
Affordable Housing and Sprawling Regulations: A View from St. Cloud

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St. Cloud, Minnesota, is hardly the place you would expect to have a housing problem. Yet according to local housing advocates, the situation is only getting worse.

The St. Cloud *Times* has the issue on the front page of its Web site, with the title "Chasing the Dream." In it are articles from June 2001, a series depicting in glowing terms the experiments with affordable housing in other cities and how the lessons could be applied to St. Cloud. Yet the stories come from

places like Montgomery County, Maryland, or the San Francisco Bay area, places with much higher incomes and housing prices than St. Cloud.

Dan Finn, an economics professor at St. John's University in Collegeville, Minnesota, and a local leader of the movement to create an affordable housing ordinance in St. Cloud, a city of about 60,000 sixty-five miles northwest of Minneapolis, sees an ever-widening gap between housing prices and the financial means of those who

want to buy houses: “The price of existing homes rose by about 16 percent in 2001. Why? Because of fast-growing demand and slow-growing supply.”

Since January 2000, the five cities in the St. Cloud area have formed joint boards and received proposals from the Central Minnesota Task Force on Affordable Housing. Funded by public, religious, and private grants, the task force has generated to date twenty-four drafts of an ordinance to require 15 percent of all new development in the St. Cloud area to be “life cycle housing units” affordable to moderate-income families.

The *Star Tribune* of Minneapolis chimes in with an editorial:

Anyone who cares about Minnesota’s future is concerned about projections that by 2010, more than 115,000 metro households will be renting homes they cannot afford. . . . We’re talking about cashiers, cooks, clerks, travel agents, teachers’ aides, medical technicians and other hardworking people coming up \$200 to \$400 short **every month** on what they can reasonably afford to pay on rent, let alone scraping together a down payment to buy a home.

(The area the editorial discusses does not include St. Cloud.)

R. T. Rybak, newly elected mayor of Minneapolis, is strongly pushing for affordable housing as well. During his campaign he proposed an immediate \$16 million investment in affordable housing projects for the city, followed by an annual commitment of \$10 million more. But, according to another *Star Tribune* editorial, that is not enough:

“The city’s own analysis suggests a need for 20,000 new units of affordable housing over the next fifteen years—a need that will cost about **\$2 billion** to meet. Without vast amounts of cash—from the state, the feds and private sources—the crisis will endure.”

It is worth noting that the housing under discussion by Rybak and others is not housing for low-income wage earners. The affordable housing issue revolves on the question of moderate-income earners, the group between 60 percent and 80 percent of median income in an area. That is not to say that housing for those below 50 percent of median income is not an issue, but the push here is for single-family dwellings, condominiums, and townhouses that would blend into neighborhoods with higher-priced homes.

Affordable housing policies have been an issue on both coasts for at least twenty-five years, typically in places with extremely high housing prices: Los Angeles, Portland, San Francisco, Washington. Their use in places as diverse as Minneapolis and St. Cloud is a relatively new phenomenon, but continues a trend toward increasing regulation that controls who gets to build, and where. Their development and newfound expansion are worth serious consideration by those trying to understand urban growth.

What Is Affordable Housing?

Affordable housing, as conceived in most places where it is implemented or proposed, involves “inclusionary zoning.” Zoning laws are amended for residential areas to require builders to

place moderately priced housing in residential developments. A percentage, usually ranging from 10 to 25 percent, is set to meet the ordinance. A housing developer cannot have housing lots platted, nor get building permits, without demonstration of a plan to build affordable units. Small developments (under ten units) are usually exempted from the ordinance.

In return, the city or county gives the builder a "density bonus" in the form of smaller minimum lot sizes. In St. Cloud, lot sizes in the older residential areas near the city's center would be in violation of the minimum sizes in the platting code if they were built today. In smaller communities like St. Joseph, lots are a minimum of 11,000 square feet. Thus, when St. Joseph wanted to include affordable housing (costing \$105,900) in its new Northland development in May 2001, they platted lots at 6,000 and 7,000 square feet and reduced street frontage from seventy-five to fifty-four feet.

Access to these affordable units is determined by a standard based on a percentage of the area's median income. For example, in several versions of the proposed St. Cloud ordinance, the standard is set at 80 percent of median family income (\$50,100 in 2000). Individuals would not pay more than 30 percent of that income for housing. In the Twin Cities, an affordable house would cost \$134,520. Rental housing is set at 30 percent of 60 percent of median income; in the Twin Cities, this would compute to a rental of \$715 per month. In St. Cloud, since incomes are generally lower, the

rental and income levels are also lower.

Since the largest problem for most home buyers is the down payment, most of these ordinances propose a financing mechanism that includes a "gap loan." The loan amount is set so that the buyer pays no more than a percentage of family income on the bank's (first) mortgage.

Affordable housing ordinances almost always include resale restrictions as well. Without them, the purchaser of an affordable unit, who buys a house at below-market prices, has an incentive to resell the house at market rates and pocket the difference. Resale restrictions frequently run for ten years or more, and require the seller either to resell the affordable unit back to the city or its agent, or to disgorge the difference between the (market) resale price and the purchase price adjusted for inflation. In the proposed St. Cloud ordinance, the difference would go to a special fund to be used to finance additional loans for purchasers of affordable units.

In essence, then, affordable housing is a land-use policy. The mechanism that "creates" affordable housing in most ordinances is a relaxation of the minimum lot size. Different cities have different minimums. This may be a means to keep neighborhoods relatively low-density, decreasing traffic flow and increasing the desirability of an area. Current residents can be expected to prefer such laws to keep new homes from deteriorating the value of their own property.

In this case it is possible to rearrange the rules to create more lots and leave the market-rate homes no

worse off than they were before. When the minimum lot restriction is set too high, people are overconsuming land and therefore underconsuming something else (either the building itself or some other goods). When government removes restrictions or reduces the size of the lots, people buying the market-rate homes are actually better off.

An analogy may be useful. Suppose government passes an ordinance requiring a specific ratio of French fries to be sold with every burger—say, four ounces of French fries for every ounce of hamburger. You buy a quarter-pound hamburger, so you are required to buy a pound of fries. Some people (like me) love French fries and are quite content to buy them in the specified ratio. Indeed, I might buy more than the required pound. But someone else might not want the extra French fries, and the value of the last fry to that person is zero. Indeed, since they are fattening, the last fry will have negative net value.

One thing is clear: Since each purchase of a hamburger must include the required quantity of fries, the cost of a fast-food meal has been increased beyond what some people voluntarily would have paid.

Now imagine this law exists for a long time and people adjust to it. Fry lovers and fry haters go to the burger stand together, bundle their orders, and then swap their mandated fries to get the ratios they want. Police may respond by disallowing these illegal trades. The law doesn't apply to the cheaper hot dog, so fry haters begin to

substitute hot dogs for hamburgers. Hamburger production declines.

Newspapers begin to fill with stories of people who want burgers but can't afford them. Fast food is increasingly inaccessible to the lower middle class, and an outcry for affordable hamburgers is raised. A movement to distribute burgers to the poor is started. Lawmakers respond by passing the Affordable Hamburger Act to induce fast-food restaurants to sell 15 percent of all hamburgers produced to the poor at affordable prices. To help defray the costs of the additional burgers, the law states that any fast-food restaurant participating in the "voluntary" program may reduce the required French fry ratio to three ounces of potato per burger. The restaurant operator can now legally produce more burgers than before. The new burgers that are "created" are called "bonus burgers."

Those who were compelled by government regulation to overconsume French fries now are better off, but the regulation helps them only by undoing the harm of the original mandate for a fixed ratio of burgers to fries. If you are forced to consume something you do not want, removal of the force is to your benefit. To the extent that someone else pays for the fries (or at least the interest on "burger loans"), the group receiving affordable burgers is better off too.

Yet this is a relatively extreme case. It might be true in Montgomery County, Maryland, where raw land prices in areas zoned for residential development exceed \$100,000 per quarter-acre lot.

In St. Cloud, Minnesota, where raw land costs one-tenth that amount, that might be much less likely.

These incentives are important, even in the view of proponents of affordable housing ordinances. A recent Minnesota Housing Finance Agency report on affordable housing states:

An incentive is provided to the builder of the market rate units to encourage or assist with the construction of the below market rate units. This incentive is most commonly the authorization to build additional units beyond the number allowed in the zoning standards of the site. These are called the “bonus units.” In some instances the builder is also allowed to build more market rate units as a part of the total incentive package.

... Incentives for the builder are a part of every plan. Incentives may provide assistance with the production of both the bonus and market rate units. The most common incentive, and the one that gets the most attention, is the “density bonus.” The density bonus permits the developer to build more total units than the local land use plan would normally allow, in return for building a specified number of below-market rate units.

Because the incentives are generally related to the zoning or land use standards of a community, and may include favorable adjustments to a number of land use requirements, the term “inclusionary zoning” is often used to mean the same thing as inclusionary housing.¹

The incentives are thus nothing more than regulatory relief from zoning ordinances that hinder the production

of housing. While a full argument about zoning ordinances is beyond the scope of this article, I do wish to emphasize that the government’s “ability” to “create” affordable housing would be extremely limited if it had not already altered the costs of house production through its other regulatory practices.

“It Worked Before, but It’s Broken Now”

It is important to realize, moreover, that the reason affordable housing has any chance of being preferable to the current price-setting structures for housing is that the opportunity is created by previous government regulation. In Montgomery County, the affordable housing ordinance was put in place alongside a smart growth plan placing all land not on major transportation corridors off limits. These areas were zoned to have minimum lot sizes of five acres, effectively eliminating residential construction.

The overlay of a zoning ordinance on the whole county—including incorporated areas that already had municipal zoning ordinances—imposed restrictions on where one could build. Development moved along major transportation corridors. But after some time, one begins to run out of space along the major roads. This has led to a breakdown of the ordinance, according even to its proponents. Dick Pettit, a builder in Montgomery County and proponent of the ordinance, explained that the county has run out of land on which it can build. The land that is left has steep slopes, water, or

other impediments. “It worked for nearly twenty-five years, but it’s broken now,” he said.

Discussion of how to fix the problem founders on environmental concerns that too much land is being developed. The problem is that the land now ready for development has been placed off-limits by zoning ordinances adopted years ago. In my hypothetical story, it is as if the potatoes had become so expensive that nobody could sell burgers anymore because nobody could find French fries to sell.

This is an old story. Levittown on Long Island is one example of building affordable houses. After World War II, William Levitt wanted to build homes without basements, but building codes required them. When Levitt succeeded in getting the requirement waived (instead using radiant heat on cheaper concrete slabs), he was able to drive down the price of these houses to \$7,500. Hundreds of home buyers flocked to them, escaping the dense apartment life of New York City.

How Expensive Are Houses?

If we just look at price, we might think housing became far more expensive in the 1980s and 1990s. But a house

today looks nothing like a house twenty-five years ago. Our homes are bigger, better insulated, air-conditioned, more energy-efficient. The dishwasher and garbage disposal are standard now.

But there’s another factor, too. Our wages have risen in the last twenty-five years. James Cox and Richard Alm at the Federal Reserve Bank of Dallas have collaborated on a number of the bank’s annual reports to demonstrate how, when it is measured by something more solid than dollars, the cost of nearly everything is dropping. The table below shows some numbers they put together in a book.²

If we simply adjusted the cost of housing from dollars to the number of work-hours, the sixfold increase in housing over that twenty-seven-year period declines to a gap of about 20 percent. But this ignores the fact that housing in 1997 was about 40 percent bigger (or about two twelve-by-fifteen-foot rooms) than it was in 1970. Also, families are getting smaller. If we adjust down to giving each person the same amount of living space in 1997 as each would have gotten in 1970 (costing by the square foot), the 1997 house is cheaper ***in terms of work-hours***. And that doesn’t take into account the

How much does a new house really cost?

Quality	1970	1997
Average size (in square feet)	1,500	2,150
Median price, in dollars	\$23,400	\$145,500
Average hourly wage rate	\$2.35/hr.	\$13.18/hr.
Median price, in hours of work at average hourly wages	9,931	11,039
Persons per house	3.1	2.6
Livable space per person, sq. ft.	484	827
Cost per 500 square feet, in hours of work	3,310	2,567

qualities of the 1997 house versus the 1970 house.

There's an important lesson here. In basic economics courses, we teach that price means sacrifice. You can use two dollar-prices from the same point in time to make very good statements about the relative sacrifice necessary to obtain goods A and B. Dollar-prices inform less well, however, the more time that passes between the two prices. Most people want to adjust the prices for inflation. But when we are talking about housing affordability, we do better to look at how much of one's labor one must sacrifice to obtain housing.

Redevelopment: A Vital Market

Using zoning laws for social goals has been a common feature of the law since courts in Cleveland upheld the first zoning laws. As Thomas Sowell recently observed, the tightest real estate markets are in San Francisco and San Jose, both of which, like Montgomery County, have open-space laws. San Francisco has rent control laws that make construction of apartments unprofitable as well. Many communities do not permit or severely restrict mobile homes. All of these regulations limit the supply of affordable units; the same people who enact these restrictions then complain that housing prices are too high and lobby for affordable housing ordinances.

Sowell notes that "housing circulates among people as people circulate among housing. But housing shortages and rent control tend to freeze people

where they are." The stories of elderly people in New York City living alone in four-room apartments after their children have grown and gone are legend in almost any economics textbook. Housing moves as people's family and career decisions change, and as they accumulate and eventually disburse wealth. The couple with a starter home and one infant moves to a bigger home as children grow (and schools grow more important). Eventually the children move into their own homes, and the parents want a smaller place with more amenities or a better climate or without stairs or nearer to more attractions.

One feature of any affordable housing ordinance is a resale provision that restricts how much an affordable unit may be sold for (or that imposes a tax on any gain made on resale). Young families typically purchase older homes or homes with unfinished basements, room to expand. They often live in these homes for a relatively short period of time, improve or redevelop them, and then sell them for a substantial gain.

In learning about the St. Cloud ordinance, I thought it would be useful to examine the data on land sales in the area. More than 4,000 properties in St. Cloud and Sauk Rapids were sold at least once between January 1997 and March 2001. The 389 properties that were sold twice in that period were held for an average of twenty-three months. The median initial sale price of these 389 properties was \$73,500; the median price increase per year was 8.5 percent, slightly faster than the overall 8 percent rate of increase over the period.

I focused on these properties to see what had happened to house prices, by holding constant the properties (and, hopefully, their quality) themselves. The area has experienced rapid growth in housing development, and it was possible that the reported price increases were due to local builders developing higher-priced housing. The fact that these twice-sold properties appreciated **faster** than the market generally indicates that this is probably not the case.

Price appreciation occurred faster in the lower-priced housing. Forty properties increased in value by more than 30 percent per year. Only one of them had a purchase price over \$100,000. My data included names of purchasers, and only two of the forty buyers listed were either real estate agents or construction firms. Several of the homes were congregated in very old sections of St. Cloud, including eight around the Burlington Northern station just northwest of downtown. The homes in that area are largely forty to sixty years old, and the area was at one time renowned for drug busts. Now it contains “fixer-uppers,” which were a great investment for a substantial group of people.

Who are they? Some no doubt were people in the construction business (though I had looked for names of construction firms, an individual construction worker or even a small contractor could have missed my screening), but it seems that several buyers simply bought these houses to resell. They produced redesigned homes that created additional value for the new owners. The new homes resold for an average price of \$83,500; eight of the forty cost

more than \$100,000. Most were **affordable**, by the definitions used by affordable housing advocates in St. Cloud.

Those who bought and resold the houses bought construction materials, and perhaps hired contractors. Yet it seems plausible that the work of the buyer was also a factor. “Sweat equity” can be an important source of income for a young family. St. Cloud has many relatively low-paying jobs. A person with some carpentry skills may be able to earn more by working on his or her own home than by working at Wal-Mart or Fingerhut.

One problem with this for affordable housing advocates is that resale does not allow for repayment of sweat equity. Most ordinances allow recovery of improvements made to the property as an adjustment to the resale restriction the owner of an affordable unit faces. One can receive credit for construction materials for a deck, but if the owner cuts the wood, drives the nails, and applies the stain, how is his or her time compensated? Most ordinances do not provide for this.

The larger problem remains that the ordinance focuses only on new housing while ignoring another important source of good affordable homes. Redevelopment of older homes not only creates affordable homes, but may also provide opportunities for younger people, particularly in the construction and contracting industries, to find good work. Often these workers are frustrated by building codes requiring new electrical outlets or plumbing, which are expensive when they are retrofitted to older structures.

The Law of Unintended Consequences

Older housing “filters” to lower-income households in areas where building on the edges can occur. Families reach the stage at which they want and can afford larger homes and larger families. They then face a decision whether to move to a new, larger house or adapt their current house to the new family circumstances. Movement will be toward newer homes. Professor Thomas Bier at Cleveland State University and others have presented evidence that 80 to 90 percent of families who sold in three metropolitan areas in Ohio moved farther out, and about 85 percent moved up in price. The median move-up in price was between 57 and 69 percent.³

Older, affordable homes cannot filter to the newer families unless the more-established families have somewhere to move. If new housing does not get built, then vacant and abandoned housing is reclaimed and reused, and housing prices are forced up. This was the case in Boston in the 1980s, when 0.8 housing units were built for each new household. Where the number of units fails to keep up with household formation, prices tend to rise rapidly. The city of Boston, with population growing faster than its housing stock—and therefore faster than its property tax base—found it difficult to keep pace with increased demand for roads and other public services. In contrast, Detroit built 2.9 and Cleveland built 2.5 new units per new household; congestion declined and availability of public services improved.

It is not clear whether those who support inclusionary zoning ordinances view this as good. Encouraging growth on the fringes, building Levittown-style ranches, is not what smart growth advocates prefer, and they see the affordable housing ordinances as partly theirs. Bruce Katz of the Brookings Institution, in a speech to a Vermont conference on affordable housing, makes it plain:

Affordable housing must be part of the smart growth movement. If it is, then our communities can grow in ways that preserve our natural resources, protect the environment, reinvest in our older communities, and enhance opportunity for all Americans.

One is led to wonder: since inclusionary zoning ordinances apply only to new developments, how is it that they “reinvest in our older communities” or “protect the environment”? The answer should be obvious: inclusionary zoning slows growth. Where it succeeds, it only serves to raise the prices of existing houses in older communities. To make the older communities more affordable, either one would have to allow the redevelopment of older homes using more lenient building codes, or property would have to be converted by more coercive methods (such as condemning older property by eminent domain and building affordable housing either by government finance or provision).

Anthony Downs, also of Brookings, points out that there are two conflicts between smart growth and affordable housing. First, the smart growth movement has drawn many residents to

municipal planning board and city council meetings. One developer came to the city of Santa Cruz, California, in 1999 with a proposal to request a variance from the city's inclusionary housing ordinance. For over two hours those arguing for affordable housing battled other people concerned about traffic and the loss of green space. In the end, the mayor broke a tied council vote in favor of removing the affordable units.⁴ The phenomenon of more active citizens is documented in William Fischel's new book, *Homevoters*. Most homeowners, Fischel argues, simply believe that low-priced housing in a mixed-price neighborhood tends to drive down prices for all other property in the neighborhood. Voters prefer politicians who deliver policies that increase house prices.

Second, Downs notes that most advocates of smart growth still prefer local control of land use. The Minnesota Housing Finance Agency report argues for an overlay of state regulation on land use by usurping local control when it hinders development of affordable housing. Such a bill has been proposed directly to the Minnesota Legislature. This proposal can be seen as a weapon by which a developer may evade local zoning restrictions to obtain platting and building permits in return for affordable units. If these restrictions are put in place for the purpose of creating smart growth, one can expect that they will be opposed. Downs concludes that while there are a few (like Katz) who embrace affordable housing as part of smart growth, the majority is in stark opposition:

The strongest advocates of Smart Growth are so focused on protecting open space and stopping sprawl they give little emphasis to providing housing for low-income households. One reason for such neglect is that doing so would be very expensive in subsidies if the nation maintained existing high quality standards for new units.

Battle lines are already being drawn. A group called the Alliance for Metropolitan Stability has used a study by the Center for Urban and Regional Affairs at the University of Minnesota as the basis of a threatened lawsuit to build more affordable housing. According to the group, a 1976 law requiring the building of high-density units has largely been ignored since the early 1980s. Ted Mondale, chairman of the smart-growth-oriented Metropolitan Council, doesn't find the suit threatening. If they sued, "the Legislature would say, 'Oh, is that the law?' and change it next session," Mondale says.⁵

It is clear that Mondale and others want to have more affordable housing, working together "so there are very few Eagans" (Eagan is a suburb of largely upper-income homes). The debate has moved from "whether" to "how," he says. And some cities such as Chaska have granted much greater densities than they would under the usual building lot restrictions. Its Clover Ridge development contains a wide mixture of homes, including carriage houses or "accessory units" of 600 square feet, row-houses for \$120,000, and some \$160,000 detached homes, along with houses in the \$250,000 to \$400,000 range. The

Metropolitan Council has devoted \$1 million to the project as a model for affordable housing development.⁶

The mayor of Eagan, Pat Awada, has opposed the Met Council, for a time keeping the city out of the Livable Communities program that drives most of the affordable housing efforts in the state. “My parents live on five acres in Forest Lake and think there are way too many people around,” Awada says. “The Met Council calls this sprawl, a waste of acreage. But the public likes that, and supports that. It’s the ideal most people would like to achieve.”⁷

Dealing In and Doling Out

In any case, the number of affordable units built will be far fewer than the number of eligible families. Even if there are few Eagans, there will be a group that gets these affordable units and a group that does not. While the programs help those who get inclusionary units, those who do not receive units are harmed as prices are pushed up, congestion increases, and demand for public services rises.⁸ Inclusionary zoning increases congestion since it creates more density (that is how you get the additional lots for the affordable units), and these additional people increase demands for public services. Either more services must be provided, which increases taxes, or per-person services to current residents are reduced.

Pressures from environmental groups only exacerbate this problem by using overlay zoning to build larger and larger greenbelts around cities. In the

Bay Area in California, of 4.4 million acres across the nine counties, only 18.4 percent of the area is urbanized. Twenty-three percent of the land is held in parks and watersheds of public lands; 1.9 million acres are privately held as cropland or grazing land. So what does the Greenbelt Alliance call the remaining 570,000 acres? “At risk.” Yet the local homebuilders association estimates that it would use fewer than 160,000 acres to meet housing demand through 2020. Stories of antigrowth forces resisting development of housing in the area—still among the most expensive in the nation—abound.⁹

As the statements by Anthony Downs attest, these tensions are stressors to the New Urbanist view of how housing of the poor should be handled. It is one thing for the mayors of St. Paul and Minneapolis to be concerned about housing for lower- and moderate-income individuals. They have substantial constituencies in those income groups. But the use of regional government agencies such as the Metropolitan Council illustrates a different motive. In the metropolitan area, as well as in St. Cloud, there is a strong desire on the part of policy makers and housing advocates for affordable housing both in the areas where lower- and lower-middle-income families live and in areas where there are more affluent families. Candidates in local elections in St. Cloud often insist that they would not vote for a local affordable housing ordinance without the other communities also agreeing to the ordinance. One candidate put it well: “We all have a responsibility to provide

choices to those in need, and no one single community should have to sacrifice (its) tax base at the benefit of another community.”¹⁰

That point needs amplification. A family moving into a town will draw on certain services from local government. It will be attracted to cities that have better services and schools. Governments naturally will want to attract only those families that provide enough additional tax revenue to finance the additional burden, and a large part of that revenue will come in the form of property taxes. Municipalities naturally resist lower-income housing units, because the families that occupy them will not fully pay the costs of the government services they consume. Zoning laws, curb and sidewalk requirements, and plat size restrictions are some ways to keep “deficit families” out of the city, and these laws push up housing prices.

The idea is to spread those who might be a burden among all the communities. It treats the poor as cards to be dealt, and each community should be at the table to receive its share. The view is that people who choose to leave the city for the suburbs are not carrying their share, and government is required to coerce them to accept smaller lots, and the “deficit households” that will buy them.

Yet this is not how free markets work. In a free market we receive our income by serving others. People acquire income by selling their services. In return they get income, which they then use to buy housing. Residents of an affluent suburb like Eagan already serve

the public by earning their income. They then may choose to live substantial distances from their places of employment, accepting long commutes so they can return to single-family homes with ample-sized lots and three-car garages. Asking them to accept “responsibility to provide choices to those in need” is misguided; they already did this in earning income and producing something someone else valued.

Government cannot build housing. Government has only the advantage of being able to legally coerce builders to build unprofitable houses. If there is a market imperfection in housing, the private market rewards those who find ways to correct that imperfection. If affordable housing is in short supply, builders who learn how to provide lower-priced housing will profit by providing it. What hampers them is the cost of land regulation. The cost of developing houses is substantially affected by regulatory costs for land, which can reach up to \$10,000; most builders’ rule of thumb is that one builds three dollars’ worth of housing on each dollar’s worth of land, so \$10,000 of regulatory costs can add \$40,000 to the price of a house. If government wants to provide more housing, lowering regulatory costs would be a good place to start.

Notes

1. MHFA, “Report to the Legislature: Study of Inclusionary Housing Initiatives,” February 2002, p. 7.
2. Their work has been put together in *Myths of Rich and Poor* (Basic Books,

2000). Data on housing from Bureau of Census; wage data from Bureau of Labor Statistics.

3. See Thomas Bier, "Moving Up, Filtering Down: Metropolitan Housing Dynamics and Public Policy" (Washington, D.C.: Brookings Institution Center on Urban and Metropolitan Policy, September 2001), and the references cited therein. Data cited from page 3.

4. The minutes of the meeting are online at <http://www.ci.santa-cruz.ca.us/cc/archives/99/9-7m.html>.

5. Steve Brandt, "Affordable Housing: Where Battle Lines—and Solutions—Are Being Drawn," *Star Tribune*, January 20, 2002.

6. Steve Brandt, "Chaska Tossed the Status Quo Aside," *Star Tribune*, January 20, 2002.

7. Bill McAuliffe, "Eagan Mayor Doesn't Shrink from High-Profile Fights," *Star Tribune*, March 10, 2002.

8. Robert Ellickson, "The Irony of Inclusionary Zoning," *Southern California Law Review* 54 (1981): 1167, 1203.

9. See Samuel Staley, Jefferson Edgens, and Gerald C. S. Mildner, "A Line in the Land: Urban-Growth Boundaries, Smart Growth and Housing Affordability," Reason Public Policy Institute Policy Study 263, October 1999, pp. 40–41.

10. Diana Murphy-Podawiltz, quoted in candidate interviews in St. Cloud *Times*, August 17, 2001. ■