

ADAPTIVE REUSE OF THE NATIONAL HOUSING ACT:
CONVERSIONS OF COMMERCIAL PROPERTIES TO MULTIFAMILY RESIDENCES

by
René E. LaRoche

A capstone project submitted to Johns Hopkins University in conformity with the
requirements for the degree of Master of Arts in Public Management

Baltimore, Maryland
December 2020

© 2020 René E. LaRoche
All Rights Reserved

Abstract

The lack of affordable housing has been a problem in the United States back to the 19th century. However, the gap between median home price versus median household income widened substantially in the period from 1975 to 2017 causing a decline in the homeownership rates for young adults aged 25 to 44 years of age. Unable to purchase homes, these young adults shifted their housing demand to rentals, which resulted in a similar increase in the amount of rent charged for homes. Higher rents made rentals more attractive as investments and resulted in the conversion of 3.9 million single-family homes to rentals between 2006-2016. With fewer single family homes available for sale, home prices rise and the cycle inexorably continues. While there is a shortage of affordable housing inventory, the link between houses for purchase and rentals is so strong that the addition of large numbers of either will impact housing prices overall.

Thus, from a policy perspective, it is necessary to consider either ways to utilize existing programs or the implementation of new ones. Currently, there are existing programs that assist with the financing of the purchase, construction, or renovation of homes. There are also separate programs that provide funding for the construction of multifamily units. However, there are no programs that fund the adaptive reuse (or conversion) of commercial structures to residential structures despite the fact that it costs 26% less than new construction. Consequently, this capstone evaluates case studies regarding the adaptive reuse of buildings and proposes that existing home buying financing programs be expanded to equate conversion with renovation, which

will allow the repurposing of existing commercial structures into multifamily home units.

The advisor for this project was Professor Paul Weinstein.

Table of Contents

	Section	Page
I.	Action-Forcing Event	1
II.	Statement of the Problem	2
III.	History and Background	5
IV.	Policy Proposal	11
V.	Policy Analysis	15
VI.	Political Analysis	25
VII.	Recommendation	33
	Curriculum Vitae	36

List of Figures

	Title	Page
Figure 1:	Median Home Price vs. Median Household Income	4
Figure 2:	U.S. New Residential Starts, 1960-2017	5

TO: JOE BIDEN – PRESIDENT-ELECT OF THE UNITED STATES
DATE: DECEMBER 4, 2020
SUBJECT: PROPOSAL TO EXPAND THE NATIONAL HOUSING ACT TO PROVIDE FUNDING FOR THE CONVERSION OF COMMERCIAL BUILDINGS FOR RESIDENTIAL USE
FROM: RENÉ LAROCHE

1. Action Forcing Event

In June, 2020, Freddie Mac released its Quarterly Forecast and concluded that the Housing outlook remains uncertain despite historically low interest rates and a rebounding economy due to the easing of COVID-19-related restrictions.¹ This uncertainty, combined with a scarcity of jobs, stagnant wages, and mass foreclosures and evictions which are anticipated in 2021 after moratoriums are lifted, are expected to exacerbate the nation’s pre-existing affordable housing crisis.^{2, 3}

¹ “Quarterly Forecast: The Economy is Recovering from a Deep Contraction and Housing is Rebounding, but the Outlook Remains Highly Uncertain,” FreddieMac, 2020 June 16, [http://www.freddiemac.com/research/forecast/20200616_quarterly_forecast_economy_recovering.p
age?](http://www.freddiemac.com/research/forecast/20200616_quarterly_forecast_economy_recovering.page?)

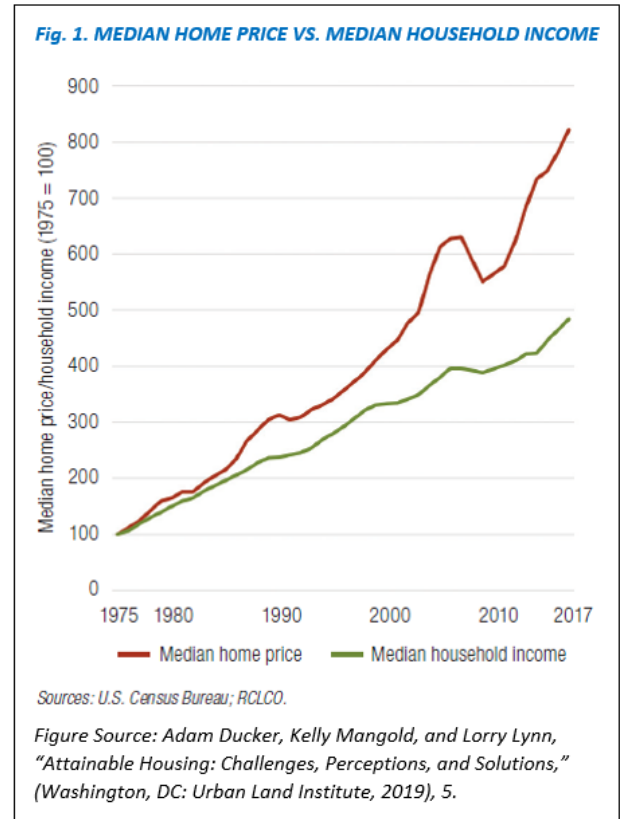
² “FHA Extends Foreclosure and Eviction Moratorium for Homeowners Through Year End,” U.S. Department of Housing and Urban Development, HUD Bulletin No. 20-134, 2020 August 27, https://www.hud.gov/press/press_releases_media_advisories/HUD_No_20_134

³ Patrick Sisson, “Covid-19 Is Killing Affordable Housing, Just as It’s Needed Most,” Bloomberg CityLab, 2020 July 30, [https://www.bloomberg.com/news/articles/2020-07-30/the-u-s-affordable-housing-gap-
is-getting-worse](https://www.bloomberg.com/news/articles/2020-07-30/the-u-s-affordable-housing-gap-is-getting-worse)

2. Statement of the Problem

While the affordable housing problem is complicated by various contributing factors and effects, the general reason behind it is that housing prices have outpaced incomes (Figure 1.)⁴ Yet, that is a highly simplistic restatement of the data. Any consideration of the issue would be incomplete if it failed to consider the oscillating effects of home sales vs rentals, as both contribute to the problem.

Between 1990 and 2016, the median home price in the United States rose 41 percent faster than inflation, while the median amount charged to rent a home outpaced inflation by 20 percent. The

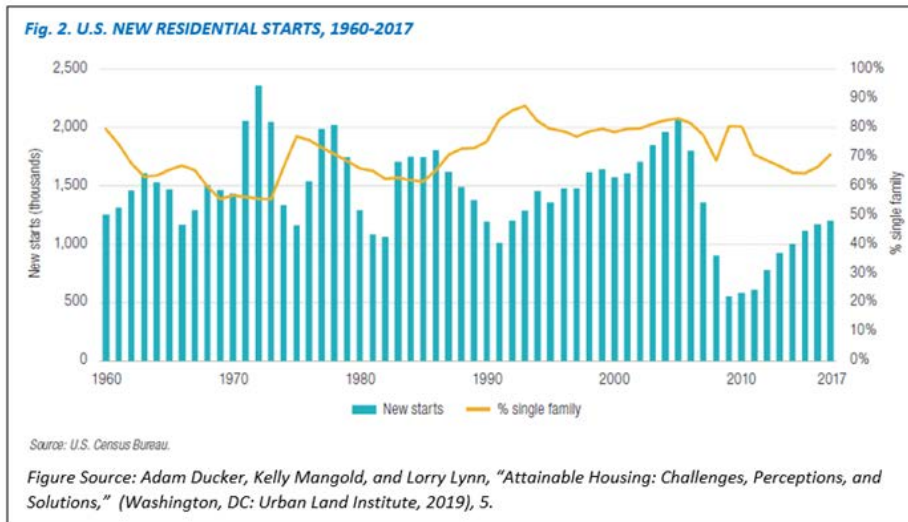


overall result of these escalating costs has been the gradual unattainability of affordable housing. In fact, homeownership rates for young adults aged 25-34 clocked in 4.2% lower than in 1994, and 6.3% lower than in 1987. Unfortunately, the news is worse for those aged 35-44 years with current homeownership rates 5.5% less than 1994, and 8.2% less than in 1987.⁵

⁴ Adam Ducker, Kelly Mangold, and Lorry Lynn, "The State of the Nation's Housing: 2018," Joint Center for Housing Studies, Harvard University, 2018, 1.

⁵ Ibid.

As Figure 2 shows, US Census Data indicates new housing construction remains low and lags behind household growth. This has held true despite the slight residential



construction rebound that occurred after the 2008 economic downturn. This lack of supply

has resulted in escalating home values such that historical lower price points no longer exist. In October 2018, the median price for a new home was \$325,100, which is unattainable for anyone with an income less than \$107,000.⁶

Unable to purchase homes, lower-income families have no recourse other than rentals where costs are lower, and assistance may be available. However, the increased demand for rentals by lower and moderate income families, has resulted in the lowest vacancy rate in 35 years which, in turn, has caused rents to rise.⁷ Escalating rents made rental units more profitable and attractive to landlords and fueled the conversion of 3.9 million single-family homes to rentals between 2006-2016. These transformations,

⁶ Ducker, Adam, Kelly Mangold, and Lorry Lynn, "Attainable Housing: Challenges, Perceptions, and Solutions," Washington, DC: Urban Land Institute, 2019, 9. (Hereafter referred to as Ducker, et al.)

⁷ Jared Bernstein, Jim Parrott and Mark Zandi, "The conundrum affordable housing poses for the nation," The Washington Post, 2020 January 2. https://www.washingtonpost.com/realestate/the-conundrum-affordable-housing-poses-for-the-nation/2020/01/01/a5b360da-1b5f-11ea-8d58-5ac3600967a1_story.html.

unfortunately, have merely served to further reduce the supply of entry-level homes available on the market, thus, perpetuating the economic cycle.⁸

While government programs exist to assist people with financing home purchases, they have been inadequate in addressing a national shortfall of 3.6 million affordable rental housing units, and an overall housing production shortfall of 7.3 million units.^{9, 10}

In summation, the problem is that home costs have increased faster than wages, which forces people to rent. The increased demand for rentals, causes rents to rise. Higher rents make rentals more profitable, and homes are converted to rentals to capitalize on the increased profitability that the higher rents provide. Rental conversions mean fewer homes for sale. Fewer homes for sale results in increased demand which increases home costs.

⁸ Ducker, et al., 4.

⁹ "THE GAP: A Shortage of Affordable Homes," National Low Income Housing Coalition, 2020 March. (Hereafter referred to as "THE GAP: A Shortage of Affordable Homes.")

¹⁰ "Housing Underproduction in the U.S.: Economic, Fiscal and Environmental Impacts of Enabling Transit-Oriented Smart Growth to Address America's Housing Affordability Challenge," Holland Government Affairs, 2018. (Hereafter referred to Holland Government Affairs: Housing Underproduction.)

3. History/Background

The affordable housing crisis is a complex, century-long problem where politics, economics, finance, and social services have intersected in dynamic ways. To understand it fully requires consideration of all forms of housing, whether in the form of homeownership, rental subsidy, or public housing.

Homeownership

As a policy consideration, affordable housing has been an issue in the United States since before the Great Depression when non-farm residential construction, as well as mortgage debt, was localized and unevenly regulated. To address the issue, the Federal Home Loan Bank (FHLB) Act was enacted by Congress in 1932. This was followed by the passage of the Housing Act of 1934 which established the fledgling Federal Housing Administration (FHA), and led to the creation of the Federal National Mortgage Association (better known as “Fannie Mae”) in 1938 which provided home financing. For the next three decades, these would be the underlying framework through which most housing in the United States would be built. However, while an integrated national housing market did develop, neither homebuilding nor home ownership grew much after World War II.¹¹ That changed when, in 1948, Congress built upon Fannie Mae’s creation by authorizing the now familiar 30 year mortgage term for new homes and, in 1954, did the same for existing home financing.^{12, 13}

¹¹ Eugene N. White, Kenneth Snowden, and Price Fishback, *Housing and Mortgage Markets in Historical Perspective*, Chicago: University of Chicago Press, 2014, 19-21.

¹² Congressional Research Service, *A Chronology of Housing Legislation, 1892-2003*, 2004.

¹³ John P. Herzog and James S. Earley, *Home Mortgage Delinquency and Foreclosure* (Cambridge, MA: National Bureau of Economic Research, 1970), <http://www.nber.org/books/herz70-1>.

Yet, despite those efforts, sufficient affordable housing remained elusive to many. Building upon the HUD infrastructure, Congress again addressed the matter of affordable housing in 1970 by passing “An Act to increase the availability of Mortgage credit for the financing of urgently needed housing, and for other purposes.” The act created the Federal Home Loan Mortgage Corporation (to become known as Freddie Mac) for the purpose of promoting “an orderly flow of funds into residential construction.”¹⁴ While minor rulemaking has been accomplished through the years, these programs have remain relatively unchanged, with the exception of their September 1, 2008, conservatorship by the FHA. By their nature, these financing programs carry a narrow scope and are limited to financing the purchase of construction of single family homes, the construction of new multifamily dwellings, or the acquisition, preservation, or rehabilitation of existing multifamily rental properties.^{15, 16} However, despite that funding, construction of new homes and multifamily units continues to lag far behind needs.

Public Housing

However, affordable housing encompasses not just single family homes but also multifamily dwellings. Recognizing the need for multifamily public housing, the United States Housing Act was signed into law on September 1, 1937, establishing federal subsidies for housing authorities. Its purpose was to:

¹⁴ “An Act to increase the availability of mortgage credit for the financing of urgently needed housing, and for other purposes,” Gov INFO, 1970 July 24, <https://www.govinfo.gov/app/details/STATUTE-84/STATUTE-84-Pg450/summary>.

¹⁵ “Products,” Fannie Mae Multifamily, n.d., <https://multifamily.fanniemae.com/financing-options/products>.

¹⁶ “Products,” Freddie Mac Multifamily, n.d., <https://mf.freddie.mac.com/product/>

“...provide financial assistance to [state and local governments] for the elimination of unsafe and unsanitary housing conditions, for the eradication of slums, for the provision of decent, safe, and sanitary dwellings for families of low income, and for the reduction of unemployment and the stimulation of business activity, to create a United States Housing Authority, and for other purposes.”¹⁷

This was followed by the Housing and Urban Development Act of 1965 was passed as part of President Lyndon B. Johnson’s War on Poverty platform. The Act created the U.S. Department of Housing and Urban Development (HUD), a cabinet-level agency over the FHA. HUD’s mission was to “create strong, sustainable, inclusive communities and quality affordable homes for all” which it attempted by building and financing public housing, and administering or providing oversight for mortgage programs. By developing public housing, the intent was to provide rental units to lower income families.^{18, 19} However, funding for construction of new federal public housing units ceased after the passage of the 1999 Faircloth Amendment, which capped HUD-held units at the number existing on October 1, 1999. Since then, HUD has been able to only replace units on a one-for-one basis.²⁰

However, with the passage of the Tax Reform Act of 1986, the Low-Income Housing Tax Credit (LIHTC) was created, which effectively shifted development costs from the public to the private sector. According to HUD, the LIHTC is currently its most important affordable housing resource. The program gives \$8 billion per year to local LIHTC

¹⁷ “United States Housing Act (1937),” The Living New Deal, n.d.

<https://livingnewdeal.org/glossary/united-states-housing-act-1937>.

¹⁸ “HUD’s Historical Timeline: 1930-2010,” Office of Policy Development and Research, n.d.,

https://www.huduser.gov/portal/hudtimeline_1960.html.

¹⁹ “Mission,” U.S. Department of Housing and Urban Development, n.d.,

<https://www.hud.gov/about/mission>.

²⁰ “Guidance on Complying With the Maximum Number of Units Eligible for Operating Subsidy Pursuant to Section 9(g)(3)(A) of the Housing Act of 1937 (aka the Faircloth Limit),” The US Department of Housing and Urban Development, n.d.

agencies to allocate as tax credits for rental housing construction, rehabilitation, or acquisition of rental housing that targets lower-income households. Under LIHTC, 3.23 million housing units went into service between 1987 and 2018.²¹ While that equates to an average of 107,000 new housing units per year, that number remains far below the 3.6 million affordable rental housing unit shortfall identified in 2020 by the National Low Income Housing Coalition.²²

Rental Subsidies

Other policy efforts on the rental front began in 1974 when the Section 8 Amendment of the Housing Act of 1937 was passed, followed by the 1983 voucher program which addressed rental subsidies to low-income families. The two programs were consolidated in 1998 into the Housing Choice Voucher program, which remains in place. Under this program, families with income that is 50% or less of the median area levels, pay up to 30% of their income towards rent. Remaining rent is then subsidized by the federal government.²³ In 2018, these federal rental assistance programs provided a total of \$43.9 billion to assist 5.6 million households.²⁴ Unfortunately, the number of rentals that accept these subsidies is not all-inclusive, and public housing agencies must

²¹ “Low Income Tax Credits,” The US Department of Housing and Urban Development, 2020 June 5.

<https://www.huduser.gov/portal/datasets/lihtc.html>

²² “THE GAP: A Shortage of Affordable Homes.”

²³ “Housing Choice Vouchers Fact Sheet,” The US Department of Housing and Urban Development, n.d. https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/about/fact_sheet. (Hereafter referred to as Section 8 Vouchers Fact Sheet.)

²⁴ U.S. Department of Housing and Urban Development: Annual Performance Plan,” U.S. Department of Housing and Urban Development, Fiscal Year 2019. (Hereafter referred to as HUD 2019 Performance Plan.)

maintain long waiting lists.^{25, 26}

Another of HUD's programs to address rents is project-based multifamily rental assistance. Operating under a collection of programs that have been authorized over the last forty years, this program allows HUD to directly contract with landlords for subsidies, rather than tenants. Underlying authorizations include the Section 8 program, the Loan Management Set Aside program (which was utilized for projects financed under FHA programs,) the Section 236 program, and the Section 221(d)(3) Below Market Interest Rate program.²⁷

Thus, in addition to mortgage programs targeting home buyers, policy efforts have also been focused on public housing and low-income rentals. While significant efforts have been focused on alleviating affordable housing issues in the past, they have not been able to adequately address the country's shortage due to the limitations of the existing policies and programs.

Stakeholders

Stakeholders to the affordable housing issue can be found across all sectors (public, nonprofit, and private.) Within the nonprofit sector, broad interest can be expected from a variety of national, state, and local organizations who sponsor, develop, and operate housing. Thus, broad support can be expected from national housing groups

²⁵ "Picture of Subsidized Households," The US Department of Housing and Urban Development, n.d., <https://www.huduser.gov/portal/datasets/assthsg.html>. (Hereafter known as Picture of Subsidized Households.)

²⁶ Alicia Mazzara, "Housing Vouchers Work: Huge Demand, Insufficient Funding for Housing Vouchers Means Long Waits," Off the Charts, 2017 April 19. <https://www.cbpp.org/blog/housing-vouchers-work-huge-demand-insufficient-funding-for-housing-vouchers-means-long-waits>.

²⁷ Picture of Subsidized Households.

such as Habitat for Humanity and the National Low Income Housing Coalition. Similarly, support from regional housing groups like the Western Center on Law and Poverty and the Southern Poverty Law Center can be expected. Lastly, while there are an untold number of local organizations existing within the confines of churches, service groups, and other local entities, that interest can be expected to be reserved for local projects.

Public sector interest can be expected from lenders, developers, builders, realtors, community members, Chambers of Commerce or other entities focused on economic development, construction workers, supply chain businesses, and families in pursuit of affordable homes. Given that lack of housing means a lack of employees, economic development interests can be expected to be supportive. Additionally, support can be expected from builders, developers or others who can foresee income possibility. However, any individuals or groups of individuals who feel this will detract from their quality of life, however that may be defined, could be expected to stand in opposition.

On the governmental levels, stakeholder interest can be expected to exist across federal, state, and local government levels. On the federal level will be legislators who may be concerned with partisan stances. Across all government levels, a certain amount of administrative, regulatory, or infrastructure concern can be expected. However, state and local levels will also be interested in the potential benefits to their housing inventories and economies. Local governments may also have concerns regarding zoning or other regulatory issues perceived to be hurdles.²⁸

²⁸ “Who are the major players and what are their roles?”, HousingForward Virginia. (Hereafter known as HousingForward.) <https://housingforwardva.org/toolkits/affordable-housing-101/who-are-the-major-players-and-what-are-their-roles>.

4. Policy Proposal

The policy proposal before you now is to expand the National Housing Act (12 USC Ch. 13) to Provide Funding for the Conversion of Commercial Buildings for Residential Use to provide lower-interest funding for the conversion of vacant or closed commercial buildings (like malls) to multifamily residential complexes, effective November 1, 2021. The goal of this policy proposal is to mitigate the shortage of affordable housing inventory by encouraging the development of at least 500,000 affordable housing units (apartments) (either completed or in construction) within five years of full program implementation.

Currently, the Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) programs are the sole sources of government assistance in the housing market. These programs provide liquidity to the housing market by purchasing mortgages from lenders, which frees up the funds to lend again.²⁹ Fannie Mae and Freddie Mac also provide more favorable terms for buyers, including lower down payments and interest rates, which serve to make homeownership more affordable over short and long timeframes. However, for mortgages to qualify for these programs, the loan's borrower and purpose must meet specific parameters. For instance, for single-family home purchases, borrowers must be first-time borrowers or, if they are not, must not already have an existing Fannie Mae or Freddie Mac loan. Unfortunately, the criteria to finance multifamily properties can be

²⁹ "Fannie Mae and Freddie Mac," Federal Housing Financing Agency, n.d., <https://www.fhfa.gov/SupervisionRegulation/FannieMaeandFreddieMac/Pages/About-Fannie-Mae---Freddie-Mac.aspx>

murkier as the two programs' underlying goal is to provide financial support "without crowding out private capital." Interpretation of this criteria has narrowed Fannie Mae and Freddie Mac lending to what the FHFA defines as "traditional affordable housing," which includes manufactured housing communities (mobile home parks), senior-restricted housing, rural markets, and properties designated as Low-Income Housing Tax Credit properties. However, multifamily funding is limited to the construction of new, or rehabilitation of existing, multifamily residences. If enacted, this policy change would provide funding to developers utilizing existing administrative channels and infrastructure during the lending process to encourage the development of larger scale multifamily complexes from existing commercial buildings. These buildings are typically in locations already situated near transit, which would also provide the added benefit of supporting the regional economy. While the target demographic of this policy would be developers, the ultimate target demographic would be the moderate and lower income families who would reside in the rentals. Initial funding will need to be allocated by Congress and is recommended at an initial allocation amount of \$100 million. Once the program is implemented, annual funding will be part of the annual budget process for the United States Department of Housing and Urban Development.

a. Policy Authorization Tool

Given that existing programs all rely on the National Housing Act for operating authority, effecting such a change will require the following changes to authorizing language to amend the definitions of construction to include conversions:

- Congress must amend the definition of “construction” in 12 USC § 1715c(a) of the National Housing Act to allow for conversions. Suggested language follows in red:

*The provisions of this section shall also apply to the insurance of any loan or mortgage under section 1715k or section 1715x of this title which covers property on which there is located a dwelling or dwellings designed principally for residential use for twelve or more families. The provisions of this section shall apply to the insurance under section 1715 l of this title of any mortgage described in subsection (d)(3) or (d)(4) and (deeming the term “construction” as used in the first sentence of this subsection to mean rehabilitation, **or conversion of a non-residential property to a multifamily residential dwelling**) of any mortgage described in subsection (h)(1) or section 1715z(j)(1) of this title which covers property on which there is located a dwelling or dwellings designed principally for residential use for more than eight families; except that compliance with such provisions may be waived by the Secretary—³⁰*

- Congress must amend the definition of “rehabilitation loan” in 12 USC § 1709(k)(2) of the National Housing Act to allow for conversions. Suggested language follows in red:

*(2) For the purpose of this subsection— (A) the term “rehabilitation loan” means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit, made for the purpose of financing— (i) the rehabilitation of an existing one- to four-unit structure which will be used primarily for residential purposes; (ii) the rehabilitation of such a structure and the refinancing of the outstanding indebtedness on such structure and the real property on which the structure is located; ~~or~~ (iii) the rehabilitation of such a structure and the purchase of the structure and the real property on which it is located; **or (iv) the conversion of a non-residential property to a four- to ten-unit structure which will be used primarily for residential purposes.**³¹*

- Congress must allocate funds for the program.
- b. Policy Implementation

³⁰ National Housing Act, 12 U.S.C. § 1715c(a) (1995).

³¹ National Housing Act, 12 U.S.C. § 1709(k)(2) (1995).

Once the legislative actions and funding allocation has been accomplished, FHA will need to conduct rulemaking to provide the appropriate clarity for banks and lenders. The rulemaking process will need to be followed by staff training, the development of guidelines, standards, forms and procedures, as well as the creation of educational materials to be used in partner outreach. Information should also be provided via appropriate media and press releases.

5. Policy Analysis

This policy seeks to address the lack of affordable home inventory by providing funding for conversion of commercial buildings to residential units through the Federal Housing Administration (FHA.) While some may argue that this would be an overreach of the FHA's mission, Fannie Mae already occupies space in the single-family home rental market through a pilot project with Invitation Homes, which received a 10-year, \$1 billion loan in 2017. The Invitation Homes pilot project represents a significant shift, given that Fannie Mae and Freddie Mac previously focused funding on small investors with no more than ten properties.³²

Effectiveness

The goal of this policy proposal is to mitigate the shortage of affordable housing inventory. Consequently, Congress can determine policy effectiveness within five years of program implementation by gauging the number of new affordable housing units (apartments) either under construction or completed, that exist due to program funding. If 150,000 or more additional units exist, the policy is a success.

Administrative and Technical Capacity

As noted above, multiple programs already exist for the construction, refinancing, or refurbishment of real properties. As with those, the necessary technical and administrative capability would need to be developed by the lenders participating in the program.³³ Consequently, this program constitutes a mere amendment which can build

³² Laurie Goodman and Karan Kaul, "Fannie Mae's Financing of Single-Family Rentals: Good Pilot, but Plenty to Think About," Urban Institute, 2017 February.

³³ 24 CFR Part 58, Section 58.12.

upon current administrative and technical capacity. What is not in evidence is how much additional capacity that infrastructure can withstand. However, while this new program might provide for a slight increase in load on that infrastructure, the size and magnitude of these projects makes them viable only for commercial developers and, thus, limits the number of potential customers. Given that limitation, no additional technical or administrative capacity need is envisioned.

Efficiency

With building costs increasing, “adaptive reuse” of buildings (as conversion of building-types has come to be called) is a proven concept with roots in the 1950s. At that time, commercial buildings were converted in New York City expressly to create inexpensive quarters and studio spaces for artists. Since then, New York loft apartments have transitioned to lavish high-end dwellings carrying multi-million dollar price tags that are far beyond the reach of the average New Yorker.³⁴ However, the concept remains viable for affordable housing, as illustrated by the conversion of the Providence Arcade Mall in Rhode Island in 2016 by the Northeast Collaborative Architects who converted the mall for 7 million dollars. The collaborative transformed the building to 48 micro-loft, efficiency apartments on the mall’s top two floors, with small retail businesses, restaurants, and other eateries on the ground floor. The apartments range in size from 225-800 square feet and cost a modest \$550 per month to rent, or carry an

³⁴ Joseph Pell Lombardi, “Lofts Narrative,” <http://www.josephpellombardi.com/pdfs/Lofts-06.03.12.pdf>

affordable purchase price of \$137,000.^{35, 36} Similarly, a 1960s office building in Silver Spring, Maryland, was transformed into condominiums that required no public subsidies yet sold at affordable prices to households earning between 80 and 120 percent of the area median income.³⁷ Together, these and other case studies demonstrate the acceptance, use, viability, utility, and desirability of such converted dwellings for affordable housing.^{38, 39, 40}

Additionally, while conventional thought has always held that such adaptive reuse is more expensive than razing old buildings and constructing anew, a 2016 study by the National Trust for Historic Preservation (NTHP) report found otherwise. Specifically, that report noted that conversion and reuse projects are highly efficient, with conversion costs being approximately 60 percent less than new commercial building construction and 26 percent less for residential buildings. Additionally, the NTHP report also noted that adaptive reuse of existing commercial buildings was relatively steady during the Great Recession and, consequently, added to regional stability at a time

³⁵ Julija Televičiūtė, "America's Oldest Mall Is Saved By Transforming It Into 48 Cozy Low-Cost Micro-Apartments," *Bored Panda*, 2016, <https://www.boredpanda.com/americas-oldest-shopping-mall-micro-lofts-arcade-providence-northeast-collaborative-architects/>.

³⁶ "Micro-Living," *The Arcade Providence*, n.d., <https://www.arcadeprovidence.com/microlofts>.

³⁷ "Adaptive Reuse in Suburban Housing Markets," *PD&R Edge*, n.d. <https://www.huduser.gov/portal/pdredge/pdr-edge-featd-article-030518.html>.

³⁸ Kimberly Golden Brandt, "Summit Session: Case Studies in Adaptive Reuse," *Preservation Maryland*, 2019 June 21, <https://www.preservationmaryland.org/summit-session-case-studies-in-adaptive-reuse/>.

³⁹ "Shaping the Future: Case Studies in Adaptation and Reuse in Historic Urban Environments," *The Department of Arts, Heritage and the Gaeltacht*, 2012 December.

⁴⁰ Ennis Davis, AICP, "Revitalization: Affordable Housing and Adaptive Reuse," *Modern Cities*, 2019 August 22, <https://www.moderncities.com/article/2019-aug-revitalization-affordable-housing-and-adaptive-reuse-page-2>.

when other investments in new housing plunged.⁴¹ Thus, adaptive reuse of existing commercial structures and facilities provides a more efficient use of program funds than the current new construction focus.

Program efficiency also manifests in other non-traditional ways. For instance, while not a specific focus of FHA lending programs, another significant consequence of adaptive reuse is the prevention of urban blight due to the reclamation of abandoned buildings. The latter is an especially salient point given that analysts predict that the next five years will see as many as one-fourth of America's malls close due to the shift of retail purchasing from brick and mortar stores to online platforms.⁴²

Pros

Ease of implementation as program recipients are determined utilizing existing administrative and technical infrastructure.

Adaptive reuse is not a new concept, and has been successfully demonstrated in many cities around the world including Atlanta, Georgia, Los Angeles, New York, San Francisco, Canada, and Australia.⁴³ In Hong Kong, the vacant circa 1959 five story Chai Wan Factory Estate was converted into the modern, energy efficient Wah Ha Estate, providing 187 units of public housing.⁴⁴ Closer to home, private developer, Repvblik,

⁴¹ "Older, Smaller, Better in Tucson: Measuring how the character of buildings and blocks influences urban vitality in a Southwestern city," National Trust for Historic Preservation, Preservation Green Lab, 2016 November. (Hereafter known as Tucson.)

⁴² Sapna Maheshwari, "With Department Stores Disappearing, Malls Could Be Next," *New York Times*, 2020 July 5, <https://www.nytimes.com/2020/07/05/business/coronavirus-malls-department-stores-bankruptcy.html>.

⁴³ Shuai, and Tian Wang, "Critical Success Factors (CSFs) for the Adaptive Reuse of Industrial Buildings in Hong Kong," *International Journal of Environmental Research and Public Health*, 21 July 2018. <https://www.mdpi.com/1660-4601/15/7/1546/htm#B33-ijerph-15-01546>.

⁴⁴ "Case Study 2: Wah Ha Estate – An Adaptive Re-use of Heritage," Hong Kong Housing Authority, 2015/2016 Sustainability Report.

created a mini complex of affordable apartments known as Plato's Cave in Branson, Missouri, from a former Day's Inn motel. Studio apartments rent for an affordable \$495 per month, while one bedroom apartments fetch \$695.⁴⁵ Repvblik has ten other similar projects underway which will provide 10,000 units. They hope to create 10,000 apartments within five years.⁴⁶

With twenty-five percent of America's malls expected to close in the next five years, implementing an adaptive reuse funding program now will allow a timely conversion of facilities, thus, minimizing expense to correct the degradation that occurs in vacant buildings over time.

Adaptive reuse of buildings is a circular economic strategy in that it extracts fewer resources from the environment and reduces the waste that normally accumulates in the "pursuit of human wellbeing."

According to the 2016 NTHP report, the conversion of commercial buildings to residential buildings is economically efficient, translating out to a 26% percent savings.⁴⁷

Additionally, a 2017 National Bureau of Economic Research report found that insufficient housing inventory acts to depress regional economies as low-workers must move out of the area to find housing. It also prevents the skilled workers necessary for tech and other new-growth industries from migrating to other regions with industry

⁴⁵ "What we Offer," Plato's Cave. <https://therepvblik.com/>.

⁴⁶ Adele Peters, "Hotels are closing as tourism plummets. This company is turning them into affordable housing," Fast Company, 2020 September 2, <https://www.fastcompany.com/90545992/hotels-are-closing-as-tourism-plummets-this-company-is-turning-them-into-affordable-housing>.

⁴⁷ Tucson.

and higher-wage jobs. Without workers, industries can neither develop nor grow, which results in lower aggregated economic output. Consequently, construction of additional housing will help feed economic development in that local region, especially when housing is planned in proximity to other local amenities like mass transit.⁴⁸ Affordable housing that is aligned with transportation has been found to expand the economy. By increasing the supply of housing, declining demand will cause rents to drop. Low-wage workers will be able to work and live in the area, and higher-wage skilled workers will be able to move to cities with higher-paying jobs. This higher population of workers in the area will also provide the pool needed to allow new businesses to open and older companies to expand, while construction will fuel various industries.⁴⁹ Shorter-term, construction will also pump money into construction activity, which traditionally supports regional economies through construction jobs and supply chain purchases.

Additionally, by providing loan funding, apartment development and management are left to private entities, which distances the government and relies on supply and demand to influence rental rates. It also frees the government from maintenance expenses as occurred with the public housing that was developed in the 1970s.⁵⁰

Cons

⁴⁸ Michela Zonta, "Expanding the Supply of Affordable Housing for Low-Wage Workers," Center for American Progress, 2020 August 10. (Hereafter referred to as Zonta.)
<https://www.americanprogress.org/issues/economy/reports/2020/08/10/488313/expanding-supply-affordable-housing-low-wage-workers/#fn-488313-5>.

⁴⁹ Ibid.

⁵⁰ Alexander von Hoffman, "History Lessons for Today's Housing Policy The Political Processes of Making Low-Income Housing Policy," Joint Center for Housing Studies, Harvard University, 2012 August. (Hereafter known as von Hoffman.)

The major con of this policy is that it is an untested HUD policy. However, private and state funding for such projects has been available for some time as evidenced by the conversion of an 1896 shoe mill in Middleborough, Massachusetts into 25 multifamily housing units. According to Affordable Housing Finance, the project was financed by Bank of America Merrill Lynch, in addition to a \$1 million state subsidy and purchased federal housing tax credits.

Also, while there is an existing FHA administrative structure used for other types of lending programs, there is nothing for this specific program. Consequently, there is a certain amount of build-out and testing necessary before implementation. Of course, while the goal of build-out will be the target of a correctly functioning program, that is not always the case, as evidenced by the 2013 rollout of the Affordable Care Program, which was fraught with critical – and highly criticized – technical glitches.⁵¹

As noted in the Statement of the Problem, the national shortfall for affordable rental housing unit is 3.6 million.^{52, 53} Consequently, another con of the policy is that its targeted goal of 500,000 affordable homes may be too small to affect supply adequately given that it represents only about 13.8% of the needed housing. However, it should be noted that this 13.8% is additive and in addition to other efforts. It should further be noted that 500,000 housing units in five years averages to 100,000 units per year which is comparable, though slightly less, than the 107,000 annual units averaged

⁵¹ Tom Cohen, "Rough Obamacare rollout: 4 reasons why," CNN, 2013 October 23.

<https://www.cnn.com/2013/10/22/politics/obamacare-website-four-reasons/index.html>.

⁵² "THE GAP: A Shortage of Affordable Homes."

⁵³ Holland Government Affairs: Housing Underproduction.

by the LIHTC.

Additionally, local zoning may not allow such conversions without the appropriate rezoning or use permits.^{54, 55} Yet, municipalities can prevent projects from having to undergo the costly, and often controversial rezoning or variance process by following the example of communities like Tucson, Phoenix, and Los Angeles which are starting to proactively reconsider zoning codes in preparation of the need to reutilize empty buildings.⁵⁶ Ultimately, however, zoning is decided entirely on the local level and is not a matter that the federal government can control. Consequently, it will be up to developers to determine what is feasible and procure the necessary zoning changes. If that process is too burdensome or expensive, it may prevent conversion projects from occurring.

While not anticipated, a new FHA program of this magnitude could also result in the unintended consequence of FHA becoming the preferred lender instead of venture capitalists, which could negatively impact that economic sector.

Additionally, support for funding for a new program may be minimal at this time, given the effects of the COVID-19 pandemic and its associated economic impacts.

A further COVID-19 concern revolves around potential changes to the U.S. housing landscape due to the pandemic's effects. Specifically, the shift to teleworking has

⁵⁴ Ahmad Dahdoul, Juanito Maravilla, Timothy Norton, Charlene Unzueta, and Meidi Xu, "Building California's Future: Increasing the Supply of Housing to Retain California's Workforce - Practicum Policy Report for The California Foundation for Commerce and Education," University of Southern California, Sol Price School of Public Policy, 2017 May 7 (47).

⁵⁵ HousingForward.

⁵⁶ K.C. Conway, MAI, CRE, CCIM, "Adaptive Reuse: Turning Blight into Bright," CCIM Institute, 2018. <https://www.ccim.com/newscenter/commercial-real-estate-insights-report/adaptive-reuse/>.

allowed workers to live removed from where they work, resulting in urban dwellers moving to rural and suburban regions. The resulting change in housing demand from urban apartments to single family homes in more remote areas has resulted in the proliferation of “Zoom towns.” The results have reinforced expectations of supply and demand effects, in that rental costs are declining in urban areas as rental demand decreases. Conversely, housing prices are increasing in suburbs and rural areas as the need for the limited number of single-family homes escalates.^{57, 58, 59, 60, 61} In fact, areas like San Francisco, Seattle, and even Manhattan have pegged rent declines ranging from 9% to 30% over the last year, depending on the location.⁶² Thus, appropriate timing for implementation could be another important consideration. Too many, or too few homes, in a given area, could dramatically impact house and housing prices.

Lastly, given that the United States needs an estimated 7 million additional housing

⁵⁷ Philip Stoker, Danya Rumore, Lindsey Romaniello & Zacharia Levine, “Planning and Development Challenges in Western Gateway Communities,” *Journal of the American Planning Association*, DOI: 10.1080/01944363.2020.1791728

⁵⁸ Tim Nelson, “Zoom Towns’ Are Booming,” *Architectural Digest*, 2020 October 20. <https://www.architecturaldigest.com/story/zoom-towns-are-booming>.

⁵⁹ Irene S. Levine, “Zoom Towns: Why Your Last Vacation Getaway May Be Your Next Home,” *Forbes*, 2020 September 15. <https://www.forbes.com/sites/irenelevine/2020/09/15/zoom-towns-why-your-last-vacation-getaway-may-be-your-next-home/>.

⁶⁰ Lilly Smith, “Zoom towns’ are exploding in the West And many cities aren’t ready for the onslaught,” *Fast Company*, 2020 October 17. <https://www.fastcompany.com/90564796/zoom-towns-are-exploding-in-the-west>.

⁶¹ Greg Rosalsky, “Zoom Towns And The New Housing Market For The 2 Americas,” *NPR*, 2020 September 8. <https://www.npr.org/sections/money/2020/09/08/909680016/zoom-towns-and-the-new-housing-market-for-the-2-americas>.

⁶² Christian Britschgi, “Massive Rent Declines in America’s Most Expensive Cities Prove, Once Again, That Supply and Demand Is Real,” *Reason*, 2020 October 20. <https://reason.com/2020/10/20/massive-rent-declines-in-americas-most-expensive-cities-prove-once-again-that-supply-and-demand-is-real/>.

units, this policy can only mitigate the problem - not solve it.^{63, 64} Unfortunately, the size of the need may prevent any sizable impacts from occurring.

⁶³ "Rental Burdens: Rethinking Affordability Measures," U.S. Department of Housing and Urban Development, HUD User, 2014 September 22, https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_092214.html.

⁶⁴ Liz Brumer-Smith, "The private sector will bring new solutions to the affordable housing crisis," Millionacres, 2019 December 22, <https://www.fool.com/millionacres/real-estate-market/articles/8-real-estate-market-predictions-2020/>.

6. Political Analysis

The scope of this policy is broad and, consequently, its stakeholders are extensive. Key stakeholders include legislators, lenders, developers and builders, building construction supply chains, housing advocates, local governments, and economic development authorities.

In terms of legislative support, it is noted that the Republican party platform does not usually include support for traditional affordable housing initiatives.^{65, 66} However, this policy may garner a certain level of support because it clearly aligns with HUD's FHA Performance goals to support "...efforts to enact broader housing finance reform" and to "...modernize and reform its approach to serving the nation's housing market through FHA by ensuring that... programs make sustainable homeownership possible for borrowers, work effectively for lenders, and are fiscally responsible."⁶⁷

Additionally, this policy mirrors a similar idea recently espoused by Ben Carson, Housing and Urban Development Secretary in the summer of 2020 in which he noted that teleworking is the new norm that will "free up a lot of commercial space, which can be converted to affordable housing to take some of the pressure off."⁶⁸ While Mr. Carson's support of the concept may garner a certain amount of acceptance among Republicans, it may unfortunately, also act to fuel suspicion among members of other parties who

⁶⁵ "Democratic Party and the Republican Party Platforms Address Affordable Housing," National Low Income Housing Coalition, 2020 August 31. <https://nlihc.org/resource/democratic-party-and-republican-party-platforms-address-affordable-housing>. (Hereafter referred to as Party Platforms.)

⁶⁶ Henry Kraemer, "The Partisan Battle Lines on Housing are Clear," Data For Progress, 2020 July 17, <https://www.dataforprogress.org/blog/2020/7/16/partisan-battle-lines-on-housing-are-clear>.

⁶⁷ HUD 2019 Performance Plan.

⁶⁸ Josh Wingrove, "White House Pushing to Convert Empty Commercial Space to Housing," Bloomberg News, 2020 June 24. <https://www.bloomberg.com/news/articles/2020-06-24/white-house-pushing-to-convert-empty-commercial-space-to-housing>.

may be skeptical of bipartisan initiatives. Ultimately, this may be a concept where credit for the idea must be traded to achieve results.

Additional resistance from conservatives may form around the need to devote additional funding to FHA for this program. However, this program also closely aligns with the Republican focus on “a hand up, not hand out” as it will allow the private sector to provide additional housing in a cost-effective manner.^{69, 70} In so doing, the naturally-occurring economic laws of supply and demand will take effect and work to reduce rental rates that affect lower-income Americans.⁷¹ The latter should have a certain amount of attraction for Republican lawmakers as it would also translate beneficially to a reduction of HUD’s budget since less Section 8 rental assistance outlay will be required if rents are successfully lowered.⁷²

In considering the support of Democratic legislators, it is noted that affordable housing has been a long-time plank of the Democratic party platform and, consequently, can be expected to receive some party support regardless of Republican support.⁷³ Additionally, with the 2020 Presidential election now over and Democrats taking the Presidency, this would be an ideal time to pursue a new policy aimed at developing affordable housing – especially one which would also have secondary

⁶⁹ Edwin J. Feulner, Ph.D., “A Hand Up, Not a Handout,” *The Heritage Foundation*, 2010 December 20. <https://www.heritage.org/social-security/commentary/hand-not-handout>.

⁷⁰ Candace Owens, “Americans Need A Hand Up, Not Handouts,” An Interview with Dr. Ben Carson, the 17th Secretary of the U.S. Department of Housing and Urban Development, *PragerU*, 2019 November 16. <https://www.prageru.com/video/americans-need-a-hand-up-not-handouts/>.

⁷¹ Brad Cartier, “Housing Market Supply and Demand,” *Millionacres*, 2020 May 22, <https://www.fool.com/millionacres/real-estate-basics/real-estate-terms/housing-market-supply-and-demand/>.

⁷² Section 8 Vouchers Fact Sheet.

⁷³ Party Platforms.

effects of contributing to economic recovery and adding to local government coffers which have been decimated by the COVID-19 pandemic.^{74, 75}

In terms of public acceptance, support of affordable housing solutions is strong. In fact, a 2019 Opportunity Starts at Home poll found that 85% of respondents indicated that affordable housing should be a “national priority.” Additionally, the support expressed by poll participants was fairly nonpartisan with 73% of Republicans, 87% of Independents, and 95% of Democrats agreeing to the need.⁷⁶ Other polls and initiatives have similarly shown that a majority of people recognize the need for affordable housing solutions.^{77, 78, 79} However, while those may be construed as “normal” attitudes, a question to be considered is whether that previous norm will continue to prevail in the wake of a severely dividing and acrimonious presidential election. The latter introduces the possibility of timing constraints, should passions remain at fever-pitch for many amid continuing unsubstantiated claims of voter fraud from the defeated incumbent. While the passage of time may cool those passions and return attitudes to those that are considered “normal,” whether that actually happens

⁷⁴ “Older, Smaller, Better in Tucson: Measuring how the character of buildings and blocks influences urban vitality in a Southwestern city,” National Trust for Historic Preservation, Preservation Green Lab, 2016 November. (Hereafter known as Tucson.)

⁷⁵ “A Regional Housing Plan for Southeastern Wisconsin: 2035,” Southeastern Wisconsin Regional Planning Commission, 2013 March (304-313).

⁷⁶ “Poll: The Public Overwhelmingly Believes Housing Affordability Should Be a Top National Priority; Expects Congress and President to Take Major Action,” Opportunity Starts at Home, 2019 March 28.

⁷⁷ “Affordable Housing Wins Big at Polls,” Affordable Housing Finance, 2018 November 7, https://www.housingfinance.com/policy-legislation/affordable-housing-wins-big-at-polls_o.

⁷⁸ “Poll Reveals Strong Support for Large Affordable Housing Bond,” CISION PR Newswire, 2017 August 4. <https://www.prnewswire.com/news-releases/poll-reveals-strong-support-for-large-affordable-housing-bond-300499694.html>

⁷⁹ Emily Ekins, “Poll: 59% of Americans Favor Building More Housing in Their Neighborhood,” Cato Institute, 2019 October 1, <https://www.cato.org/blog/poll-59-americans-favor-building-more-housing-their-neighborhood>.

remains the subject of speculation at this time. However, presuming that those who voted for the Democratic presidential ticket would also support affordable housing initiatives, then, support would be at least 74 million people strong.⁸⁰ This, combined with any support from within the Republican party (no matter how small), connotes a significant amount of public support for an affordable housing initiative of some sort.

Other actors who could be expected to view this policy positively are those within the construction and building industries. They include building sector lobbyists, developers, construction companies, construction supply chain firms, and construction workers who would view the policy as an avenue for additional contracts, projects, and work.

Similarly, a certain amount of support from housing advocacy groups can also be anticipated given that this policy will provide for additional housing units, which has been the thrust of many such groups. However, there may also be an accompanying fear of the spread of area gentrification which, historically, displaces current local residents with lower incomes. Gentrification, thus, becomes a potentially deleterious unintended consequence since displaced lower income tenants will not be able to afford the higher rents that are often seen with new housing initiatives. An example of this can be found in California's City of San Diego, which has seen thirty percent of its Census tracts gentrified over the course of the last two decades. Additionally, a 2019 report by the Corporation for Supportive Housing concluded that while San Diego

⁸⁰ Claudia Deane and John Gramlich, "2020 election reveals two broad voting coalitions fundamentally at odds," Pew Research Center, 2020 November 6. <https://www.pewresearch.org/fact-tank/2020/11/06/2020-election-reveals-two-broad-voting-coalitions-fundamentally-at-odds/>.

housing stock improved, affordable housing options for displaced families were neglected. The result has been that homelessness has increased because the city is far behind the needs of households with very low incomes, or low to moderate incomes. Unfortunately, this increase has resulted in the City of San Diego having the fourth largest concentration of homelessness in the country.⁸¹ Consequently, while the policy can be administered equitably, there is also potential for program effects to exacerbate existing socioeconomic inequities on a localized scale if suitable rental assistance or transitional housing is unavailable. However, given the roles that inadequate economic development and investment play on socioeconomic exclusion at geographic levels, some concerns can be alleviated if affordable housing solutions look beyond individual neighborhoods and, instead, seek maximum impact for labor markets and entire metropolitan regions.⁸² As such, this policy will function best when developers collaborate and, perhaps, partner with local governments, housing authorities, transit authorities, and economic development authorities who will have their own political considerations and agendas.

Additionally, the high cost of housing that has arisen due to the inadequate housing inventory is a contributory factor in the financial burdens experienced by growing numbers of working families, especially those of low-income workers. Addressing this need is especially crucial at this time as socioeconomic effects have been exacerbated disproportionately for lower-wage workers by the COVID-19

⁸¹ Stacey Livingstone, "Family Homelessness and Gentrification in San Diego," Scholars Strategy Network, 2020 October University of California-San Diego

⁸² Zonta.

pandemic which has caused layoffs, shutdowns, and closures. Additionally, while economic stagnation is problematic at all times, it has been elevated to an issue of utmost importance as the nation now plans for recovery from the current pandemic-induced economic contraction.⁸³

Local governments and entities are another set of important stakeholders. However, they may perceive additional housing as a drain on area infrastructure or services because of the need that it brings for additional water, wastewater, roads, etc. Fortunately, a 2015 study into the matter by the National Association of Home Builders found that not to be the case as an investment into 100 rental apartments in a local area typically returns \$2.5 million in taxes and other revenue in the first year compared to an additional \$232,000 in spending to bring public services to the new households. The report also noted that this surplus continues into the second and following years as taxes and other revenue total approximately \$503,000, while expenditures amount to \$464,000.⁸⁴

Further, a 2004 literature review conducted on the subject of economic growth by Robert Lynch for the Economic Policy Institute determined that reduced taxes and tax incentives, such as are normally given on the local government level, were not unilaterally effective in inducing economic development. However, increases in public services, particularly education and infrastructure, are.⁸⁵ Thus, local government

⁸³ Zonta.

⁸⁴ "The Economic Impact of Home Building in a Typical Local Area: Comparing Costs to Revenue for Local Governments," National Association of Home Builders, 2015 April.

⁸⁵ Robert G. Lynch, "Rethinking Growth Strategies: How State and Local Taxes and Services Affect Economic Development", *Economic Policy Institute*, 2004, 43-46.

concerns regarding the expense of infrastructure expansion may be ameliorated by the understanding that spending to increase infrastructure for affordable housing can also be expected to support area economic development and growth. In this way, the cost versus benefit of such infrastructure investment tilts heavily towards high returns and continuing benefits.

Additionally, given the correlation between higher wages and higher housing costs, it is also of local concern when low-income workers must move away from the areas with higher paying jobs. This migration becomes especially problematic for area economies when one considers that 44% of all workers between the ages of 18 and 64 in the U.S. are low-wage workers. This translates into the loss of a very significant amount of the workforce across multiple fields including retail sales, clerical, restaurant and food preparation, cleaners and janitors, movers, construction trade workers, motor vehicle operators and personal care and service providers.⁸⁶ The loss is serious enough that, according to a 2017 report by the National Bureau of Economic Research, this migration of lower wage workers negatively impacts not just on the local level, but detracts from the aggregated economic output across the entire United States.⁸⁷

The lack of affordable housing inventory has been a national concern for many decades as it contributes to economic stagnation and decline.^{88, 89} Successfully

⁸⁶ Marcela Escobari, Ian Seyal, and Michael Meaney, "Realism About Reskilling: Upgrading the career prospects of America's low-wage workers," *Brookings Institute*, 2019 December.

⁸⁷ Peter Ganong & Daniel W. Shoag, "Why has Regional Income Convergence in the U.S. Declined?", National Bureau of Economic Research, 2017 July. <https://www.nber.org/papers/w23609>.

⁸⁸ Christian Britschgi, "Adding Jobs but Not Housing Is a Recipe for Urban Unrest," *Reason Magazine*, 2020 February. <https://reason.com/2020/01/13/adding-jobs-but-not-housing-is-a-recipe-for-urban-unrest/>

⁸⁹ Zonta.

addressing it will not only expand affordable housing but should also aid in regional economic growth and development; thus, acting to support public needs in multiple areas.

7. Recommendation

After careful analysis of the above, I recommend adopting this policy as it will positively affect the affordable housing inventory to some degree, and also provides numerous positive externalities.

On its positive side, this policy would enjoy broad public support as it addresses an issue of public concern. Additionally, it would help prevent the spread of urban blight by adaptively repurposing vacant commercial buildings at a 26% lower cost than building new residential buildings.⁹⁰

Additionally, adaptive reused of a building utilizes circular economic strategies which act to reduce the waste normally associated with building.

Building additional residential dwelling units also counters the aggregated economic decline that occurs when lower-wage workers must migrate out of the area to find housing. Not only does providing new residential units help keep lower-wage workers in the area, but it also allows skilled workers to move into an area in pursuit of higher-wage jobs. Having both groups in a region supports economic strength by preventing a loss of economic productivity.⁹¹

Another positive to this policy is that, by providing loan funding, apartment development and management remain the venue of private entities instead of the federal government. Keeping the government out of housing prevents past mistakes where the government incurred high maintenance costs for 1970s era public housing. Further, by so distancing the government, this policy relies strictly on supply and demand laws to control rental rates and provide affordable housing.⁹²

Additionally, the positive benefits to local economies that follow construction projects

⁹⁰ Tucson.

⁹¹ Zonta.

⁹² von Hoffman.

of this magnitude make this policy even more attractive given the economic downturn resulting from the COVID-19 pandemic. This program is highly impressive given that it addresses a long-term systemic problem, contributes to immediate economic recovery, adds to long-term economic growth, and has so many positive externalities that affect so many different groups.

However, a policy negative is the possibility of program delivery glitches given the fact that funding and repurposing of commercial buildings have never before occurred on this level. While that is undoubtedly a concern, the FHA infrastructure already delivers on many other programs without significant trouble. Consequently, it would seem that the danger of a fatal technological flaw arising from this policy is minimal.

Other potential downsides of this policy are that the amount of funding may be too small for the number of homes targeted for development, or the targeted number of homes may be too small. However, by leaving the number low, the program is assured of not infringing upon private enterprise or inadvertently causing home values to plunge because of an overabundant housing supply. Additionally, this first iteration can act as a pilot program to gather data and gauge effects. Congress can increase funding, the target number of homes, or both if they are found to be insufficient at the end of the initial five-year goal period.

Another potential negative would be if this FHA program became the lender of choice and diverted projects away from the venture capitalist markets. However, given the nature of venture capitalism and its profitability requirement, it seems ludicrous to assume that there would be competition between luxury condominium projects and those with an emphasis on affordability for lower-income workers.

While affordable housing has been considered a crisis for decades, it is ludicrous to imagine that people in one of the wealthiest countries must go homeless or be under-homed. Thus, given its ease of implementation and likelihood of successfully augmenting the housing

and economic pictures, I urge immediate passage and expansion of the National Housing Act to provide funding for the conversion of commercial buildings for residential use. It truly exemplifies a case of strategic spending, as passage will increase the affordable housing inventory helping to alleviate the housing shortage, assist with post-pandemic economic recovery, is better for the environment than new construction, and will provide much needed long-term economic development.

Curriculum Vitae

René LaRoche was born in Southern California, and grew up in various towns between there and Central California as her father, who was with the California Department of Forestry (now CAL FIRE,) promoted to different positions. She has an A.A. in Liberal Studies and an A.S. in Physics from Merced Community College, and graduated summa cum laude with a B.S. In Public Administration from the University of Nevada, Las Vegas. Other honors that she holds include Credentialed California County Senior Executive status through the California State Association of Counties (CSAC) Institute, CSAC Institute Fellow, and Certified Clerk of the Board.

LaRoche's professional background has been eclectic and has included being an entrepreneur, a paralegal, and a web developer. She currently serves as the legislative Clerk of the Board of Supervisors in Mariposa County, California. LaRoche is also a devoted community volunteer having held leadership positions in numerous service groups. She currently sits on the board of directors for the Mariposa Community Foundation.