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## **Instead of building houses, we are building scarcity - by Thomas House**

March 03, 2023 - Northern New England



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There is considerable discussion of housing underproduction in the United States, and this is a particular problem in New England that comes with a benefit for homeowners (manufactured scarcity) at a cost for the region.

This cost of underproduction is measured in:

- Lost jobs because talent can not afford to live here.
- Lost political clout, because talent (and their votes) cannot afford to live here.
- Lost potential homeowners, workers, professionals, and voters move elsewhere.

How housing shortages are manufactured

Of course, homeowners vote and there's the problem.

Scarcity, whether from normal intermittent economic conditions or artificially created, drives up prices. In the case of a homeowner or a mortgage lender, that price is booked as 'value'. Homeowners of even just one home see property primarily as an investment, not a home.

They don't vote for a national policy designed to prevent people from obtaining a home.

But they vote locally to keep neighbors out. And businesses. And industry. (We understand the need to control that one.)

By far the single biggest drivers are single-family zoning, single occupancy zoning. It keeps home 'valuations' artificially high, and individual buyers and homeowners out.

Corporations paying cash? This is a form of market fixing analogous to stock buybacks.

Homeowners vote. Corporations lobby. Any solution needs to find a way around these understandably vested interests. No political leader will survive bringing affordable housing online if it results in prices (valuations) going down on current owners.

Is there a way to unstick the wicket?

Here's where you would expect 'subsidized housing'. But here's where you'd be wrong.

The answer to a supply-side problem is to incentivize supply - let's call it subsidized development. This is, after all, how we manage several market sectors and it works.

So on the carrot side, why not incentivize the development of market-rate housing?

New England, especially its southern half, could quickly use shovels in the ground to support key industries struggling to retain its talent, and gateway cities looking to expand a tax base of small service businesses.

There are sticks at the end of the carrot of course that can be put to use. The multi-family zoning requirement for MBTA towns is an example to expand the range of communities that could benefit - in this case providing new customers.

We doubt there are many developers reading this who would turn down a taxpayer financed incentive (we are assuming they can find workers).

Where a government plays a role is in preserving the investment valuation of homeowners and lenders—which likely would require some restrictive zoning, just less of it. Think about the way—at scale—Kendall Sq. was enterprise-zoned for life sciences, and nearly overnight turned into an overnight success, reversing several decades of neglect.

Conscious of how Massachusetts lost the high tech sector, and tasked with managing how the Commonwealth's \$1 billion investment was managed, now retired CEO of the Life Science Center Susan Windham-Bannister said, "We lost that because we didn't invest in a focused manner. We saw a lot of great companies catapult right out of our universities, right out of Massachusetts into California, into New York, which had more of the resources and the infrastructure that they needed."

Kendall Sq. stands as a monumental proof of concept for "if you incentivize it, we will build it, and they will come". Businesses, careers, renters, and owners did indeed come.

And did you notice? High tech is back too.

What's the beef with better carrots?

Every one of these projects will require not just incentives, but an investment in the local infrastructure which would extend to every homeowner, and among the carrots would be improved water delivery, and as we are at the threshold of a revolution in electric vehicles and mass transit, a far better electric grid than the one we now have.

The shovels in the ground won't be just the developers', but utilities, public works departments, and contractors.

New England's gateway cities and MBTA towns are the top candidates for this kind of effort - and would be unlikely to affect the property valuations in the leafy suburbs. But it will create a whole new class of homeowner or tenant, juice community development, and inject something vital and dynamic into New England's economy. As strong as it already is, we think this calls for gaining an unfair advantage.

Build it. They will come.

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