



**Transcript**  
**Code 53**

## **Tackling America's Housing Challenges with Dr. Jenny Schuetz**

**Dr. Jenny Schuetz:**

This is an issue that's gotten more political attention and public debate in the past five years than ever before.

**Alison Johnson:**

Welcome back to Code 53 - The Apartment Podcast. I'm your host, Alison Johnson of NMHC. On this show, we bring you into conversation with apartment industry executives, leading experts in the multifamily sector, and a diverse group of practitioners, all to help you learn everything it takes to create communities, from business strategy to design, to finance and leadership.

Today on Code 53, we are seeking clarity and context on the shared obstacles and opportunities that confront developers, local governments, and residents in the effort to build better housing within reach for more Americans. Our guest today believes America doesn't have a housing problem, we have multiple housing problems, including the stark reality that in every metro and in rural areas across the nation, the poorest 20% of households cannot afford market-rate housing. Coming up, Dr. Jenny Schuetz on how yesterday's local, state, and national housing policies led to today's housing problems.

**Announcer:**

The Code 53 podcast is brought to you by NMHC, the National Multifamily Housing Council, the place where the leaders of the apartment industry come together to guide their future success. From owners to managers and developers, NMHC's members create thriving communities by providing apartment homes for 40 million people, contributing \$3.4 trillion annually to our nation's economy.

**Alison Johnson:**

Local governments control the levers over housing production. They decide where housing can be built. They control the process. They set out the steps that developers must go through in order to build and determine what kinds of housing can be built.

Our guest today is an expert in urban economics and housing policy. She literally wrote the book on how yesterday's housing policies led to today's housing problems. Dr. Jenny Schuetz is a senior fellow at Brookings Metro. She served as a principal economist at the Board of Governors of the Federal Reserve System. She earned her PhD in public policy from Harvard University, a master's in city planning from MIT, and a Bachelor of Arts with highest distinction in economics and political and social thought from the University of Virginia. Dr. Schuetz, welcome to Code 53 - The Apartment Podcast.

**Dr. Jenny Schuetz:**

Thanks for having me. It's great to be here.

**Alison Johnson:**

We're really excited to have you here in this conversation. Jenny, I mentioned at the top of the show that you believe America is facing many different housing problems all at once. What are they broadly, and how do they differ from community to community?

**Dr. Jenny Schuetz:**

One way to think about this is that we essentially have two different housing affordability problems and they vary a little bit depending on geography and which part of the income distribution we're looking at. So the broad national framing is that for about a decade, since the Great Recession, the US hasn't built enough homes to keep up with the demand created by population and job growth. In the Great Recession, we just stopped building homes altogether. It took us a very long time to get back to pre-recession levels of production, and so we're essentially a decade in the hole. Estimates are anywhere from three and a half to four million homes short across the entire country, which is a lot of homes.

Because we don't have enough homes, prices and rents have gone up. They have risen substantially faster than incomes have in most parts of the country. And the problem is most acute in the highest productivity parts of the country. So big metro areas like Boston, New York, DC, and basically all of the West Coast, many of those have actually not been building enough homes for more like 30 to 40 years. So we just don't have enough homes to go around and housing has become out of reach even for middle-income households in many of those places.

The second affordability problem is more widespread across the country, but is concentrated among lower-income households. So everywhere in the US, the poorest 20, 25% of households are spending more than half of their income every month on the rent or the mortgage. That doesn't leave them enough money left over to pay for food and transportation and healthcare and other necessities. This isn't a problem of lack of supply necessarily. This is a problem of incomes at the bottom not keeping up with the cost of living.

And it's important to remember these are two different problems. One of them is not enough homes in the right places, and so we fix that by building more. The other is households that don't earn enough income, and the solution to that is just to give people money so that they can afford to pay the rent.

**Alison Johnson:**

These are very complex problems. In your book, *Fixer-Upper*, you make it clear that fixing these systemic, complex problems that have occurred over decades won't be easy partly or maybe mostly because millions of middle-class Americans benefit from the current system. How should we understand the threat that potential changes to the status quo represent?

**Dr. Jenny Schuetz:**

So part of the problem is just that the status quo is very powerful because people are used to it and they have a hard time thinking about what the changes might be. We know also that people are deeply attached to their neighborhoods. So inherently, a lot of this is about saying we need to build more homes and different kinds of homes in a lot of the communities where people currently would like to live but can't afford to move to. Telling people that we're going to come into your neighborhood and we're going to build more houses, we're going to build some townhouses, we're going to build some apartments, it's going to look a little bit different, people have a tendency to get very attached to their neighborhoods, and then they worry about any kind of change. Even if the change itself would be perfectly fine once it happens, people are very resistant upfront.

We know also that one of the biggest worries people have about building new homes in their neighborhood is that it brings in more people driving, more cars, more problems finding a parking space right in front of your house. People worry about additional families with kids moving in and putting demands on the public school system and needing more spaces for kids.

So we have to meet people where they are and recognize that change to your neighborhood is something that many people react to instinctively, and part of what we need to do, those of us who work in the housing space is do a better job of explaining to people that actually the systems that you think are working well for you now are not as good as they could be and that some of the problems with our current systems would actually benefit everybody to have some systemic changes. And I think there are three ways that we can do this to sort of think of the median suburban homeowner, how can we convince them to get on board with this.

One is that regional labor markets work better when there's enough housing for people at all different levels of incomes. So metro areas need housing not just for lawyers and software engineers, but for baristas and housekeepers and childcare workers. So we will just have better functioning regional labor markets, employers have an easier time hiring and retaining workers when we build enough housing, and that benefits everybody.

The second thing that comes up is that our current patterns of development are really bad for climate outcomes. We build most of our new homes far away from jobs and transit, which means that people have to drive. The reason more development adds parking is because we don't build them close enough to shops and services and jobs so that people can get around without driving. We would all be better off if we went to more climate-friendly development patterns, including reducing our overall exposure to climate harms.

And then the third reason why everybody should really be invested is that millions of poor families with kids are living in substandard housing or neighborhoods that are unhealthy, that have environmental hazards or other hazards to kids' health. These are our workers and citizens of the future, and we would all be better off if more kids lived in decent quality, healthy homes and neighborhoods.

**Alison Johnson:**

Thank you for outlining those three points. As you're describing this crisis, it's a crisis of understanding and a crisis in a shortage of housing, what's one of the first steps of addressing this misperception and misunderstanding of the economics of housing? Does it mean every possible solution requires navigating through each of the nation's 40,000 local governments?

**Dr. Jenny Schuetz:**

Well, local governments at some point or other are going to have to change the rules around housing production. But actually one of the more promising policy trends we're seeing at the moment is that state governments are starting to take a bigger interest in this. And you can think about this from the state perspective. If they are not building enough homes to expand the workforce, then companies do in fact start losing people, right? People are leaving some of the most... Particularly in the last couple of years with the expansion of work from home, the most expensive metro areas, places like New York and DC and San Francisco, are losing workers, including college-educated workers because housing is so expensive. That's the kind of thing that really makes state-elected officials sit up and take notice because they want to keep those people in their community and they want to keep that economic activity in their tax base.

So state governments have started recognizing how bad this is for them and have started to push back against local governments asserting essentially that they have absolute control over housing production through things like zoning codes and building codes. So we're seeing across the country, state governments saying, "Localities, you need to plan for more housing. You need to plan for more diverse kinds of housing types. You need to make it easier to build ADUs and townhouses and duplexes and other kinds of homes that are more affordable to more kinds of workers."

So I think that's a really promising trend rather than get 40,000 local governments to all revise their zoning. If we can get a half dozen or so state governments in the most expensive places to put sort of guardrails around what local governments are doing, that can actually make a bigger impact faster.

**Alison Johnson:**

We've had a couple of conversations about how local governments are really thinking more about economic quality of life and their decisions and zoning decisions. Without these guardrails, do you think that local governments really have a perverse incentive not to build enough housing, especially at the lower incomes?

**Dr. Jenny Schuetz:**

Yeah. Local governments are following both their economic interest and their political self-interest, which in this case is listen to your current residents, particularly the squeaky wheels who show up at community meetings and complain about things. And in particular, we now that local governments are very responsive to their longtime homeowners because those are the people who vote. They write letters to their city council and complain about things. And most of those long-term residents just don't want change and are actively resistant to this. Unfortunately, those local homeowners also tend to be older, wealthier, and whiter even than the entire community that they represent. And so they're carrying disproportionate political impact, but making communities inaccessible to people who are younger households workers and more diverse kinds of households.

So the trick is getting local elected officials to understand that the people who scream and yell at the Tuesday night community meeting aren't necessarily representative of all of the households and the voters, and also to help them understand if you expand housing, you are in fact increasing your voter base and bringing in more people who could live in your community. And very often new development

when done well will actually pay for itself in increase not just property taxes, but in sales taxes, in people spending on local businesses. So it can actually be a net fiscal win for localities, but there tends to be a misconception that new development, particularly lower-income housing, is likely to cost more than it brings in in revenues.

So there's definitely an education process for local elected officials to understand both the political support for doing more development and also the economic benefits that can come when this is done thoughtfully.

**Alison Johnson:**

Jenny, earlier you referred to the parallel problems that are happening in communities. One is of an economic base where there hasn't been enough housing built for the demand for housing in the space, but then also there isn't enough across all income levels to help individual households afford what housing is available. So this is a supply and a subsidy issue. And I've heard you say before, "It's impossible to think about the supply side and the subsidy side of housing not interacting. The country overall needs a decade of really intensive building to catch up." What do you recommend for balancing this subsidies, supply side disparity?

**Dr. Jenny Schuetz:**

Yeah, just to give another example of why tackling both the subsidy side for low-income households and the supply of overall housing together is really important. If you think about, for instance, the Housing Voucher program, which is our biggest housing subsidy for low-income households, in places like California, we could make vouchers an entitlement and give everybody there a voucher and it wouldn't actually be very effective if we don't build more apartments because there just aren't places for people to rent. So expanding the subsidy without having places for people to move into doesn't help.

If we also think about how this plays out on the ground, even something like the Low Income Housing Tax Credit program where the subsidy is attached to the unit and developers are subsidized to build affordable housing, you can't build a LIHTC development in a neighborhood where zoning prohibits building apartments. And so these two things really have to go hand in hand, make it easier to build, especially multifamily housing, and expand the subsidies for low-income households. The problem with making these things work together is that the federal government provides the subsidy and local governments control the development process and what gets built, so the entities of government are not aligned to work well together.

I will say politically, we are doing better now at building coalitions between people who are advocating for more market-rate housing and the zoning reforms. Traditionally haven't been all that closely aligned with some of the affordable housing advocates who've been focused on let's increase the pot of federal money. But we are getting better relationships between them, particularly at the local level. Some of the pro-housing groups are doing better at building these relationships. And nationally, the affordable housing advocates understand that unless we tackle the supply shortage, they are not going to have places for low-income households to live. So I think we're starting to see better alliances.

Trying to get Congress to allocate more money for low-income housing subsidies is really hard. I certainly have not figured out how to do that. And in an era where we're seeing more pressure on the

federal government to cut spending, I'm not super optimistic we're going to do a lot with that. But we need to keep pushing where we can. And to the extent that it's possible, some of the states, particularly places like New York and California that are really wealthy states with a lot of resources, the state government can also step up on the subsidy side.

**Alison Johnson:**

You raised California and New York. Both states have really massive initiatives right now to address these housing shortages. And unfortunately in New York in this past period, they weren't able to address a lot of the initiatives that the governor had put on the table, to your point of states trying to push local communities to change their approach to housing development. And a lot of that was because a lot of community representatives heard in the public meetings an outcry from local residents of, "Not in my backyard." "We don't want this development." "We already have traffic problems." "It's already dense as it is." Local newspaper reports in every state reflect this kind of community backlash, and it follows this pattern quite frequently. How do you see this NIMBY challenge? And where does the element of a community benefit come into the equation for elected officials when they're talking about projects like multifamily housing?

**Dr. Jenny Schuetz:**

So the NIMBY problem has been around for a long time, but I will say somewhat optimistically that we are seeing a lot more pushback and also more data from polling that lets us put this in perspective.

So there was a new poll put out by Zillow last week. Actually, they asked lots of people how they felt about different kinds of housing options in their community, and I think it was actually more than a two-thirds majority of respondents said that they are open to at least something other than single-family detached homes in their community. And drilling down on that, the highest support was for something gentle like ADUs, but there was actually substantial support for moderate-density multifamily if it's done in commercial corridors or close to transit, which most communities have somewhere. So I think this is really helpful, again, in pushing back against the NIMBYs as the loudest voices in the room, but not necessarily a majority and not the only ones who should be listened to.

Part of the problem is we are so used to this idea that most existing residents don't want change and haven't really questioned that, but it turns out not to be true in a lot of places. And certainly in majority-renter communities in our larger cities and many inner-ring suburbs, most people who are there would be fine with having some additional housing, having more diverse housing options, and making the community accessible to more kinds of people. We need to get local governments to understand that the NIMBYs are only one constituency and they shouldn't be allowed to drive policy.

**Alison Johnson:**

Turning from NIMBYism, I want to address one of the points that you raised earlier about climate resilience and risk. It's fascinating how people perceive housing projects to be either/or or zero-sum game when it comes to the climate, either it is climate-friendly or not climate-friendly. Your research and perspective on the difference between car-dependent, ex-urban housing versus multifamily housing contiguous, as you just explained in commercial corridors, near transit, sheds a lot of light on what a climate-friendly development can look like. Can you talk a little bit more about that?

**Dr. Jenny Schuetz:**

Yeah. There are two kinds of climate-friendliness we need to think about in terms of housing. One is when we build new housing, are we allowing people to live car-lite lifestyles and have relatively small household carbon footprints? So we know, for instance, that buildings and transportation are two of the biggest source of greenhouse gas emissions. And that's basically about do you live someplace where you have to drive and drive long distances to do all of your daily errands, not just commuting, but going to the grocery store and running errands? And so enabling people to live in smaller, more energy-efficient homes and places where at least some of their daily activities can be carried out not by driving would be really helpful.

So it's not just that we need to be building tons of apartments on top of commuter rail stations and subway stations, but building homes closer to grocery stores. If we just, again, change the zoning to allow neighborhood-serving retail in every single residential community, people could do a lot of their daily errands without needing to drive. Putting in infrastructure like sidewalks and bike lanes, which are inexpensive and quick and easy to do, would help us a lot in shrinking our carbon footprint and giving people these nice walkable lifestyles that so many people want.

The other climate interaction that we need to think about is where we're building relative to climate hazards and risks. And here the scary thing is some of the fastest-growing states are places like Florida and Arizona and Texas, which also face some of the highest climate risks. So we are building and rebuilding homes in places that get hit by hurricanes and coastal flooding. In the Mountain West, places that are vulnerable to wildfires and a bunch of places that are frankly running out of water. I mean, we're seeing so many headlines about new developments in places where the local government can't guarantee that they're going to have a continuous water supply for households 10 to 15 years down the road.

So we need to think about both of those things, building in safer places and in places where people are going to have more sustainable lifestyles.

**Alison Johnson:**

We definitely have heard that in the news. I mean, just Arizona in the Phoenix metro area halted any approval of new housing development because of this exact issue. We really cannot talk about environmental resilience without talking about risk. I mean, this is the National Multifamily Housing, so we do want to talk about it from a risk mitigation and management.

Property insurance plays a foundational role in our economy as well as in our business. So we have research at NMHC that was produced in 2021. We published this report alongside NAA and the National Leased Housing Association revealing that a lack of affordable insurance options in many communities and for properties in these communities adversely affects affordability. And it looks as though this impact, this financial impact continues unabated as we just released a report in the last two weeks that reflects that premium rates have increased steadily since 2017, upwards to about 25% per property.

Jenny, as insurers reevaluate underwriting and pricing criteria due to inflationary, capital and risk concerns, how do you assess the growing elements of risk will impact the effort to build a more equitable and healthy housing stock?

**Dr. Jenny Schuetz:**

Yeah, insurance is turning out to be probably one of the most salient features that kind of makes people focus on climate risk. Ben Keys, who's an economist at the Wharton School, has called it the canary in the coal mine for climate. When your insurance bill starts going up, you should be worried about what's going to happen to your community because there will be more impacts that come down the road.

Some of this is the way that we set up our insurance markets. So property insurance is regulated at the state level, and states have decided how much risk they're willing to bear and how to back step some of these markets. So we see, for instance, in places like Florida, the state essentially has become the reinsurer for the entire state. So lots of people live in risky places. The private insurance companies are losing money year-over-year because they have to make such enormous payouts. To make sure that insurance is still available to everybody, that people don't go uninsured, the state has had to step in and create essentially a public program taxing all of the property insurance policies that get written. And so essentially, people in low-risk parts of Florida are subsidizing people in high-risk parts of Florida so that everybody can be insured. And that's one approach that states can go to.

California is going to be a really interesting one to see what happens because the big private insurers are refusing to write new homeowners insurance policies. And so far we're seeing this mostly hit on the owner-occupied side, but this is also going to show up for multifamily properties and especially for smaller landlords. So what California chooses to do, whether it allows people to go completely uninsured or whether it decides to step in and provide some sort of a state program, I think is going to be really interesting to watch the next few months.

**Alison Johnson:**

Almost another illustration of as goes California so goes the rest of the nation.

So we've talked a lot about local policies, state interventions. We are, again, the National Multifamily Housing Council, and we deal mostly at the federal and national level. But the federal government really doesn't have authority over local land use. And you mentioned briefly Congress's inability to further fund LIHTC and expand investment in that program. How do you see the best way for Washington to help solve the housing crisis at the moment?

**Dr. Jenny Schuetz:**

You're right that the federal government just has limited levers directly over land use. Land use is an area where state governments and local governments have the constitutional authority, and that's just not going to change. So we have to accept that at some level. The biggest thing the federal government can do on land use is use the power of the purse. So creating financial either carrots or sticks for states and localities to change their policies. And we are seeing some bits of that.

So the bipartisan infrastructure law created some discretionary grant programs through the Department of Transportation. Communities that want, for instance, more money to expand commuter rail or do bus rapid transit will need to line up their land use to enable moderate-density housing and mixed-use development around their transit projects. That is the absolute lowest-hanging fruit. It's actually astonishing that we have spent so much federal money building out transit systems in places where you



cannot build near the transit stations. So this seems to me like the absolute minimum, don't give any money unless you commit to getting your land use right and developing around them.

That's a pilot program. It's relatively small. It's new. I don't think we have evidence yet on how that's working and how that's playing out. So it's important to watch that, see whether it works the way it's intended to, and be prepared to tweak it. Hopefully, we will start getting some good results for that and that may be able to build support to scaling it up.

Other than that, the federal government does also have some other tools through regulation of mortgage markets, which we have not particularly used at this point either to sort of encourage more climate-friendly development or to think about how that could interact with land use.

I will say that the Biden administration has been trying quite hard to use the power of the bully pulpit. The Council of Economic Advisors has written a lot about the need for more housing supply, the role of zoning constraints on economic development and on racial integration. So it's helpful to have some of that laid out. That said, one of my concerns is better housing supply and more affordability should not be thought of as a partisan issue. Everybody suffers from the current systems. Everybody can win from better policies. And I hope very much that this doesn't get too affiliated with either one of the political parties. There's currently support among both Democrats and Republicans to build more, thinking about this as both a regulatory issue and as an affordability issue. And I hope that we're able to maintain that kind of bipartisan support at the federal level.

**Alison Johnson:**

Dr. Schuetz, how do you remain optimistic about the situation that, I mean, even if we change all the zoning rules overnight and funding became available tomorrow, will it still take 30 to 40 years to dig out of this hole?

**Dr. Jenny Schuetz:**

In some parts of the country, yes. California has been digging itself into a hole for several decades, and it will take them a very long time to get out of it. Other parts of the country, we are not in that bad shape yet. So if we think about places like Dallas and Austin and Nashville and Denver, those are some of the fastest-growing metro areas. They have been pretty affordable until recently, and they have tended to build more housing when they need needed to. So my hope is that we can get places like that to continue building as they need to and to think more about what they're going to look like, maybe as somewhat more dense metros, somewhat more transit-oriented. But there are parts of the country where I think we're not in a terrible shape yet and we can prevent it from getting worse and those actually ought to be our higher priority at the moment.

The other thing that makes me optimistic is this is an issue that's gotten more political attention and public debate in the past five years than ever before. We have people at federal, state, and local level all over the country talking about this. We have much more support from a lot of the big national media organizations that have really gotten on board with this and are giving it attention. And so we are starting to see a much broader awareness of the problems and more willingness to talk about what the solutions would look like.

The political tides are turning in our favor. It's going to take us a while to get there. You mentioned New York state introduced a pretty ambitious set of packages this year that didn't make it through. It takes a while to build up support and build the coalition to get legislative changes passed. But we're moving in the right direction, and I think we're going to continue to have momentum.

**Alison Johnson:**

You mentioned a few minutes ago that you didn't want to see this as a combative political issue. What changes do you think could make the biggest impact on the problem politically?

**Dr. Jenny Schuetz:**

So let me be clear, this will be a contentious political issue, but not a partisan issue. So the difference is IMBYs and NIMBYs don't fall on neat partisan lines with Republicans and Democrats, and that is one of the strengths of this issue.

In terms of what we can do, state-level intervention I think is both the most likely and likely to have the biggest impact. So if a handful of states follow, for instance, Massachusetts example, they have legalized building apartments around their commuter rail stations and transit stations. For communities that have transit networks, that's a great place to start because that's where you have the highest need for it. And there's also, there's a compelling state interest because they're providing subsidy for the system.

We're also seeing terrific efforts in Utah, for instance, pushing both for more trends, more housing around their transit system in the Salt Lake metro, but also making it easier to build smaller-scale housing, lower-cost housing throughout the state and their residential communities. And I should say that Utah is one of the states that's very acutely aware of the water crisis. They need to be expanding housing in a way that's not going to destroy their access to water and communities can be sustainable.

So we're seeing a number of good examples at the state level in different kinds of housing markets and different kinds of political and institutional context. I think we will continue to see state action, and that's likely to be the area that's most successful.

**Alison Johnson:**

Dr. Jenny Schuetz, senior fellow at Brookings Metro and author of the book, *Fixer-Upper: How to Repair America's Broken Housing System*. Thank you so much for being our guest on Code 53 - The Apartment Podcast.

**Dr. Jenny Schuetz:**

Thanks for having me.

**Alison Johnson:**

And thanks to everyone listening and sharing. Subscribe and meet us right back here for another episode of Code 53.