily strengthening our country.

HOST: Mr. Secretary, thank you for joining us.

Thank you for joining us for our first installment of House Keys. In our next episode we'll be sitting down with Federal Housing Commissioner Brian Montgomery to discuss the critical role FHA plays in helping millions of families to buy their own homes. Thank you, and we'll see you then.

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