

Why not a Marshall Plan for affordable housing?

The Hill, by Richard F. Burns, opinion contributor — October 30, 2019 03:00 PM EDT

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Calls for a new Marshall Plan periodically come up when there is a real or perceived crisis. Recently, two presidential candidates put forth “Marshall Plan proposals” — Sen. Elizabeth Warren (D-Mass.) supports a “Green Marshall Plan,” and Julian Castro, a former Housing and Urban Development secretary and mayor of San Antonio, wants “a 21st century Marshall Plan for Central America.”

Although I’m sure these are worthy causes, to my mind the persistent, systemic undersupply of housing that people can afford is a crisis in the U.S. that needs immediate attention. It continues to get worse each year. This shortage of housing is having a large human and economic negative effect. Therefore, we propose an equivalent Marshall Plan for affordable housing, the “Save Affordable Housing Plan.”

The Marshall Plan, passed in 1948, was an American initiative designed to aid Western Europe. According to the four-year plan, the United States gave over \$12 billion (nearly \$100 billion in 2018 dollars) in economic assistance to help rebuild Western European economies after the end of World War II. The plan sought to rebuild war-ravaged regions, modernize industry, tear down trade barriers, improve prosperity and halt Communism in its tracks. It required the elimination of many regulations, as well as a reduction of interstate barriers, while encouraging increased productivity and the adoption of modern business techniques. The Marshall Plan parceled aid to participant states on a rough per capita basis.

In 1948, the U.S. budget was \$39.9 billion. The Marshall Plan’s \$12 billion commitment was funded \$3 billion per year for four years. The first-year commitment of \$3 billion represented about 7.4 percent of the U.S. budget that year. The U.S. budget for 2019 is estimated to be \$2.5 trillion, with spending of \$3.6 trillion.

A new commitment of \$100 billion (roughly equivalent to the \$12 billion in 1948) for the Save Affordable Housing Plan also could be paid out over four years. The first-year funding of \$25 billion would represent only 1 percent of the estimated 2019 U.S. budget and 0.7 percent of our projected 2019 spending. Its final cost would be lower when the ancillary economic benefits are included — lower health care and social service costs, less homelessness, better youth education results, less crime, etc.

Here are two recent examples of collateral savings that could result from an increase in affordable housing supply:

- In Los Angeles, RAND Corporation studied the use of public services, including health care, among 890 individuals served by the program during its first 2.5 years. According to RAND, “On average, prior to receiving supportive housing, these homeless individuals each cost the county public service programs \$38,146. After receiving housing, average costs for public services were reduced by 60 percent, to \$15,358 per person. Even with the additional cost of housing, the county saved money.”

- A homeless study done in Denver demonstrated that permanent supportive housing saved \$15,733 per year, per person in public costs for shelter, health care, emergency room, behavioral health and criminal justice. The savings realized completely offset housing costs (\$13,400) and saved taxpayers \$2,373 per person served.

The goals of the Save Affordable Housing Plan would not be dissimilar to some of the elements of the original Marshall Plan. If carefully designed, it would build and preserve a large amount of affordable housing units; eliminate much of the red tape, delays and costs that impede new construction; and allocate capital to the states on a per capita basis, the same way low-income housing tax credits are allocated. The plan should include all provisions of the Affordable Housing Credit Improvement Act that is working its way through Congress. Money could be allocated for state-level soft financing, offer additional project-based vouchers, and provide services to support mental health and addiction problems.

Whether the suggested amount of the plan would be adequate to accomplish its goals needs further study, but it certainly would put a big dent in the problem. There doesn't appear to be much disagreement in Congress — or in the country — that there is a real crisis in affordable housing. Millions are paying 50 percent or more of their income on rent; there is a huge shortage of housing for very low-income people; homelessness is a national disgrace; and the supply of existing older affordable housing continues to deteriorate and disappear.

Several presidential candidates have plans to address the problem piecemeal and, although that's helpful, they are attacking it only at the margin. Time is our enemy. So, if we truly want to make meaningful change to the affordable housing crisis, we need a Marshall Plan-like program to make a real impact.

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