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HOW TO INCREASE OUR AFFORDABLE HOUSING STOCK

INTRODUCTION – OUR NATIONAL HOUSING POLICY

The United States is facing a severe housing shortage. A recent McKinsey study found that in California alone 50% of California households cannot afford market rate housing and virtually no low-income families can afford to pay market rates.[1] From 2009 to 2014, California real estate prices increased by 15%, while median income increased by 5%.[2] According to McKinsey, California ranks 49th for housing units per capita, with a current housing shortage of two million units and an estimated shortage of 3.5 million units by 2025. Los Angeles voters, facing a severe homelessness problem, approved a small tax increase, which may take people off the streets but is unlikely to create substantial numbers of new units.

California is not alone. Nationally, the inventory of homes for sale is near historic lows, resulting in housing costs rising much faster than income.[3] At the current rate of production, we will construct 8.7 million new units over the next ten years, with a projected need of 15 million additional units.[4] More than two-thirds of urban markets are facing housing pressures.[5] New housing starts in 2015 were 30% below the historic average between

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[1] Jonathan Woetzel, Jan Mischke, Shannon Peloquin, and Daniel Weisfield, *Closing California's Housing Gap," McKinsey & Co.,* http://www.mckinsey.com/global-themes/urbanization/closing-californias-housing-gap

[2] Ibid.

[3] Lawrence Yun, *Four More Years? No Quick End In Sight For The U.S. Housing Shortage,* Forbes Magazine, https://www.forbes.com/sites/lawrenceyun/2016/12/13/housing-shortage-for-how-long/#c3c81a25ee46, December 13, 2016.

[4] Ibid.

[5] Yuqing Pan, *Sold Out: These 10 U.S. Cities Have the Biggest Housing Shortages,* http://www.realtor.com/news/trends/top-10-housing-markets-constrained-by-tight-inventory/?aid=11921783&pid=7597981&cid=aff_cj_rdcandrental_allaffiliates_cj

1970 and 2007,[6] and, while there is a building boom in multi-family apartments, most new apartments are aimed at the top of the market.[7]

Blighted housing, housing shortages, and homelessness are not new, but the United States has never had a coherent housing policy to address structural housing deficits, as opposed to a series of economic policies that affected housing, sometimes as unintended or incidental consequences. The Homestead Act of 1862, the greatest land give-away in U.S. history, was about settling the West, not developing housing.[8] The intent of the Act was to create 160-acre farms, but when this proved inadequate in the arid West, a few landowners were able to accumulate enormous tracts of land at the expense of the original homesteaders. The Pacific Railroad Acts, also in 1862, did the same for the railroads and brought about the development of towns wherever the railroads placed their stations.[9] Since then, national efforts have focused primarily on providing incentives for homeownership for those who could afford it, while providing some rental housing for those who could not.

The National Housing Act of 1934,[10] which created the Federal Housing Administration and the Federal Savings and Loan Insurance Corporation, had the primary purpose of protecting financial institutions and a secondary purpose of spurring the construction industry during the depression. The United States Housing Act of 1937[11] authorized public housing, but with great deference to state and local enabling acts and a limited view of federal responsibility. The result was high concentrations of

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[6] Stockton Williams, *Understanding the Scope of the Housing Shortage in the United States*, UrbanLand, http://urbanland.uli.org/development-business/housing-shortage-u-s/, August 22, 2015.

[7] Ibid.

[8] The Homestead Acts are a fascinating part of American history, with dramatic results throughout the West. See, for example, National Archives, at https://www.archives.gov/education/lessons/homestead-act; or National Park Service at https://www.nps.gov/home/learn/historyculture/abouthomesteadactlaw.htm

[9] As part of the various Railroad Acts, Congress granted 174 million acres of public lands as rights-of-way. https://www.ourdocuments.gov/doc.php?flash=false&doc=32; http://cprr.org/Museum/Pacific_Railroad_Acts.htmlhttps://www.loc.gov/rr/program/bib/ourdocs/PacificRail.html

[10] 12 U.S.C. Sec. 1701 et seq.

[11] 42 USC Sec 1437 et. seq. The Act declares in its Declaration of Policy that “The Federal Government should act where there is a serious need that private citizens or groups cannot or are not addressing responsibly.” 42 USC 1437(a)(3).

rental public housing in high-density urban areas, with a paucity of government-funded rental housing elsewhere. The Housing Act of 1949[12] tinkered at the edges of the 1937 Act, but offered little in the way of a national housing policy. When it comes to urban centers, our notion of urban renewal may have been based on an idealized society, but the reality included building highways through neighborhoods and eliminating affordable housing in the name of slum clearance.[13]

Section 8,[14] started in 1973 by the Nixon administration as a market-oriented experiment, was a way to take the government out of the housing business by moving from supply-side to demand-side interventions. Since 1973, Section 8 and public housing have competed for a limited pot of federal funding. Section 8 is winning. Since we are talking about a limited pot, it will become harder to sustain public housing units and their number will inevitably diminish.

Each year, Section 8 gets a larger share of the pie and public housing gets less. In 2014, the Congressional Budget Office reported that the Housing Choice Voucher (the Section 8 portable voucher used to subsidize rent on the private market) received $18 billion in funding, Project-Based Rental Assistance (also direct payments to private landlords) received $12 billion, and Public Housing received $7 billion. The Low Income Housing Tax Credit,[15] which is the source of 90% of all affordable housing production in the United States, accounted for $7 billion in tax expenditures.[16] That is a total of $44 billion for affordable rental housing. Meanwhile, the tax expenditures to the middle class and wealthy totaled $130 billion in lost tax revenues through mortgage interest and property tax deductions.[17]

Even where programs exist, the federal government deemphasizes homeownership opportunities for the poor. The Housing and Community

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[12] 42 U.S.C. Sec. 1441

[13] See Jane Jacobs, *The Death and Life of Great American Cities; f*or a view of urban renewal in New Haven, CT, see Robert Solomon, *Building a Segregated City: How We All Worked Together,* 16 St. Louis U. Pub. L. Rev. 265 (1997).

[14] 42 U.S.C 1347; 24 CFR 982.

[15] 26 U.S.C. Sec. 42

[16] A tax expenditure is not an appropriation, but a deduction or credit that results in less income to the treasury. When it comes to balancing the budget, a tax expenditure has the same effect as an appropriation.

[17] All figures are from the Congressional Budget Office, *Federal Housing Assistance for Low-Income Households*, September 2015, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50782-lowincomehousing-onecolumn.pdf

Development Act of 1992 authorized homeownership assistance to first-time buyers, but HUD did not issues regulations until 1998, and the final regulations did not become effective until October 2000.[18] There are over two million outstanding Housing Choice Vouchers,[19] but from 2004 to 2012, HUD reports only 19,960 homeownership closings, an average of 2,217 per year.[20] This is not a question of ramping up, because the numbers for 2011 and 2012, the last two years reported on the HUD website, averaged 1,554 homeownership closings per year.[21] With even a modest turnover rate for vouchers over a nine year period, the homeownership utilization is less than one percent of Section 8 recipients.

Among the poorest households, renters are more than five times as likely as homeowners to be subsidized.[22] Looking at these and other numbers, one researcher concluded that "[s]everal pieces of evidence suggest that the current system of low-income housing assistance is biased against homeownership for the poorest households."[23]

The message is clear. The primary federal housing policy is to subsidize homeowners through the tax code and the provision of infrastructure. A much smaller effort is devoted to subsidizing *some* poor renters. The homeowner subsidy is an entitlement, meaning that anyone owning a home has the right to claim the tax benefits. The rental subsidy is limited to the lucky few, and people will line up overnight to secure the opportunity to obtain a Section 8 voucher.

The foundation of our housing policy is, and always has been, a reliance on market forces. the American housing market works relatively well. Most people are housed, most people have indoor plumbing, heat and hot water. All markets have a top and a bottom, and when we talk about market failure, our concern is to bring up the bottom of the housing market to a level of habitability. We may decry the waste and gluttony at the top of the market, and we may urge a reduction in tax benefits for mansions and second homes, but those are side issues. The real goal of housing advocates is a market which spreads the benefits of decent housing across all income

[18] Edgar A. Olsen, *Promoting Homeownership among Low-Income Households,* The Urban Institute, August 2007.
[19] http://www.cbpp.org/sites/default/files/atoms/files/2-24-09hous-sec2.pdf
[20] https://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv/homeownership
[21] Ibid.
[22] Olsen, supra, at fn. 19.
[23] Ibid., at 4.

levels. One of those benefits is the opportunity to build wealth through home ownership.

Markets are supposed to be self-adjusting, but the housing market has not kept up with need, largely because we have incentivized the market to provide for the top and, to a lesser extent, the very bottom. The wealthy do not have a problem in finding housing and a few people get new subsidized units, but a portion of society remains underserved. Forbes reported that a shrinking housing inventory "is the principal reason why home prices have been outpacing people's income growth for the past five consecutive years."[24]

Over the past decade, we have produced an average of 870,000 new units per year. At that rate, we will produce 8.7 million units over the next decade, when we need 15 million.[25] Jonathan Smoke, the chief economist at Realtor.com, reported that "[m]ore than two-thirds of the markets are seeing less inventory now than compared to a year ago."[26] The problem is worst on the West Coast, but is common in Midwestern cities and other urban markets.[27]

In this chapter, I propose ways to take advantage of market forces to provide incentives for affordable homeownership and affordable housing development. As I detail more fully below, manufactured homes, also known as mobile homes, offer an opportunity to expand affordable housing without increasing governmental subsidies. I believe it is critical that we treat manufactured housing for what it is – a source of affordable permanent homeownership, worthy of being treated as real property for purposes of taxation and financing. This could be accomplished with modest changes in the tax code to provide access to capital through the existing mortgage interest and property tax deduction, as well as a change in the Low Income Housing Tax Credit (LIHTC) to incentivize affordable homeownership in addition to the current program, which is limited to affordable rentals.

While the focus of this chapter is on manufactured housing, the reality of developing affordable housing is that we often need more than a single

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[24] Lawrence Yun, *Four More Years? No Quick End In Sight For The U.S. Housing Shortage,* December 13, 2016, https://www.forbes.com/sites/lawrenceyun/2016/12/13/housing-shortage-for-how-long/#34f118695ee4

[25] Ibid.

[26] Barbara Eldridge, *U.S. housing shortage is worst on the West Coast, new study finds, http://www.curbed.com/2017/1/23/14345668/us-housing-crisis-shortage-seattle,*January 23, 2017.

[27] Ibid.

subsidy to make a project financially feasible. We need to use every tool in our toolbox, and at the end of this chapter, I discuss briefly how to incorporate other tools, including community land trusts, inclusive zoning, linkage fees, and shared equity homeownership programs, to increase opportunities to low-income homebuyers. Our primary focus should be on maximizing the potential of the LIHTC.

THE LOW INCOME HOUSING TAX CREDIT

In discussing the Low Income Housing Tax Credit, it is not my intention to provide a primer for syndicators. Banks do not need and have not asked for help. My goal is to consider the credit as a resource for community-based housing providers, and to explain the credit from their perspective. I believe that the LIHTC should be amended to provide incentives for affordable home ownership, which can have a substantial effect in ameliorating displacement in gentrifying neighborhoods by expanding low-income ownership and allowing urban residents to benefit from the increased value of real estate in those neighborhoods.[28]

The Tax Reform Act of 1986 changed the landscape for both the rental and homeownership markets. The Act eliminated the tax deduction for consumer interest and created a new tax credit for investments in affordable housing. The tax credit is deep and the LIHTC is now the major vehicle for developing affordable housing, continuing the trend of privatizing the means of production without addressing the ongoing shortage of affordable units.

Although it is a supply-side tax expenditure program, the LIHTC moves the means of production from government to the private market. Unlike the individual mortgage interest deduction, however, the LIHTC is not open-ended. The LIHTC is allocated by state at $2.70 per capita.[29] State agencies are required to establish a Qualified Allocation Plan (QAP) to determine priorities, and the QAP must consider location, housing need, use of existing housing as part of a revitalization plan, the project sponsor, projects intended for eventual ownership, energy efficiency, and historic nature. A 2002 report prepared for HUD by The Urban Institute showed that half of the states established preferences for rural projects and virtually all

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http://furmancenter.org/files/sotc/Part_1_Gentrification_SOCin2015_9JUNE2016.pdf, May 9, 2016.

[29] Michael Novogradic and Peter Lawrence, *Omnibus Spending Bill Contains Affordable Housing Credit Improvement Provisions*, https://www.novoco.com/notes-from-novogradac/omnibus-spending-bill-contains-affordable-housing-credit-improvement-act-provisions, March 21, 2018.

emphasized geography.[30] Production is not based on need alone. There is political pressure to distribute projects throughout a state, especially since the total production is limited by the total tax credit allocation, which is a drop in the bucket in many jurisdictions. This may – or may not – be wise tax policy, but it is not wise housing policy.

Although subject to criticism, the LIHTC has its virtues. From 1987 to 2014, the LIHTC has resulted in 2.78 million housing units in 43,092 projects. The program is decentralized, with state and local LIHTC-allocating agencies determining local needs for almost $8 billion in annual budget authority for tax credits. The credits are used for acquisition, rehabilitation, or new construction of rental housing for lower-income families.[31] The results depend on private investment, and the LIHTC is, ultimately, a practice in behavioral economics, with the goal of keeping the return on investment high enough to entice investors without sacrificing the quantity and quality of housing production.

The LIHTC is popular in Congress, with the support of liberals who want more housing and conservatives who want to base subsidized housing on market forces, as well as create a lucrative investment opportunity. There is an argument that LIHTC returns are too high and the program too inefficient, but a rich body of literature on these subjects already exists and I will not address those questions in this chapter.[32] Instead, since I urge maximizing the potential of the LIHTC, I start from the proposition that the program has succeeded when it comes to producing and maintaining affordable rental housing. I want to expand the program to include affordable home ownership.

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[30] Jeremy Gustafson and J. Christopher Walker, *Analysis of State Qualified Allocation Plan for the Low-Income Housing Tax Credit Program, May 2002,* https://www.huduser.gov/portal/Publications/pdf/AnalysisQAP.pdf

[31] https://www.huduser.gov/portal/datasets/lihtc.html

[32] There is a wealth of literature on the LIHTC, including many critiques. See, e.g. Chris Edwards and Vanessa Brown-Calder, *Low-Inome HousingTax Credit: Costly, Complex, and Corruption-Prone,* Tax and Budget Bulletin No.79, Cato Institute, November 13, 2017, https://www.cato.org/publications/tax-budget-bulletin/low-income-housing-tax-credit-costly-complex-corruption-prone (calling for repeal); Kristin Niver, *Changing the Face of Urban America: Assessing the Low-Income Housing Tax Credit,* 102 Va. L. Rev. Online 48 (2016), http://www.virginialawreview.org/volumes/content/changing-face-urban-america-assessing-low-income-housing-tax-credit (describing the LIHTC as a successful public-private partnership.

The LIHTC offers a mechanism for private equity investment in affordable housing. A community group hearing this would likely have two questions: (1) what does that mean; and (2) why would anyone want to invest in our project, which is unlikely to make a profit? The answer to both questions is that investors will earn tax credits, and for many people, especially those paying at the top marginal rate, tax credits are more valuable than earned income.

The marginal rate in our current tax code, starting in 2018, is 37%, which is applied to income over $500,000 for an individual or $600,000 for a married couple. That means that every taxable dollar over these amounts will be taxed at the 37% rate. In addition, the income will be subject to state tax, which in New York, New Jersey, and California (where many wealthy investors live) ranges from 8.82 to 13.3% at the margin. That means that many wealthy taxpayers will pay over 45% federal and state tax on some of their income. At a 45% tax rate, a taxpayer needs to earn $1.82 to put $1 in his pocket. With a tax credit, a taxpayer gets a dollar-for-dollar reduction of his taxes. If the tax is $100, a $100 credit reduces the tax to zero, while a $100 charitable donation would only reduce the tax to $55. In other words, the LIHTC offers a deep subsidy, which creates a strong incentive for private equity investment in affordable housing.

That explains why wealthy people love tax credits, but not how this results in their investment in affordable housing. That is the point at which markets take over. The market favors building housing for the rich over building housing for the poor for the simple reason that expensive housing provides greater returns for the investor. If a tax credit provides greater returns than other investments, the same capitalist system that ignored low-income people will find a way for the wealthy to access the tax credits and build affordable housing. Here’s how it works.

Like so many things, it starts with land. Anyone who has a plan to build on land must have site control, which means that she must own or have a legal right to purchase or use the land. Site control can be as simple as an option to purchase, but the builder must have some legal means of control. Good intentions and a good plan are not enough.

Without site control, all discussions are academic. Talking to an investor when you do not have site control would be like trying to sell a car you do not yet own. With site control, a builder may have access to the LIHTC, which is a valuable commodity, and people will pay for the right to claim those credits. That’s where capitalism and the market, which have resulted in blighted housing, help to create new affordable housing. Like all profitable markets, there is a niche for those who build the bridge between the investors and the profit.

Money managers are in the highly competitive business of providing a high return on investments. Once the market determines that the LIHTC provides a higher return than comparable risks, the rest is a matter of execution, and money managers are quite good at that. Financial institutions create investment opportunities, and compete to draw investors to their products. In the case of the LIHTC, one can go online and see that US Bancorp, for example, advertises its “Tax Credit Syndications – Socially responsible investing that makes financial sense.”[33] USB explains that “Tax credits are used to induce investments from the private sector in support of projects that benefit distressed communities and populations; enable historic preservation; and provide clean energy. When an investment is made in a development entity or eligible project, investors receive tax credits that can be used to offset their own federal or state income tax obligations.. In the case of USBCDC, some of the tax credits are used to offset U.S. Bancorp’s own tax obligations, while others are made available to qualified investors in a practice referred to as “syndication’."[34]

The National Equity Fund explains that “Tax-credit syndicators help bridge the gap between the various parties to affordable housing transactions. Syndicators raise money from investors and identify low-income housing projects in which to invest that capital. National Equity Fund® is particularly focused on building long-term relationships with partners.”[35] You can find similar statements from Enterprise Community Partners,[36] Municipal Capital Appreciation Partners,[37] and dozens of others. Tax credits are a cottage industry and those involved in the industry are doing the work of finding the investors and matching them with a LIHTC project. They do this is by collecting all of the investments into a pool and then “buying” tax credits.

“Buying” tax credits is a euphemism. The Internal Revenue Service (IRS) does not permit the credits to be sold. Instead, the syndicator, on behalf of the investors, will enter into a partnership with the owner in which

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[33] hhttps://www.usbank.com/commercial-business/tax-credit-financing/
35 Ibid.
[35] http://www.nefinc.org/whoweare/aboutlihtc.html
[36] http://www.enterprisecommunity.org/financing-and-development/low-income-housing-tax-credits
[37] http://www.themcapfunds.com/tax-credit-syndication

the syndication will purchase 99.9% of the project in exchange for 99.9% of the tax credits and other tax advantages, including depreciation and interest business deductions. While the cost of land acquisition is not eligible for such deductions, construction costs are.

People make investments for a variety of reasons, including social purposes, but the large majority of investments are based on risk and rate of return. There is risk in building affordable housing – contractors go bankrupt, housing management can be challenging, and the IRS can deny all or part of the tax credit – but these risks are controllable, and the return to the investor is substantial. Investors compare this investment to others, and determine how much they are willing to invest to get their expected rate of return.

To understand the incentive to an investor of a LIHTC investment, consider this example: Assume a project consisting of 100 units of affordable housing, with each unit costing $100,000 to build. This amounts to a total of $10,000,000 worth of eligible costs. According to the Comptroller of the Currency, a project like this has a 10-year credit at $9,000,000. (There are two separate credits applicable to different types of projects, known as the 9% credit and the 4% credit, but the credits are claimed over ten years, so they are computed based on 90% and 40% of eligible costs.) In addition, the Comptroller estimates depreciation and other real estate losses at $2,205,294, which produces a total of $11,205,294 in tax benefits for the investors.[38]

The amount the investors are willing to pay for the tax credits varies, but for the last several years, the price has exceeded 90 cents investment for each dollar of credit, and has often exceed $1.00, because of the additional tax benefits that accompany the credit.[39] From January 2017 through April 2018, the investment was quite steady, ranging from .91 to .93 for every dollar of credit.[40]

At 90 cents on the dollar, this means the investors will invest $8,100,000 in the $10,000,000 project. For the 4% credit, which is less

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[38] https://www.occ.gov/topics/community-affairs/publications/insights/insights-low-income-housing-tax-credits.pdf

[39] https://www.novoco.com/resource-centers/affordable-housing-tax-credits/data-tools/lihtc-pricing-trends

[40] https://www.novoco.com/atom/169786As described in an

competitive, the tax credit still comes to $4,000,000, thus attracting an investment of $3,600,000. This is a simplified version, but we are talking about a substantial investment. For a community organization starting with nothing beyond site control, this is like finding the pot of gold at the end of the rainbow.

These calculations are based on rental housing, for the simple reason that the LIHTC does not provide for homeownership opportunities.

As a society, we say that our goal is to increase the pool of stakeholders and build wealth through homeownership, but our policy limits the pool. We provide incentives for developers to build affordable rental housing, with no provision for homeownership. It makes much more sense to expand the pool to include the working poor, by providing incentives for developers to build an infrastructure for affordable manufactured homes. In fact, the LIHTC provides a disincentive for affordable homeownership, since its success draws capital toward the LIHTC and away from investment in affordable homeownership. We could change this with a minor expansion in the statute, by allowing the LIHTC definition of eligible costs to include the infrastructure necessary to prepare a site for qualified homeowners.

As a practical likelihood, most, but not all, of those potential homeowners will be people who are otherwise priced out of the homeownership market. This adjustment will facilitate wealth-building for the working poor. Additionally, it will require only a small tax expenditure per unit and stretch the value of the LIHTC, resulting in a larger number of units.

One benefit of this structural change is that unlike the perverse incentives that led to the toxic loans of the 2007 crash, this plan uses market forces in two important ways. First, the market has shown that the LIHTC will draw private investment. Tax cuts will likely affect the amount that investors are willing to pay, but the LIHTC remains a valuable commodity. Expanding the credit to infrastructure-only projects will result in smaller financial packages, since the cost of building the units will be removed from the total costs. To benefit from the credit, these projects may need to be packaged differently. Perhaps they will draw a different investor or require a higher rate of return. In any event, the market will resolve these issues and, since the LIHTC is capped, the resolution will come at no cost to the Treasury. For every dollar invested in homeownership credit, we will have a net increase in the number of units, because we will be passing most of the cost onto the homebuyer.

Second, purchasers of manufactured housing are already participating in the market, and succeeding, even though the market is skewed against them.[41] Manufactured home buyers bear the burden of added transaction costs, which led several lenders to leave the manufactured home market, especially for loans under $20,000, because the added costs made the chattel loans unprofitable. [42] In a case study, Jan Hollingsworth found that one buyer, who had an optimal site for his new manufactured home, went through the borrowing process, only to end up with a $9,500 loan at 36% interest, with an additional $1,500 closing fee. The loan was still a bargain compared to the costs of his previous rental.[43] We need to even the playing field and bring these buyers into the mortgage finance system.

Policymakers have made some progress in this area. Several states--New Hampshire, Vermont, California, Oregon, and Minnesota--have recently implemented a pilot program under the US Department of Agriculture's (USDA's) Section 502 Direct and Guaranteed loans for manufactured homes in land-lease communities. The pilot program offers favorable financing terms for moderate, low, and very low income buyers of energy-efficient manufactured and modular homes in resident-owned or nonprofit-owned land-lease communities in eligible rural areas. The USDA Section 502 Direct and Guaranteed programs offer eligible applicants 100% financing, affordable fixed rates, a 30-year mortgage term, with no private mortgage insurance requirement. Historically, until the introduction of the pilot program, the 502 program was not available for manufactured homes titled as personal property in land-lease communities.[44]

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[41] In a world of unintended consequences, the Dodd-Frank statute has added additional impediments in financing manufactured housing. Manufactured homes, which do not have the benefits of mortgages, are included in the CFPB definition of "residential mortgage loan," which makes the loans subject to the protections of Dodd-Frank. Jan Hollingsworth, *Dodd-Frank and Manufactured Home Financing: The Place Where Good Intentions and Unintended Consequences Collide,* **http://manufacturedhomelivingnews.com/dodd-frank-and-manufactured-home-financing-the-place-where-good-intentions-and-unintended-consequences-collide/, MHL Living News, 2015.**

[42] Ibid.

[43] Ibid.

[44] Kevin Walker, *Steps Forward: Delivery of Competitive Manufactured Home Financing in Land-Lease Communities, Especially with Long-Term Security of Tenure* http://cfed.org/assets/pdfs/steps_forward_10-2016.pdf, October 2016.

THE ROLE OF MANUFACTURED HOMES IN PROVIDING AFFORDABLE HOMEOWNERSHIP

Even after the market crash, homeownership continues to be part of the American Dream. A 2013 study by the Joint Center for Housing Studies of Harvard University concluded that "there continues to be a strong support for the association between owning a home and accumulating wealth."[45] Even as homeownership dropped from a high of nearly 70% in 2004 to a twenty-year low of 64.3% in 2014, owning a home has remained the primary means for low and moderate income people to build wealth, and homeowner net assets continue to outpace those of renters.[46] The study notes that there are risks to home ownership, and it is critical to identify conditions in which low-income owners are more likely to succeed.[47] It identifies the major factors for success as (1) the forced savings of an amortized mortgage, (2) appreciation, (3) favorable financing, (4) federal tax benefits, and (5) the ability to hedge against inflation.[48]

In the lead-up to the market crash of 2007, lenders provided high-risk loans, many of which were fraudulent, for low-income people to enter the home ownership market, with targeted programs backed by FNMA and GNMA. The failure of these programs has been well-documented.[49] In the aftermath of the 2007 collapse, credit markets have tightened and lower income borrowers have been shut out of the housing market, especially in the context of home ownership. Low-income wage earners are lost in the current regime. They do not have sufficient access to credit to purchase real property and many do not qualify for subsidized rental units. Even if they do qualify, the number of units is so small as make this process more of a lottery than a housing policy.

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45 http://jchs.harvard.edu/sites/jchs.harvard.edu/files/hbtl-06.pdf, at 2.

46 https://www.nytimes.com/2014/11/30/opinion/sunday/homeownership-and-wealth-creation.html?_r=0

47 Ibid., at 3.

48 Ibid., at 4-5.

49 There are literally thousands of articles about the causes of the housing bubble and its collapse. Virtually all include a discussion of sub-prime loans, teaser rates, banking deregulation, fraud, and the other factors the lead to the 2007 collapse. For one example, see The Economist, *The Origins of the Financial Crisis,* http://www.economist.com/news/schoolsbrief/21584534-effects-financial-crisis-are-still-being-felt-five-years-article, September 7, 2013.

Because most owners of manufactured housing place their homes on rented land, manufactured housing is typically financed through chattel mortgages. A chattel mortgage is a loan on a moveable piece of property, like a car, boat, or trailer. Chattel loans tend to carry higher interest rates and fewer consumer protections than mortgage loans on real estate. Mobile home buyers do not get a deed. They get a certificate of title, as is issued for a car, for which they pay yearly fees. In 2015, 80% of new manufactured homes, representing the homes that were placed on rented land, were classified as personal property.[50]

Yet counter to all expectations, low-income people are still purchasing homes, but they are manufactured homes. Manufactured homes, more commonly referred to as "mobile homes" and often placed in "trailer parks," are home to more than 22 million people.[51] The cost savings of a manufactured home compared to a site-built home are striking. According to a 2014 study by the Consumer Finance Protection Bureau, metropolitan area owner-occupants of site-built housing pay an average monthly housing cost of $1,505, while owner-occupants of manufactured homes spend an average of $686.[52] I use the word "homes" because these are structures in which people live and raise families, but for the purpose of the tax code and access to capital, manufactured housing is generally treated as personal property. This means that a resident owner is unlikely to obtain a mortgage to purchase and is not eligible to deduct interest payments as a tax deduction.

Over a thirty-year term, a $150,000 mortgage loan on real estate at 7% will result in payments of $69,000 more in interest payments than a 5% loan.[53] These figures assume that the buyer has access to capital for a long-term real estate loan, which is generally not the case for buyers of manufactured homes. Because they do not have access to real estate mortgage financing, buyers of manufactured homes are paying car-loan interest rates on shorter-term loans than purchasers with a typical 15- or 30-year home mortgage loan, resulting in even worse payment terms. For example, a 30-year mortgage for $100,000 at 5% results in a monthly payment of $536.82. Reduce the term to six years and the monthly payment

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[50] I'm HOME, *The Facts about Manufactured Housing,* 2016.

[51] Ann M. Burkhart, Taxing Manufactured Homes, 67 Tax Law. 909 (2014)

[52] Manufactured-housing consumer finance in the United States, supra, fn. 48, at 22.

[53] Ibid., at 8.

jumps to $1,610.49. Increase the rate to 7% and the monthly payment is $1,704.90.

The law of manufactured housing depends on where you place your home. If you buy a manufactured home and place it on your own land, and live there with your family, you are a homeowner. You can obtain a mortgage and deduct mortgage interest and property taxes as itemized deductions on your tax return. However, if you buy the same manufactured home, place it on rental land, and live there with your family, you are unlikely to be eligible for the mortgage deduction because you are unlikely to have a mortgage, as opposed to a consumer loan. Even though your home stops being mobile once it is placed down, your home is forever classified as a mobile home, and you are classified as a renter in a mobile home park.

The tax code treats most owners of manufactured homes as if they lived in cars. There is a history to this. After the depression, many people purchased and lived in trailers, which had wheels and could be hitched up to a car and moved anywhere. As homes on wheels, the trailers were financed and taxed like cars. After a period of time, the wheels came off – literally. The next generation of manufactured housing, called mobile homes, were brought to a site, the wheels were removed, and the mobile homes were placed on a slab and connected to utilities. Many of them were attached to foundations. They were not very mobile, but the name stuck, as did their treatment by banks, the secondary mortgage market, and the Internal Revenue Service. Our current policy concerning manufactured homes is based on an old perception of trailers, hooked up to a truck and pulled away on the whim of their owners. It is a perception that is out of date, makes no sense, and is contrary to our national interest in encouraging homeownership and wealth-building.

The Bureau of the Census reports there are 9 million manufactured homes in the United States, 538,000 of which are in California. The homes come in a variety of sizes and shapes. Some have second stories and many have porches. Since 1976, manufactured homes have had to comply with the National Manufactured Housing Construction and Safety Standards Act, a HUD-established national code.[54] Homes built under the HUD standards compare favorably to site-built housing on issues of durability and

[54] The authority of the code is at 42 USC Sec. 5402.

construction quality.[55] Moving them is difficult and expensive and, as a result, they are rarely moved. Like other homes, they are sold when the owners move elsewhere.

By every measure, manufactured home residents are poorer than owners of site-built homes. They have less income and fewer assets.[56] Yet, contrary to public perception, manufactured home residents move less than owners of site-built homes.[57] The primary threat to their continued stability is that 70% of them do not own the land on which their homes sit,[58] making them vulnerable to increased land leases and redevelopment.

However, both when owners of manufactured homes sell their homes and when they remain in them over a long period, current laws prevent such owners from achieving the same kinds of financial gains as those achieved by owners of site-built homes. While the mortgage market is dependent on a vibrant secondary market which frees up capital to increase the total volume of loans, thus facilitating the buying and selling of homes, the Manufactured Housing Institute reported that as of 2009 "the secondary market for personal property loans is essentially non-existent."[59] This increases the pressure for short-term loans at high interest rates. There is a great deal of discussion about the secondary market, but, as of this writing the discussion has not resulted in change.

In September 2014, the Consumer Financial Protection Bureau (CFPB) published a report, *Manufactured-Housing Consumer Finance in the United States*, analyzing the manufactured housing industry.[60] The CFPB found that as of 2012, more than two-thirds of all mortgage and chattel loans on manufactured housing met the definition of a "higher-priced mortgage loan" (HPML) as compared with only three percent of the loans on site-built homes. The CFPB also found that one in six of the loans charged such high rates and fees that the minimum monthly payment was a full $200 higher than it would be if it were merely subprime. As it currently stands, state and

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[55] Kevin Walker, *Steps Forward: Delivery of Competitive Manufactured Home Financing In Land-Lease Communities, especially with Long-Term Security of Tenure,* CFED, October 2016.
[56] Ibid.
[57] Ibid.
[58] Ibid.
[59] Ibid.
[60] Consumer Finance Protection Bureau, *Manufactured-Housing Consumer Finance in the United States,* September 2014.

federal protections for homebuyers do not apply to these personal property loans.

In other words, taking the five key factors for building wealth from the Harvard study discussed earlier,[61] i.e. (1) the forced savings of an amortized mortgage, (2) appreciation, (3) favorable financing, (4) federal tax benefits, and (5) the ability to hedge against inflation, manufactured housing homeowners do not have an amortized mortgage; are unlikely to benefit from appreciation, in part because the next buyer will not be able to get a long-term mortgage; cannot get favorable financing; and get no tax advantage. The only advantage is that their home is a hedge against inflation. But even that advantage is limited by the fact that they are subject to land rent increases, which are much more volatile than property tax increases, not to mention the broader problem of being treated by the law as renters.

The last point is critical. The financial and legal structures treat manufactured homes as personal property, and personal property is not protected in the same fashion as real property. It is much easier to repossess a manufactured home than it is to foreclose on a mortgage. Worse, a manufactured home owner is subject to eviction for non-payment for failure to pay the ground rent or other charges assessed by the landlord. Since the homeowner does not have the capital to move the home, eviction often results in abandonment.

In the best of circumstances in the case of eviction, the homeowner will secure a buyer. The buyer, like the seller, will likely be unable to obtain a mortgage, as opposed to a chattel loan. Since chattel loans have higher interests rates and shorter terms than mortgages, the monthly payments for a chattel loan are higher than for a mortgage in the same amount. Because the buyer must also pay a ground rent, the added higher monthly cost of a chattel loan serves to depreciate the value of the manufactured home, for the basic economic fact that the buyer's purchasing power is suppressed by the higher debt service. In short, because of the buyer's lack of access to capital in the form of a mortgage, the seller is forced to sell at less than full value.

Even then, the buyer, as a new tenant, must be approved by the landowner, who may refuse to accept the new homeowner, and then offer the current owner a low-ball purchase price. In many cases, the homeowner has no choice but to accept. Not only does the manufactured housing homeowner not have the benefits of the many protections offered to the

[61] See fn. 26

homeowner through mortgage foreclosure law, but he also is particularly vulnerable to an eviction from the land, which can wipe out any accumulation of wealth he may have managed through homeownership. Because the cost of moving a manufactured home is prohibitive to many owners, there is little flexibility in negotiating a sale.

When it comes to manufactured housing, developers of affordable housing are in the same position as manufactured housing homeowners. If a housing developer buys a manufactured home and places it on the developer's land to rent to a low-income renter, the rental property will qualify under the LIHTC for a 10-year tax credit of 90 percent of the cost of the home and the infrastructure. A developer can buy hundreds of the same homes, and investors will be delighted to pay for the opportunity to invest in the project, for the benefit of sharing the tax credits. However, if a developer builds the same infrastructure to rent space to low-income *owners* of manufactured homes, the developer will not be eligible for a tax credit, because he developed the land, but not the homes.

This is a serious problem. Since 90 percent of all affordable housing in the United States is built with investments through the LIHTC program, we are excluding some of the neediest homeowners from the benefits of the LIHTC, which effectively means we are excluding them from living in a decent environment. This situation is particularly bad for low-wage workers, who cannot afford to purchase land, and often own manufactured homes.

While manufactured housing has been situated primarily in rural and suburban areas, improvements in construction and appearance make these flexible structures ideal for urban infill and vacant lots. Casey J. Dawkins and C. Theodore Koebel, writing in the Journal of the American Planning Association, found that the number of manufactured units in a community is not determined by the market, but by regulatory restrictions like permits, snow load standards, fire codes, zoning codes, subdivision regulations, and architectural design standards.[62] As manufactured housing continues to improve its design and quality standards, simultaneous with the recent movement toward smaller houses,[63] the time has come to remove these artificial barriers.

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[62] Casey J. Dawkins and C. Theodore Koebel, *Overcoming Barriers to Placing Manufactured Housing in Metropolitan Communities,* Journal of the American Planning Association, Volume 76, pp.73-88, December 9, 2009, http://dx.doi.org/10.1080/01944360903401052

[63] See, e.g. Shelley Little, *Why Houses Are Getting Smaller,* Freshome, *http://freshome.com/2014/09/11/why-houses-are-getting-smaller/* September 11,

A PROPOSAL FOR CHANGE

I propose two changes to the tax code and one change in lending practices, which I believe will be a natural consequence of the tax changes. First, the LIHTC should be amended to allow the tax credit to be used for the development of infrastructure for affordable housing, with the actual housing being owned by a qualified low-income owner. The qualification of the homeowner would remain the same as currently set forth in the LIHTC, which is based on median income. Under the new, improved credit, there would be no distinction between manufactured homes and homes built on site. Both could be owned by a homebuyer and fully eligible for the mortgage interest and property tax deductions. Second, the IRS should treat manufactured housing as real property, even when it is sited on rental property. The notion that the manufactured house is a vehicle is outmoded and ignores the reality of the modern manufactured home. A structure that is treated as real property when it is placed on an owner's land should be treated the same when it is placed on rented land. Finally, lenders should issue mortgages for manufactured homes, regardless of siting, as long as they are attached to the land.

A. HOW THE TAX CREDIT COULD WORK FOR AFFORDABLE HOMEOWNERSHIP

My law firm represents a group of forty families living in a mobile home park with substandard electrical, water, and sewer services. The park owner did not have a permit to operate it as a mobile home park. The residents, largely farmworkers, own their mobile homes which are not mobile. Many of the homes are in terrible condition and could not survive a move. In any event, moving a mobile home costs upwards of $10,000, and it makes much more economic sense to sell to the next occupant. Because the homes are treated as trailers for financing purposes, buyers have little to no access to capital. Thus, the homes are usually sold within a family, to a friend, or through seller financing which consists of a bill of sale and a promise to pay.

2014; Lis King, *Downsizing to Smaller Homes is the New Trend,* Tallahassee Magazine, http://www.tallahasseemagazine.com/July-August-2014/Downsizing-to-Smaller-Homes-Is-the-New-Trend/

We represented the residents in litigation against the owner for failure to maintain the park in a habitable condition. The major problems included unhealthy well water, inadequate sewage, and an inadequate and dangerous electrical system. We settled the litigation with an agreement for a resident-approved entity to purchase the property for $225,000, a distressed price, based on the cash-flow value of a fully-permitted park, reduced by the cost necessary to bring the park to permitted standards. We formed a single-purpose entity to purchase the park. After a great deal of effort, we obtained a conditional permit to operate the park and financing to purchase it. That left us with an estimated $1.5 million in costs to bring electric, water and sewer to habitable standards.

If the developer could obtain an additional $1 million, it could rehabilitate the existing homes. In other words, the developer would take forty uninhabitable homes in a park, with an unsafe and unhealthy infrastructure, and replace them or bring them up to habitable standards at a total cost of $2,725,000, or $68,125 per unit, including infrastructure. As it happens, there is adjacent housing, with an additional forty families with similar conditions, and the bulk of the cost could be amortized among 80, not 40, families. Excluding the $225,000 for land purchase, the remaining $2.5 million would be eligible for the LIHTC if the landlord, and not the residents, owned the units. At a 9% credit, the project could generate an investment of $2,025,000; at a 4% credit, it could generate an investment of $900,000. However, because the residents own the units, under current law the entire project is ineligible for tax credits, even if each of the residents is low-income and would qualify as a LIHTC resident.

There is vacant land next to this park. The developer could spend $2 million on that land to build the infrastructure, including electrical, water and sewer hookups, to prepare sites on which the manufactured homes would be placed. Forty low-income homeowners could bring their manufactured homes to this site, at a development cost of $50,000 per unit. With the tax credit, this would be an attractive investment. Without the tax credit, the project would need a deep governmental subsidy, which is unlikely to happen.

This is a lost opportunity on many levels. Under current law, a developer seeking tax credit investors is limited to developing rental housing. The developer will need to purchase or build units in addition to the infrastructure. The cost per unit will be multiple times $40,000, which means fewer units. If LIHTC applies, the tax expenditure will be larger, resulting in fewer total affordable units. The renters will lose the opportunity to build wealth through home ownership. A simple change to allow LIHTC to used for the limited purpose of building infrastructure for manufactured housing resolves all of these negative affects of current law. The intent of LIHTC is to provide incentive for the private market to build affordable housing. We need to modify existing law to create more units.

B. HOW THE TAX CODE WORKS FOR THE RICH (AND SHOULD WORK FOR THE POOR): LAND TRUSTS

While the LIHTC is a powerful vehicle for incentivizing private investment in housing, the current permitted use of the tax credit does not expand homeownership. With minor changes and no additional loss to the treasury, Congress could expand the number of affordable units and encourage greater home ownership. To succeed on the ground, especially in an urban setting, where development costs are high and cheap land is rarely available, success will likely depend on the ability to use the LIHTC in conjunction with other tools, Developing affordable housing usually involves “subsidy layering,” and the LIHTC is one of several possible subsidies. The land trust is another tool and, used in conjunction with the amended LIHTC, could be a powerful tool in urban areas.

The University of California, Irvine has created a successful land trust, approved by the IRS, to subsidize housing for its employees. While the UCI model is based on its unique and fascinating history, the basic idea is easily replicable.

The Homestead Act of 1862 is a classic example of the unintended consequences of well-intentioned public policy. The Act was supposed to create small farms, but had a very different result, due to a false assumption about access to water in the West. The theory was that people would be drawn to the West by offers of 160 acres of free land, and would farm and settle the land, simultaneous with the development of the railroads. The settlers found that 160 acres, ample acreage for a farm in the fertile east, was not sufficient in the arid west. This led to false claims, mass forced sales of failed farms, and homestead claims made more to control water than to control land. The result was the accumulation of enormous amounts of land in a few hands. In California, the system was complicated by the Mexican land grants, some of which were challenged by homesteaders.

Eventually, Congress recognized the Mexican land grants, and James Irvine and two partners formed the 185-square-mile Irvine Ranch. In 1959, seeking to develop the City of Irvine, the Irvine Company donated 1,000 acres to the University of California and sold another 500 acres for housing.

The Regents of the University of California formed the Irvine Campus Housing Authority, and ICHA applied for and received status under the Internal Revenue Code as a Section 509(a)(3) supporting organization to the Regents. ICHA's purpose is to supply housing to UCI's employees.

Because of its 509(a) status, ICHA is able to piggy-back onto the Regents' tax-exempt status and operate as a tax-exempt entity, a beneficial status for which ICHA would not otherwise qualify. ICHA has built out 300 acres in a community known as University Hills, with 1,066 for-sale homes and 360 rental units. It is the largest, on-campus, for-sale workforce housing community in the country. The housing is limited to the UCI workforce. It is subsidized by land owned by the Regents, a state actor that controls selling price, buying price, and rules and regulations.

The legal structure has important similarities to mobile home parks. ICHA retains ownership of the land, but qualified buyers can purchase the homes, and lease the land. Because the homes are built on-site, as opposed to manufactured housing, the homeowners have all the benefits of an income tax deduction for mortgage interest and state property taxes, as well as a long-term mortgage. Thanks to ICHA's tax exemption and the state subsidy, including free land, this results in housing costs to consumers of roughly 50% of market value.[64]

This system is effectively a government-subsidized, tax-exempt land trust for employees with incomes too high to qualify for traditional housing subsidies. ICHA holds the land in trust for the Regents of the University of California in order to provide subsidized housing to well-paid professors. It is, in fact, a brilliant system, taking advantage of the tax code to lower the cost of housing in support of the University's educational purpose.

We can use the same concepts, in conjunction with the LIHTC, in urban settings. The basic idea of a land trust is that the trust, usually formed as a tax-exempt entity, holds the land as a steward for the public good, including affordable housing. There are only 243 land trusts in the United States, and the largest, in Burlington Vermont, leases land to approximately 500 homeowners.[65] But the concept is an ideal way to provide community ownership of land. A land trust can keep rents affordable, provide homeownership opportunities, and prevent displacement.

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[64] The author lives in University Hills and is a beneficiary of this structure.

[65] Alana Semuels, *Affordable Housing, Always,* The Atlantic, CityLab, http://www.citylab.com/housing/2015/07/affordable-housing-always/397751/July 6, 2015.

As one successful model, Dudley Neighbors, Inc. (DNI) is a community land trust started in 1988 as an offshoot of Dudley Street Neighborhood Initiative. DNI was designated as an Urban Redevelopment Corporation by the State of Massachusetts and has the power of eminent domain. DNI acquires empty lots from private and public sources, and working with for-profit and non-profit developers, has created more than 225 affordable units.[66] The National Community Land Trust Network provides technical assistance to over 100 CLTs across the country.[67]

My law firm also represents an urban community land trust in Santa Ana, California. According to the 2010 census, Santa Ana is the fifth densest city in the United States, right behind Boston and ahead of Chicago. This is extraordinary considering that unlike other cities high on the list, Santa Ana is built horizontally, with little high-rise housing. Our client's first priority is to acquire small parcels of land to develop community gardens, pocket parks, and affordable housing. If our client, as the land owner, develops rental housing, its projects will qualify for the LIHTC. If it sells the housing to low-income purchasers the project will not qualify, even if the deed limits equity and restricts resale to a qualified low-income buyer. If our client develops the infrastructure to allow homeowners to place manufactured homes on prepared sites, the project will not qualify for the LIHTC, and the homeowners are unlikely to secure long-term financing and will likely pay a higher interest rate than if they purchased a home. The homeowners will not be eligible to deduct their mortgage interest. However, combining the land trust model with the proposed LIHTC reforms, our client could build the infrastructure for housing units using tax credits, but sell the housing units to qualified buyers. The buyers would enter into a ground lease, as in the mobile home parks, but would have the benefits of homeownership.

While the land trust offers particular advantages in expanding the LIHTC, we should not stop there. There is no reason the proposed changes in the tax credit should not include common property interests, especially as a means to renovate blighted buildings in urban areas, where ownership often may mean a cooperative or condominium in a multi-unit building. In addition to the benefits of turning renters into owners, the tax credit in such settings can be used to provide a hedge against gentrification. This model is easily adaptable to common-ownership structures in urban areas, where ownership may mean a cooperative or condominium in a multi-story

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[66] http://www.dudleyneighbors.org/background.html

[67] http://cltnetwork.org/wp-content/uploads/2014/10/2013-Network-Annual-report.pdf

building. In that situation, the community land trust can choose to retain an ownership position equal to its subsidy. The CLT provides a subsidy to the purchase price, which is often the largest impediment for a first time buyer.[68] The down payment is secured by a second mortgage, which is paid at the time of resale, along with a percentage of the appreciation. Those funds can be recycled to another low-income borrower.[69]

Under current law, a developer could qualify for the LIHTC by developing rental affordable rental units within existing buildings. These units are set aside and must be rented to qualified low-income renters. This is an expensive proposition, requiring a deep subsidy, often through a combination of LIHTC and Section 8 subsidies. The proposed LIHTC change would allow the developer to use the credit for common area building improvements, including building systems like HVAC, electrical, and plumbing, while selling the units to qualified low-income buyers. Because the tax credits will reduce the total development costs, the individual units can be sold to qualified buyers at a below-market price. Because the sale price will reduce the per-unit development cost, the overall cost will be reduced, as will the LIHTC per-unit subsidy. As with the mobile home and land trust models, the result will be more units, with the opportunity for low-income people to build wealth. In addition, this may be a highly-effective anti-gentrification strategy.

The gentrification issue is complicated, especially when it comes to displacement, but there is no question that gentrification results in increased real estate values and higher rents. In an extensive study of New York City neighborhoods, NYU's Furman Center found that "The share of recently available rental units affordable to low-income households declined sharply in gentrifying neighborhoods between 2000 and 2010-2014."[70] There is no magic to this finding. Every unit rehabbed and occupied by a higher income person is a unit lost to a lower-income person. Unless controls are in place, low-income renters and buyers can never outbid those with higher incomes, and displacement becomes inevitable.

Currently, long-time owner-occupants can share in appreciated value only by selling and moving, and renters are priced out of the market. There is evidence that residents who survive gentrification do so by frequent

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68 Ibid.

69 Ibid.

70 http://furmancenter.org/thestoop/entry/new-report-analyzes-new-york-citys-gentrifying-neighborhoods-and-finds-dram. May 9, 2016.

moves to cheaper housing as they are priced out of the market. Their choice is to pay rent at a level they cannot afford or move to less attractive housing. As a neighborhood gentrifies, this can lead to multiple moves. Including ownership under the LIHTC umbrella can provide a mechanism for local residents to share in the appreciated value of their neighborhood at a low comparative cost.[71] If we are serious about creating more homeownership for low-income people, the cost of rehabilitating existing substandard housing before or early in a period of gentrification is a lot cheaper than starting from scratch.

CONCLUSION

As the United States comes to grip with its housing shortage, we risk leaving behind whole segments of our population. This need not be the case. With minor structural changes, we can use existing tools to support existing manufactured housing, create infrastructure for new manufactured housing, and expand opportunities for community and individual ownership. We need to work toward a participatory environment in which community members not only stay in gentrifying neighborhoods, but share in increased value. We know that tax credits can produce high-quality affordable housing, based on twenty years of history with the LIHTC. We also know that people who cannot afford to buy on-site housing can afford to buy manufactured housing

The tax code and market tools, which have benefited wealthy portions of our society, can be used with great effectiveness to expand homeownership to many who are traditionally at the bottom of the market. This is not a farfetched idea. We have all of the necessary tool for success. Now we need to work together to build the communities we all deserve.

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[71] For a fuller discussion of gentrification, see Kalefa Sanneh, The New Yorker, http://www.newyorker.com/magazine/2016/07/11/is-gentrification-really-a-problem, July 11 & 18, 2016. For a study of gentrification in New York City, supporting the proposition that gentrification results in increased rents, see NYU Furman Center, Focus on Gentrification, http://furmancenter.org/thestoop/entry/new-report-analyzes-new-york-citys-gentrifying-neighborhoods-and-finds-dram. May 9, 2016.