



**UTAH FOUNDATION**

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# The Benefits of Home Ownership, Current Obstacles, and Options to Improve the Current Affordability Crisis

The Utah League of Cities and Towns – September 7, 2023



**WCT**

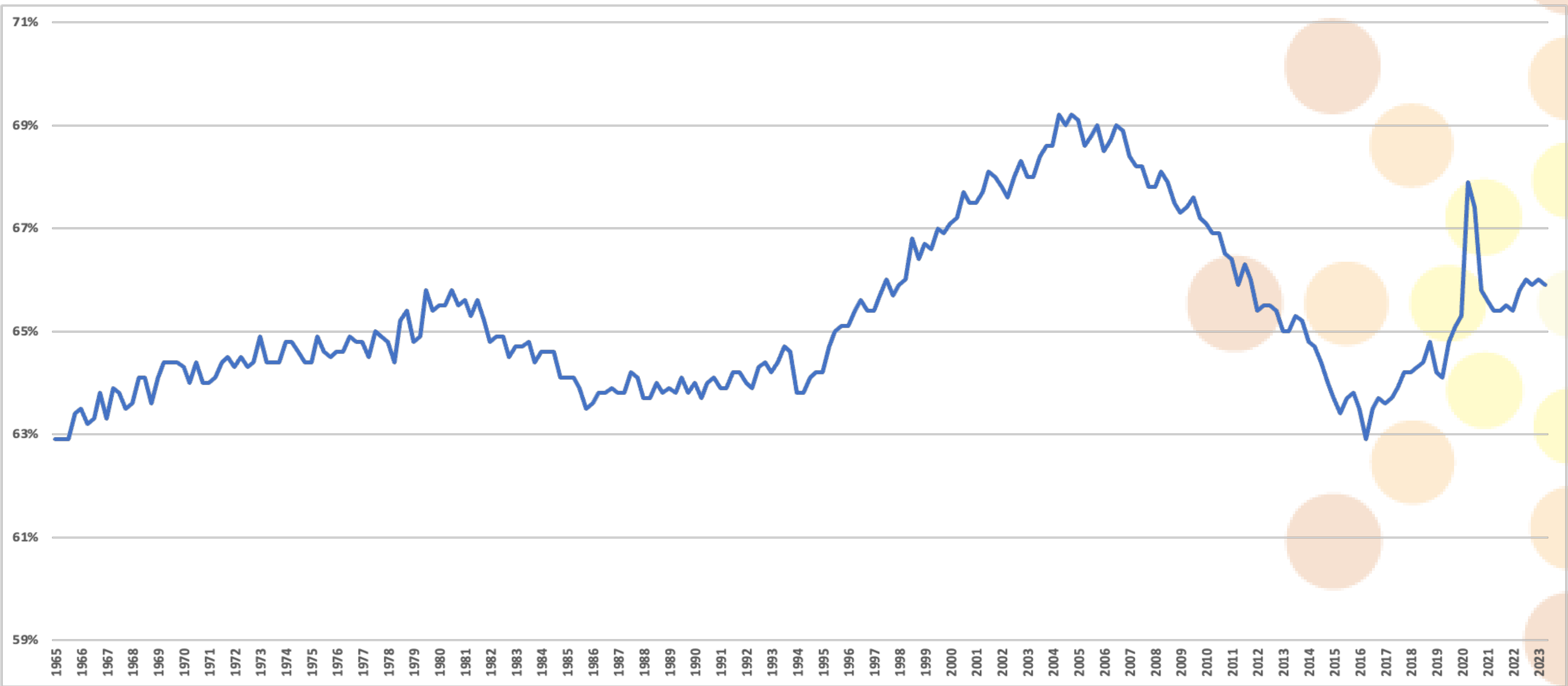




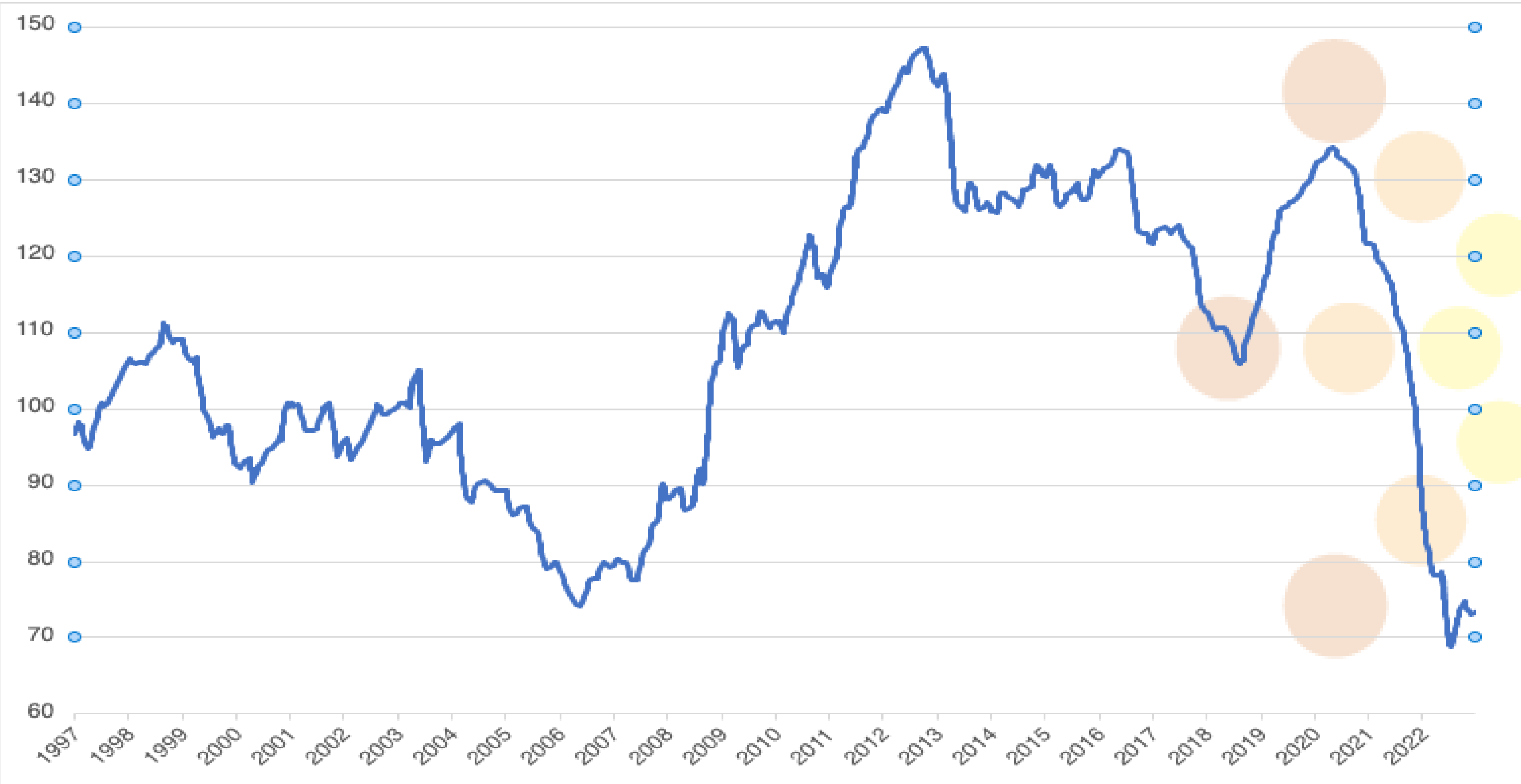
## Why Do We Care?

- U.S. homeowners have an average net household wealth that is 400% higher than that of renters.
- Home ownership correlates with higher standardized test scores in mathematics and reading.
- Low-income homeowners are 11% more likely to see their children graduate from high school and these same children are 4.5% more likely than children of low-income renters to complete post-secondary education.
- For lower and middle income households, a \$10,000 increase in family housing wealth statistically raises the likelihood of a child attending college by 14%.

# U.S. Home Ownership Rates 1965-2023

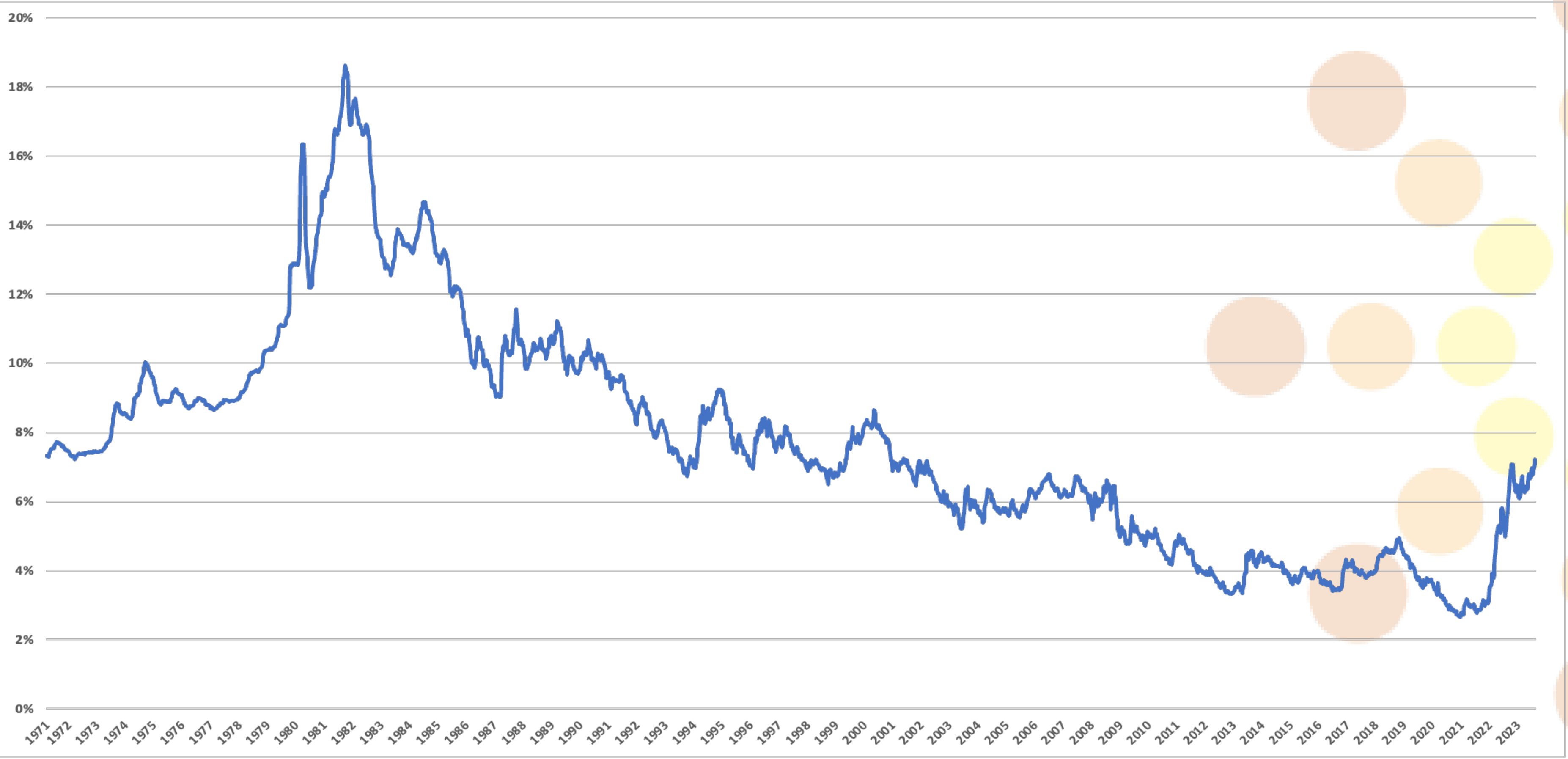


# Goldman Sachs U.S. Home Affordability Index (1997-2023)

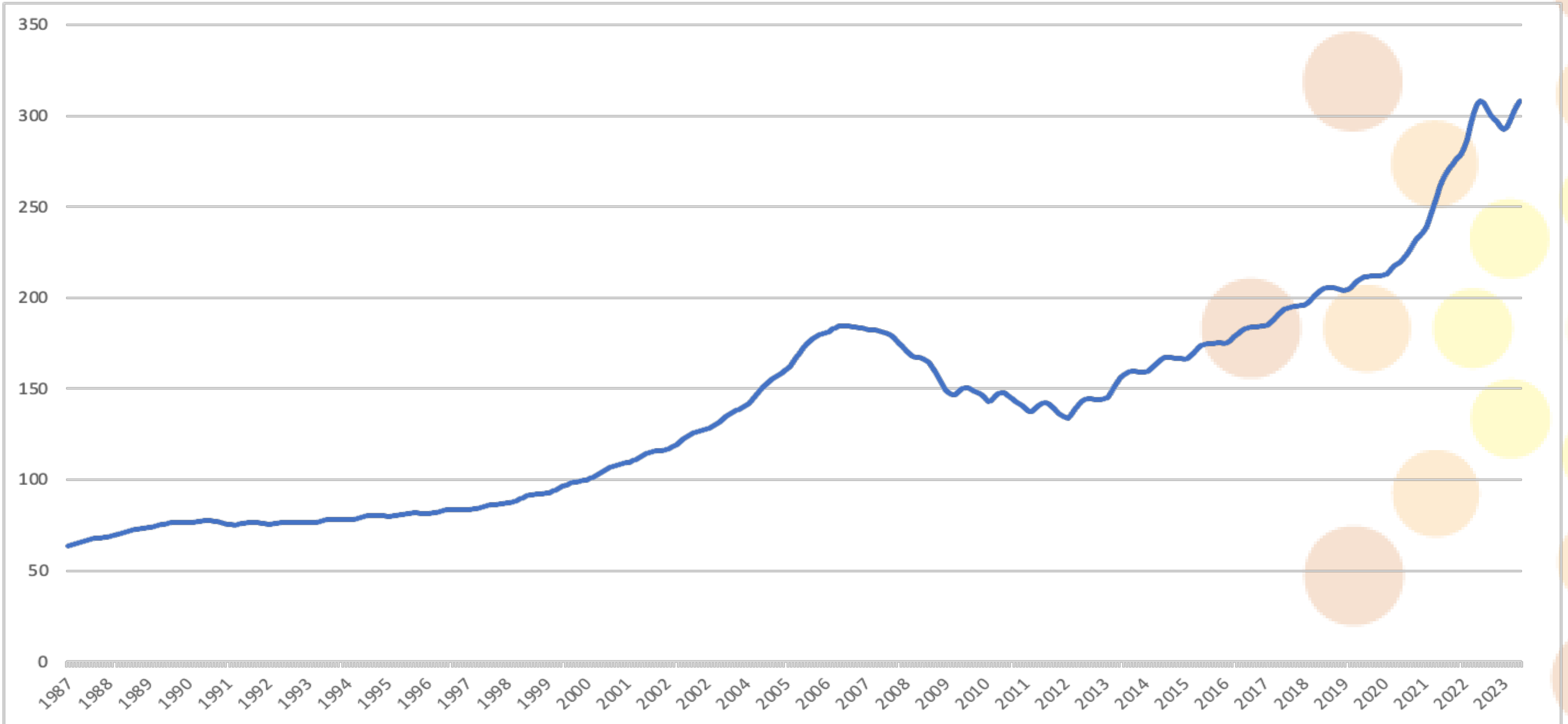




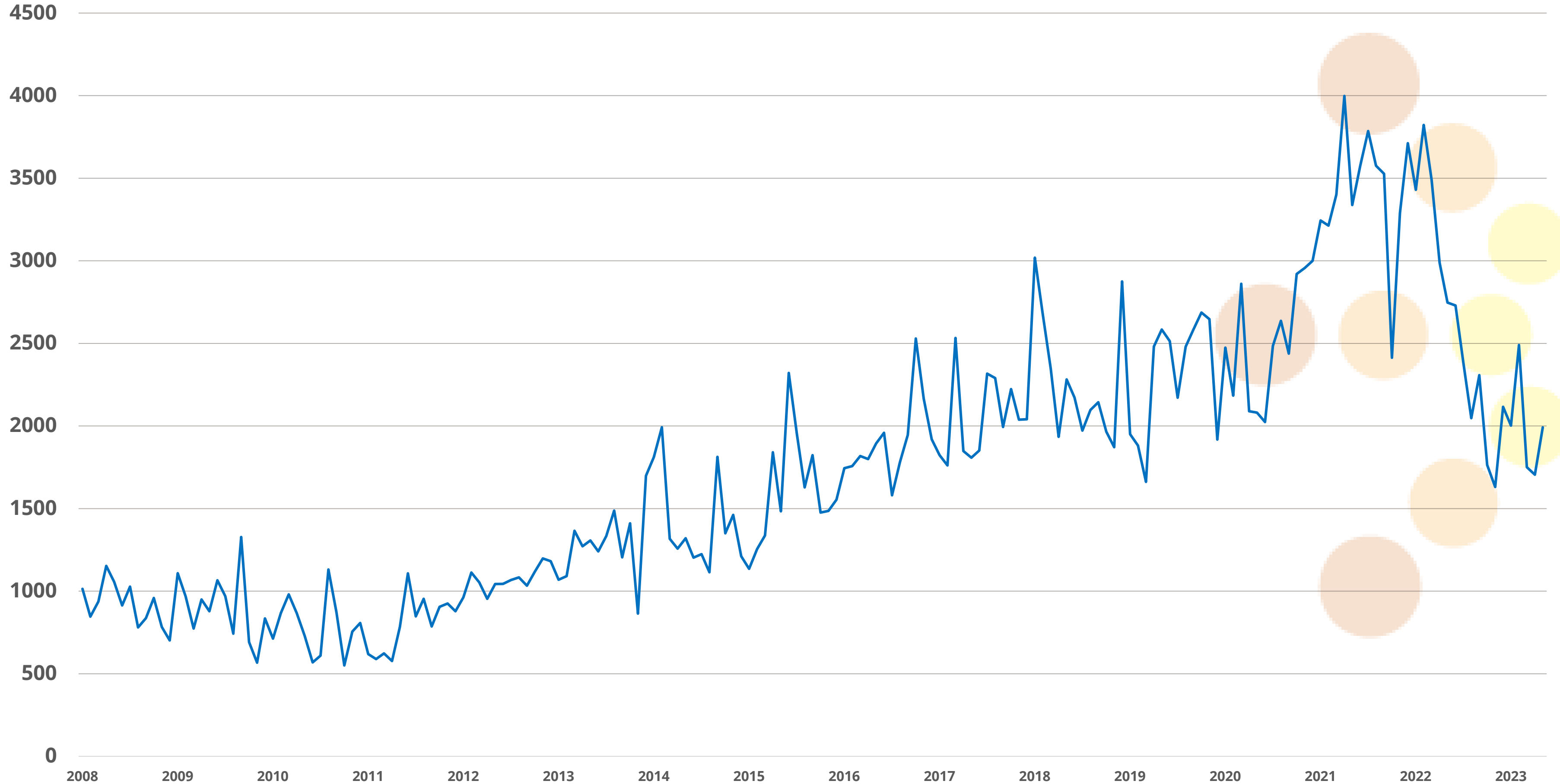
# 30 Year Mortgage Rates 1971-2023



# Case-Schiller U.S. Home Price Index 1987-2023

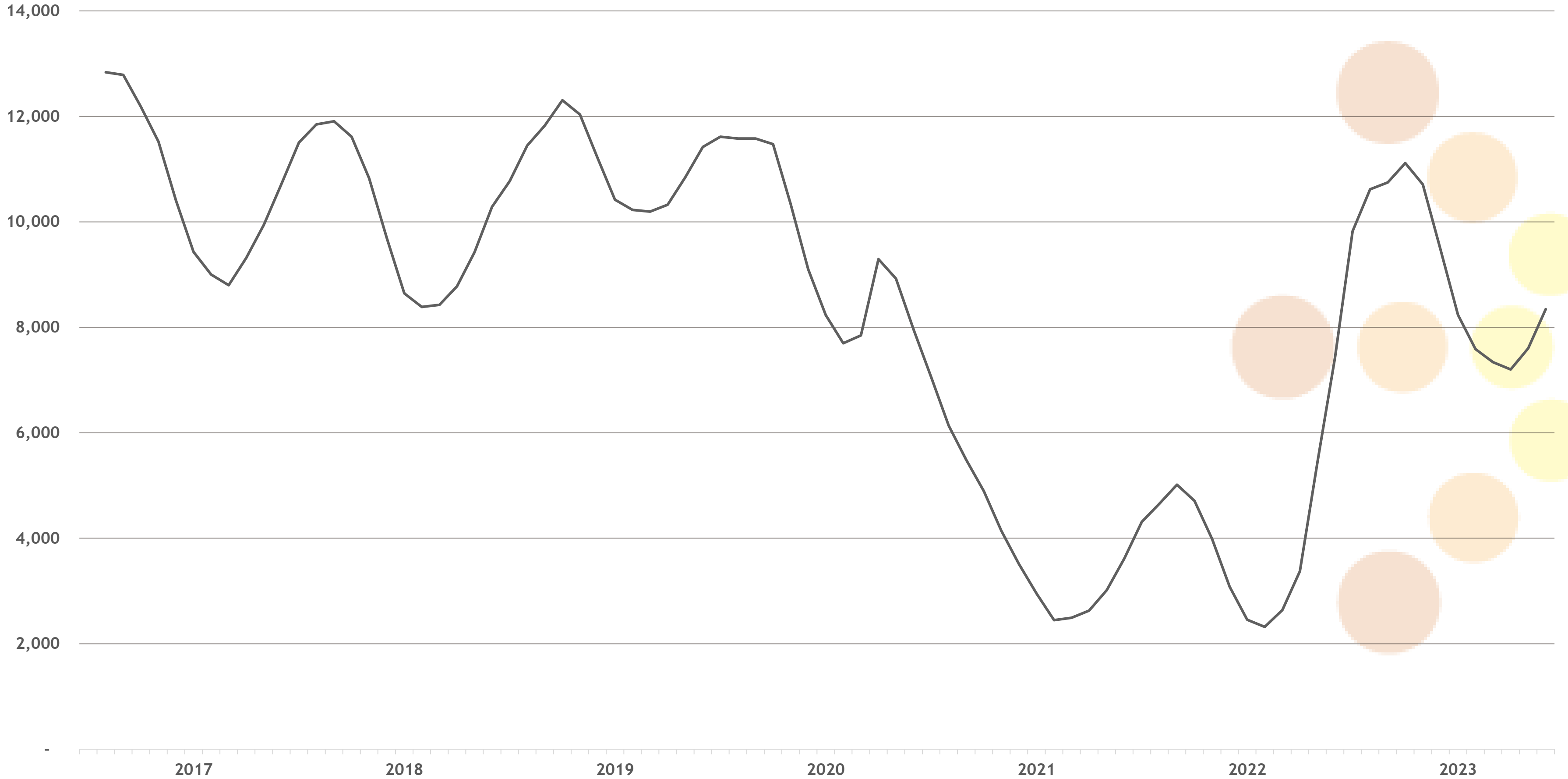


# Utah Building Permit Issued 2008-2023

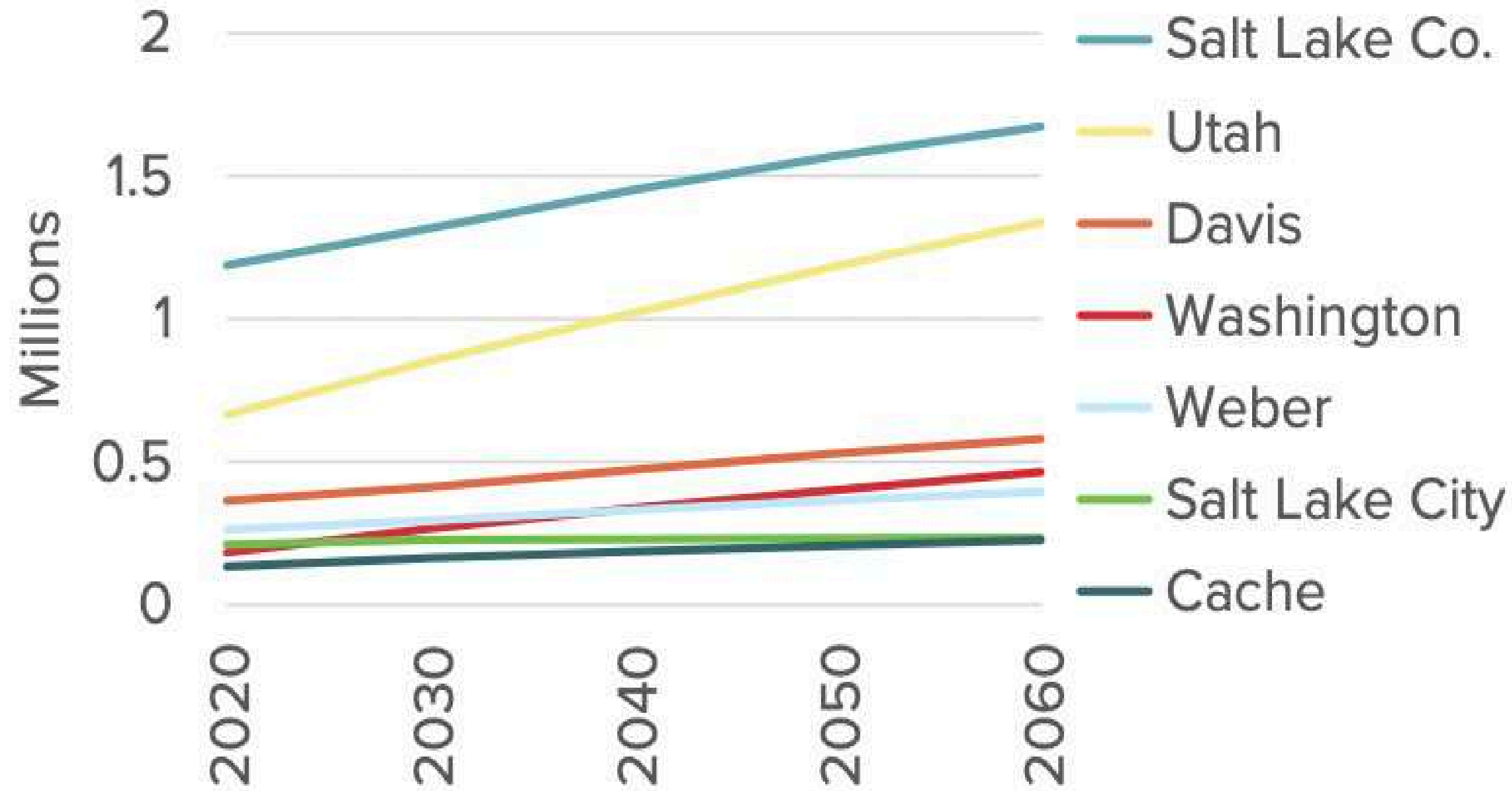




# Monthly Utah Housing Inventory 2016-2023



## Utah Projected Population Growth 2020-2060



Source: Kem C. Gardner Policy Institute.

# Potential Solutions

Financing, Tax Policy, and Bureaucracy

Innovative Construction and Superior Use of Inventory

Deed Restriction / State and Municipal Influence

Democratized Zoning





# Financing, Tax Policy, and Bureaucracy

## Increase Finance Options to Reduce Barriers to Ownership

- Increase the availability of down payment assistance programs via increasing income limits and increasing the maximum home payment percentage relative to gross income.
- FHA loan restrictions could also be relaxed.

## Modify Tax Policies – Incentivize Ownable Properties

- Apartments are effectively taxed at a lower rate as they represent long term capital gains vs. condominiums, townhomes, and single family residences. Condominiums and Townhomes and single family residences are taxed as “ordinary income” and therefore construction of them is disincentivized relative to apartments.
- Make low-income housing tax credits available for income restricted ownable construction.
- Higher property taxes could be imposed upon second (or third, etc.) homes.
- Implement land value taxes to disincentivize vacant land and encourage infill.

## Reduce Bureaucracy

- Reduce barriers and logistical bureaucracy to permit and plat condos or any ownable multi-unit development. A recent conference discussion noted that (for developers) municipal bureaucracy, fees, and other barriers were a major complaint and obstacles for home construction and ownership.

# Innovation and Improved Use of Inventory

## Pre-fab Construction / “Sears & Roebuck Homes”

There is little reason to not embrace factory build modular construction to reduce costs. These are not your grandparents' mobile homes!

## Reduce and Regulate the Existence and Placement of Short Term Rentals

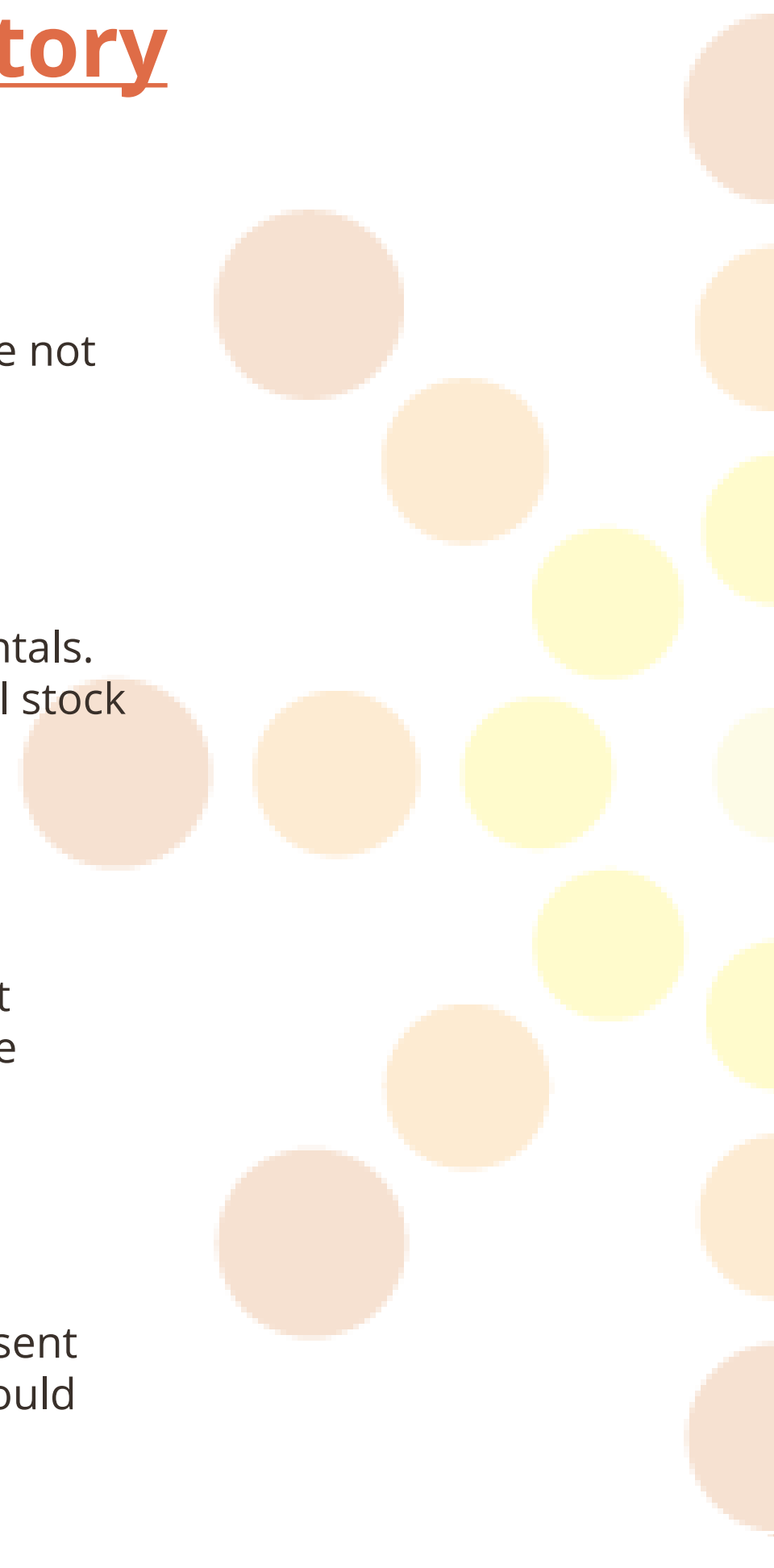
Some municipalities in Utah have one quarter of their available housing existing as short term rentals. While the rise of Airbnb is of little consequence in many cities, the total of Utah's short term rental stock is a significant percentage of the state housing deficit.

## State Mandated Owner Occupancy Percentages for HOAs

Individual HOAs maintain owner occupancy requirements for the sake of FHA loan eligibility, but it seems time for those maximum limits to possibly be reduced from 50% to 25% in order to provide ownable housing to the population at large.

## Land Value Taxes

Vacant land, often in the form of surface level parking lots and vacant decaying homes, can represent fruitful investments for some but they also represent a sort of “housing market pollution” that should be discouraged by high taxation to incentivize development and increases in housing stock.



# Deed Restrictions

## Funds Source for Purchases

Particularly with developments facilitated by government funds, “gift limits” should be maintained to avoid subsidizing privileged groups.

## Occupancy Requirements

Many municipalities in the country ensure that ownable properties cannot remain vacant as Pied a Terres and/or purely speculative investment vehicles.

## Primary Residence Requirements

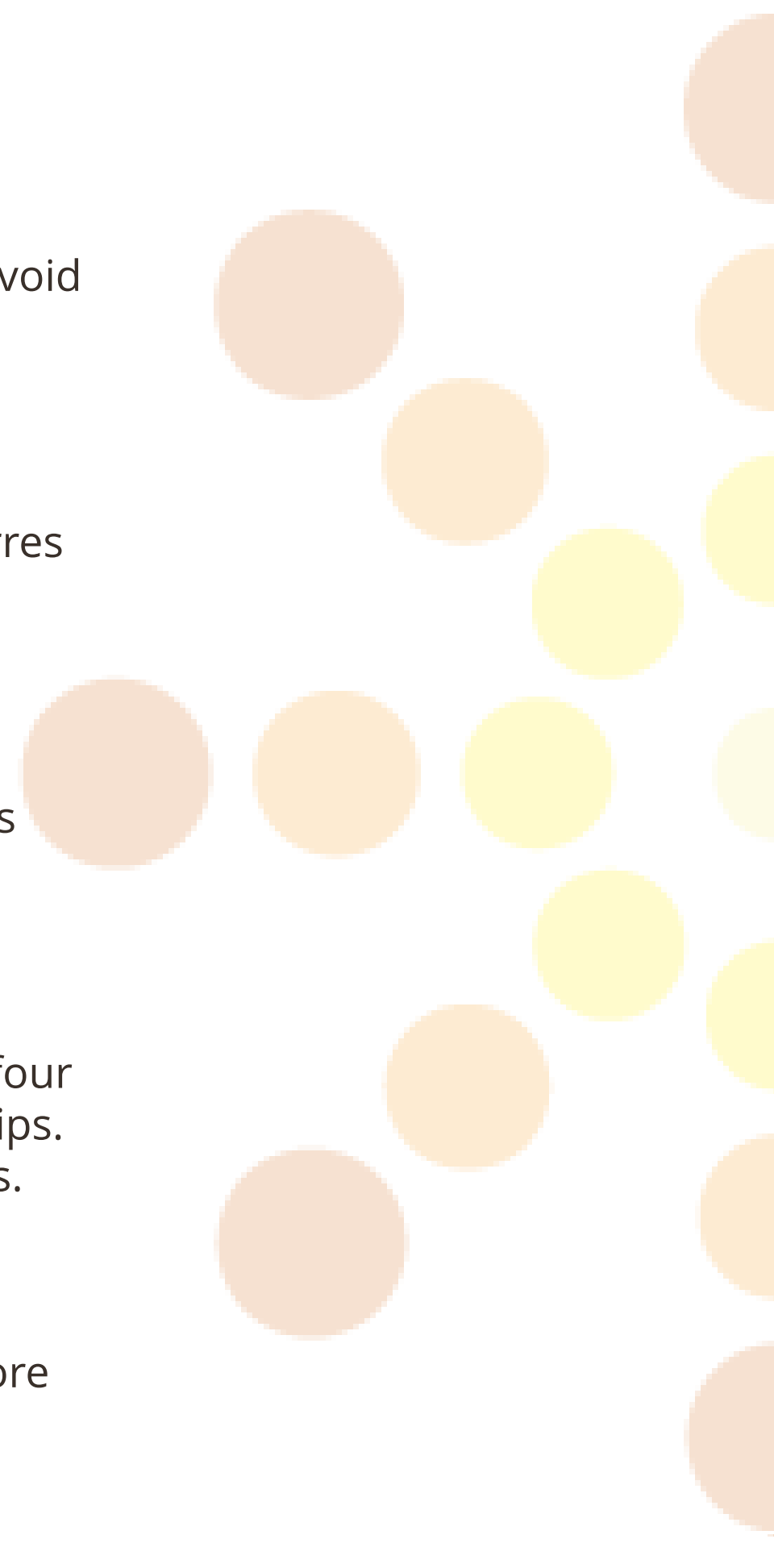
Just as mortgage rates are currently higher for investment properties, states and smaller municipalities could also impose fees or transfer taxes for properties beyond one’s primary residence.

## Flip Taxes

Municipalities could impose an additional fee upon the transfer of property owned less than three or four years (with exceptions for those changing jobs etc.) with higher fees being imposed for shorter term flips. These fees could be even higher for institutional owners or for those owning multiple rental properties.

## Reduce Commercial Buyers

Property taxes could be progressively increased for institutional buyers of residential real estate as more properties are accumulated.





# Democratized Zoning

## Reduce Local Power in Zoning Decisions

For generations, via restrictions on lot size, set-backs, and single family zoning, politically engaged residents of elite neighborhoods have been allowed to wield power and reduce the availability of smaller, denser, and lower cost housing options in American cities. This is imposing social costs as a result. The state could overtly preclude this should municipality level policy not change.

## Mandate a Broader Presence of Density

Rather than simply “allowing” density more broadly in American cities, municipalities (or the state) could also necessitate it as a condition of medium and large scale developments while creating incentives at the more micro level to develop currently available single family lots as multiplexes.

## Mandated Light Touch Density

The above might be made more palatable by embracing superior architectural design for multiplex construction that conceals the nature of the development in question in order to preserve neighborhood character.

## Reduce Parking Requirements

In either urban or suburban contexts, parking requirements increase costs and encourage congestion while discouraging local, smaller scale, commercial development that characterizes more walkable communities. Encouraging the latter and mandating parking reduction will likely yield healthier cities.

## Creative Solutions

### **-Shared Equity-**

When the market is allowed and encouraged to exist in partnership with lower income households in search of housing, the results can be impressive.

The Rocky Mountain Homes Fund currently provides this link between markets and residents via a shared equity model that provides low cost financing and down payment assistance to provide household wealth building for those previously locked out of the market.

The Rocky Mountain Homes fund is also branching into the construction of housing via the repurposing of former office space near the downtown core of Salt Lake City.

These two activities should be further linked with Salt Lake City's divestment from long vacant commercial space and the provisioning for infill opportunities to provide low income housing in the city.

A silhouette of a construction crane and building framework against a sunset sky. The crane is positioned in the upper left, extending diagonally across the frame. Below it, the skeletal structure of a building under construction is visible, with workers silhouetted against the bright orange and yellow light of the setting sun. The sky transitions from a deep orange near the horizon to a pale blue at the top.

# Four Key Findings

- Finance, Tax, and Bureaucratic streamlining are ways to increase access to housing opportunities in the state.
- Innovative and improved land use will provide more housing for all Utah Residents
- Deed restricted properties can provide more housing and ensure that this housing remains attainable over time.
- Changes in zoning policy, particularly as it pertains to height, density, and the democratized geographic distribution of these things can provide more housing opportunities at a lower cost for all Utahns.



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Thank you!

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