

RESEARCH ON TAP

The Global Housing Crisis: Lessons on Displacement, Affordability, and Homelessness

Wednesday, February 28, 2024

bu.edu/research/events



Boston University Office of Research

Agenda

- Welcome Remarks
- Presentations
 - Loretta Lees
 - Katherine Levine Einstein
 - Stephanie Ettinger de Cuba
 - Tom Byrne
 - Jade Brown
 - Molly Richard
 - Judith G. Gonyea
 - Maxwell Palmer
 - Kenton Card
 - Cornelius Hurley
 - Japonica Brown-Saracino
 - Keith McInness
 - Adam Guren
- Closing Remarks



The Global Housing Crisis and Planetary Gentrification

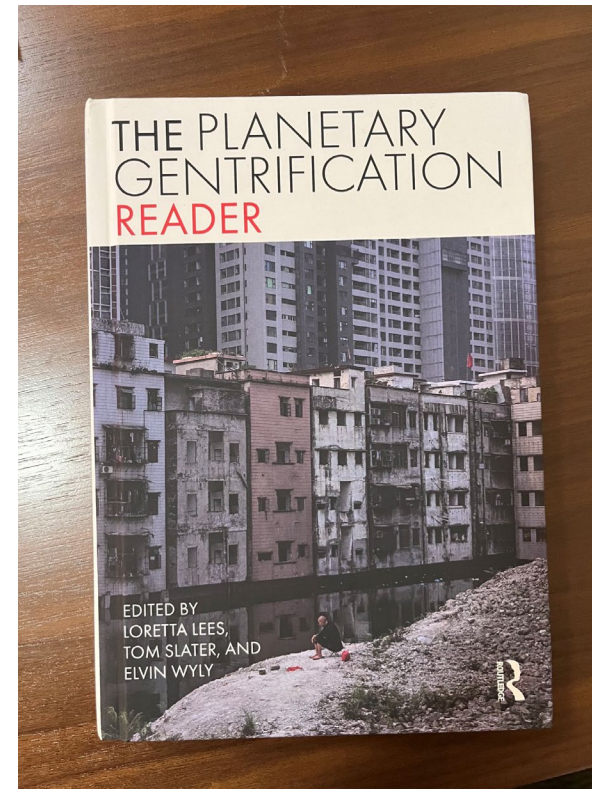
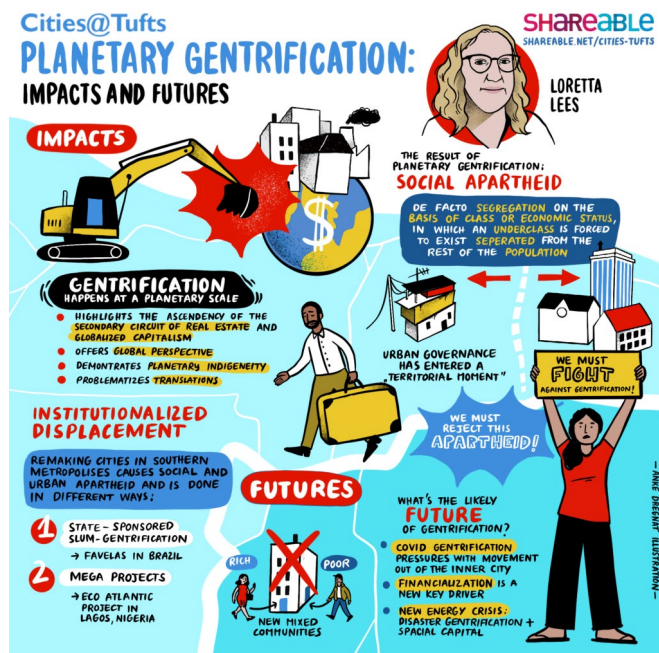
Loretta Lees

Director of the Initiative on Cities
& Professor of Sociology, CAS
[@LorettaCLees](#)

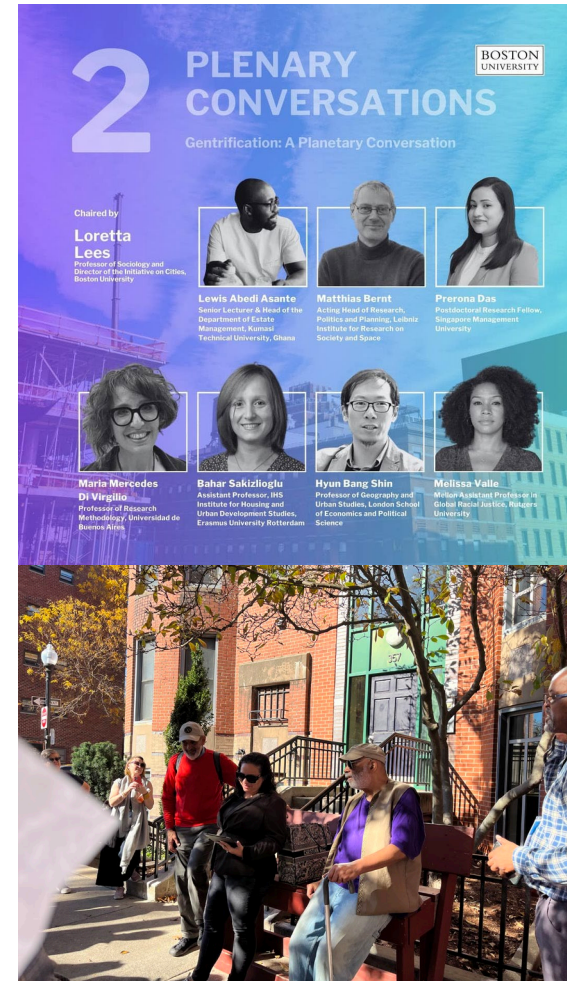
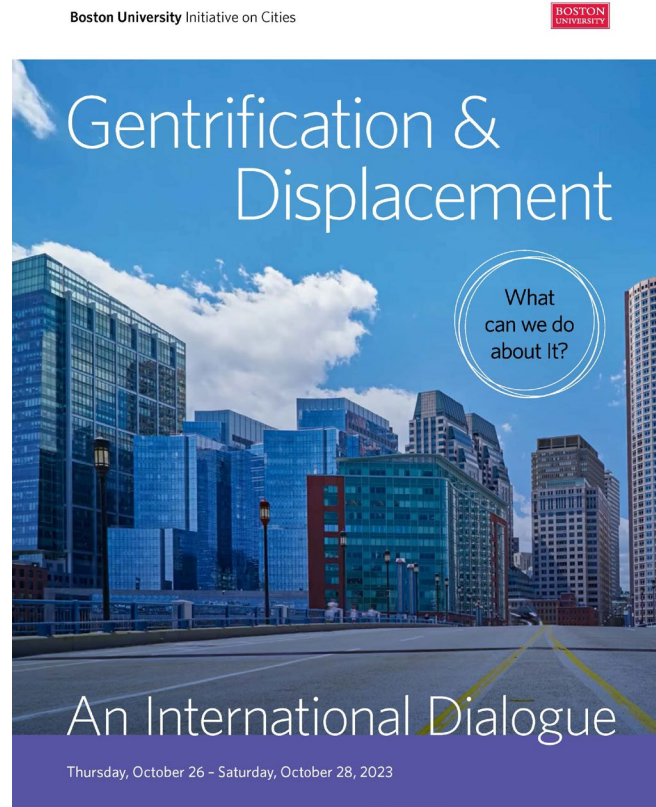


Gentrification is a Global Problem?

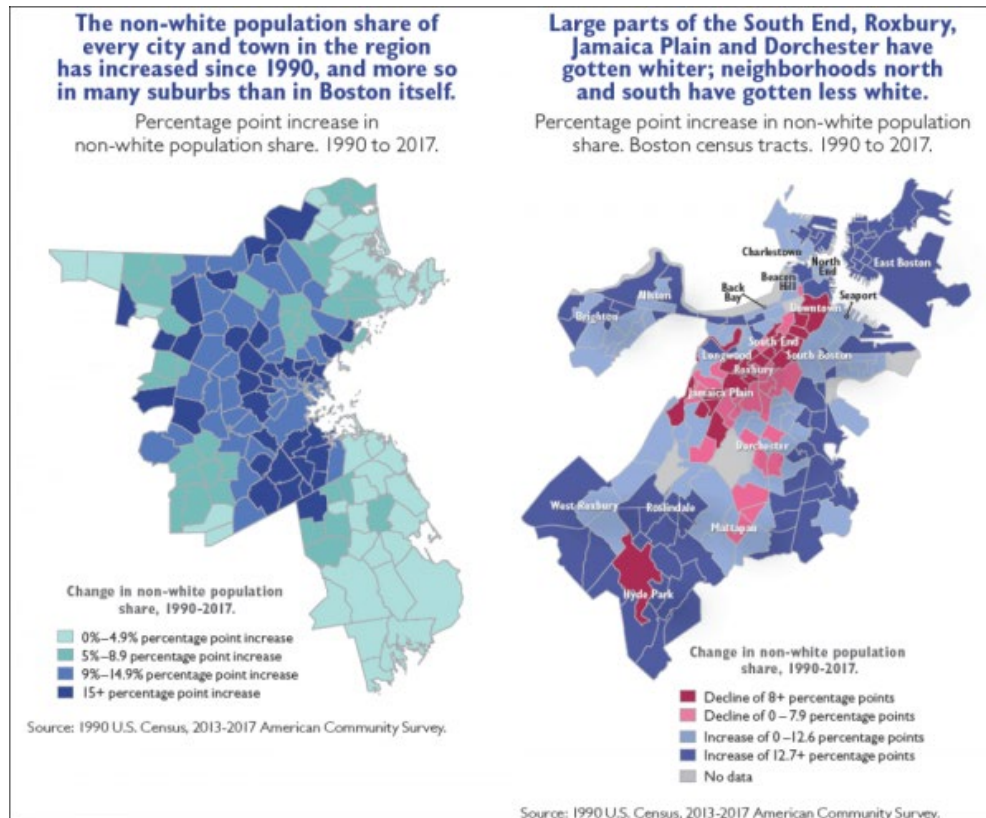
‘Avoiding gentrification is essential to ensure that all urban dwellers’ right to the city is respected’ (UN Habitat, World Cities Report, 2022)



Planetary Gentrification – a critical issue at Boston University



Boston: ranked the third most intensely gentrified city in the United States between 2013-2017



The Initiative on Cities' Research on Gentrification

HOUSING

Key Issue: Affordability

- Precarity: Gentrification & Displacement, Evictions, Informal Settlements, Homelessness, Overcrowding
- Housing Markets: Barriers to Growth, Supply, Zoning & Land Use, Equity/Ownership
- Urban Governance and Urban Sustainability
- Social Sustainability

HEAT

Key Issue: Extreme Heat

- Measuring, Mapping, & Forecasting Urban Heat
- Urban Heat Impacts: Wildfires, Flooding, etc.
- Nature-based Solutions & Ecosystem Services
- Adaptation & Mitigation: Climate Action Planning

HEALTH

Key Issue: Mental Health

- Healthy Cities: Built Environment & Green Space
- Housing Security/Stability
- Trauma, Poverty, Racism & Social Capital
- Migration

Open Access Book [in prep]: *Learning from communities fighting gentrification and displacement around the globe* edited by Loretta Lees, Japonica Brown-Saracino, Kenton Card, and Stefano Portelli, UCL Press.

Anguelovski, I., Kotsila, P., Lees, L., and Triguero-Mas, M. [under review in *Nature Cities*]: *From heat racism and heat gentrification to urban heat justice*.

Heat Racism: Characteristics and Measurements	
	Heat exposure and impacts linked to legacy of environmental racism and exclusionary development <ul style="list-style-type: none"> Quantitative modeling and impact assessments of landscapes of thermal inequity and unequal health outcomes Qualitative research of heat impacts on health, unequal access to individual or neighborhood protective infrastructure, and unequal ability to pay for cooling measures and home retrofits
	Lack of equity-centered municipal and private heat abatement strategies <ul style="list-style-type: none"> Qualitative research on municipal strategies failing to target or provide heat infrastructure and related benefits for socially vulnerable groups and on green grabbing processes by private actors Quantitative research on spatial mismatch between needs and space/infrastructure Quantitative research on lack of available heat vulnerability maps for planners and on heat-ignoring planning
	Heat gentrification <ul style="list-style-type: none"> Quantitative and qualitative research on increasing home prices and expenses in relation to private heat resilience strategies and on exclusionary housing practices Quantitative and qualitative research on housing displacement due to neighborhood green and grey resilience infrastructure investment Quantitative and spatial analysis on demographic shifts to peri-urban or rural areas as climate refugees

Why Don't Local Officials Pursue Policies that Would Increase the Housing Supply?

Katherine Levine Einstein

Associate Professor
Political Science, Boston University



Housing Supply, Housing Prices, and Zoning/Land Use

Figure 1: Housing supply and prices



Source: Federal Reserve Economic Data; National Association of Realtors Monthly Supply Data

<https://www.whitehouse.gov/cea/written-materials/2021/09/01/alleviating-supply-constraints-in-the-housing-market/>

Bloomberg

Wealth | Living

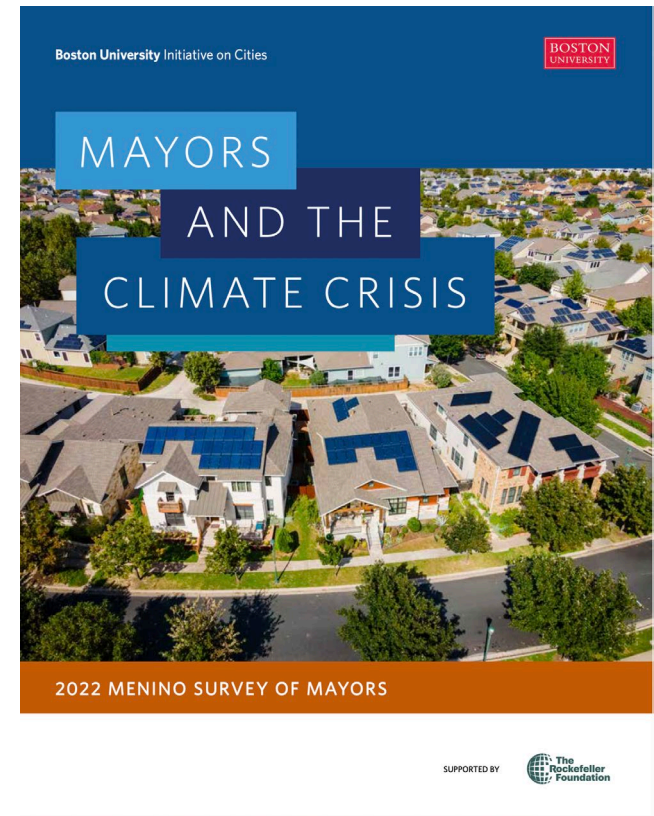
Rents Are Falling in Some US Cities, Thanks to New Apartment Construction

■ Austin, Phoenix and Atlanta rents drop with supply increase

Alec Stapp (@AlecStapp) on X
twitter.com

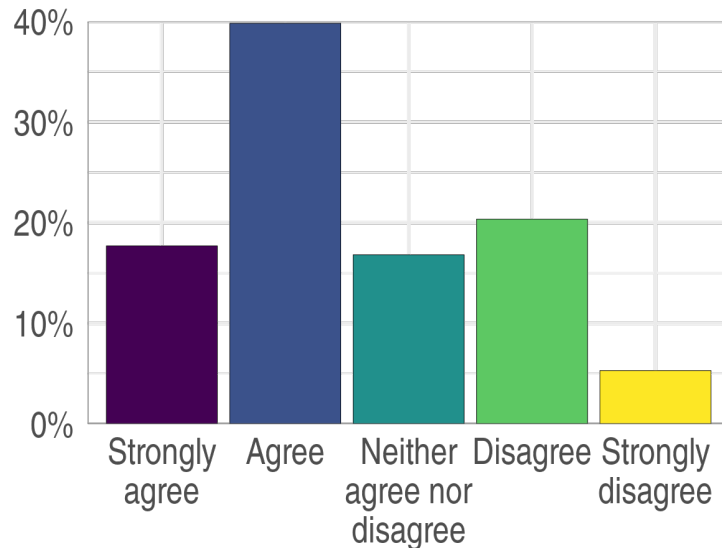
Housing Supply, Housing Prices, and the Menino Survey of Mayors

- In partnership with BU's Initiative on Cities, have surveyed mayors of cities >75,000 for 10 years
 - Pls: Katherine Levine Einstein, David Glick, Maxwell Palmer
- Asked a wide array of housing questions (among other issues)
- 3 key factors:
 - Misinformation about the effects of housing supply
 - Political constraints – changes to housing policy often deeply unpopular
 - Attachment to local control over land use

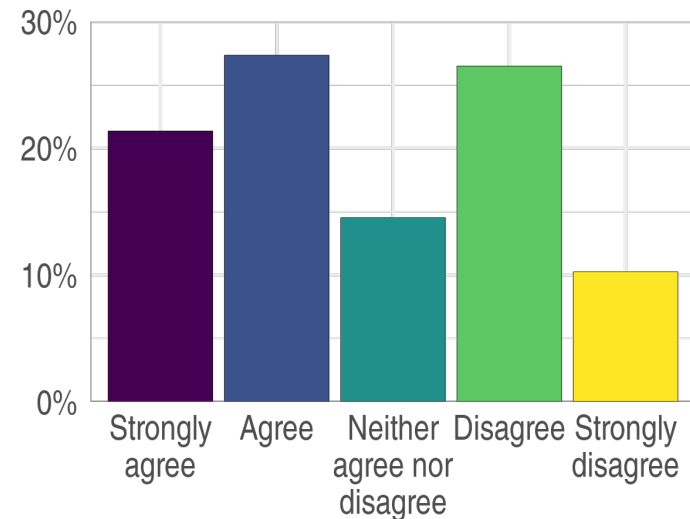


(Mis)Information about the Effects of Supply and Demand

Agree/Disagree: Building new market-rate housing in my city will reduce the cost of housing for residents.

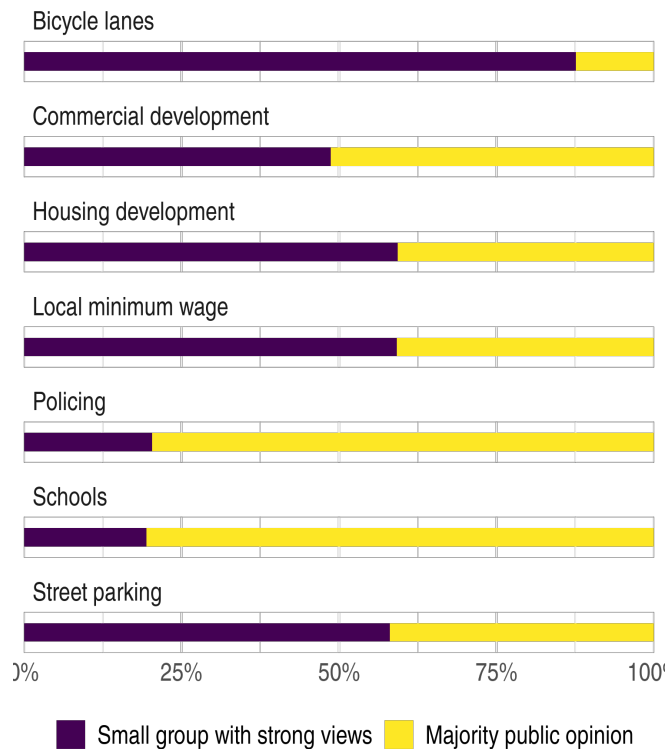


Agree/Disagree: Homelessness in my city is first and foremost a housing problem.



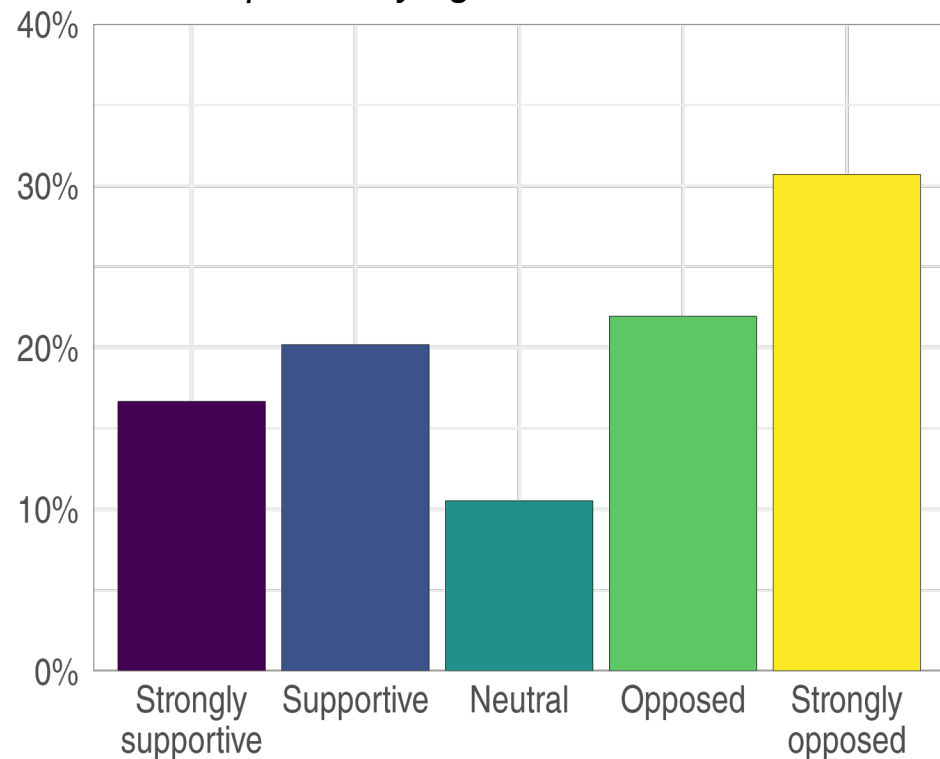
Political Constraints

For each of the following policy areas, can you tell us whether you think a majority of constituents or a small group has the greatest policy impact?



Local Control

Support/Oppose: Oregon and Montana recently passed legislation that required cities over a certain size (10,000 in Oregon and 5,000 in Montana) to eliminate single-family zoning and allow duplexes by right.





Climate, Housing, Family Health & Wealth

Stephanie Ettinger de Cuba, PhD, MPH

Research Associate Professor

Health Law, Policy & Management, School of Public Health

Executive Director

Children's HealthWatch, Boston Medical Center/Chobanian & Avedisian School of Medicine

Associate Director, Mental Health

Initiative on Cities

Thank you to my collaborators!

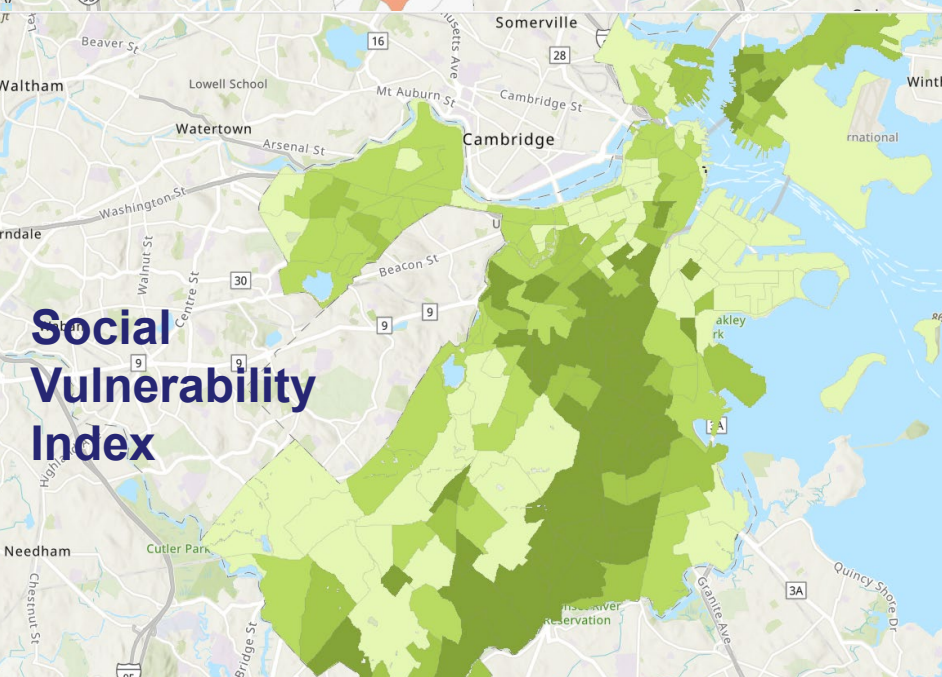
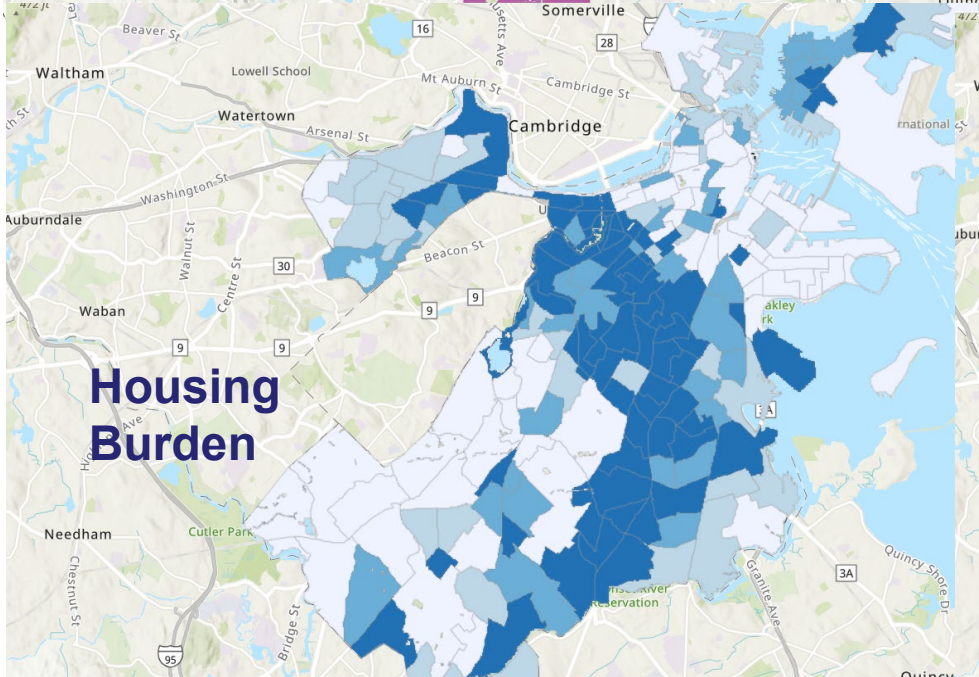
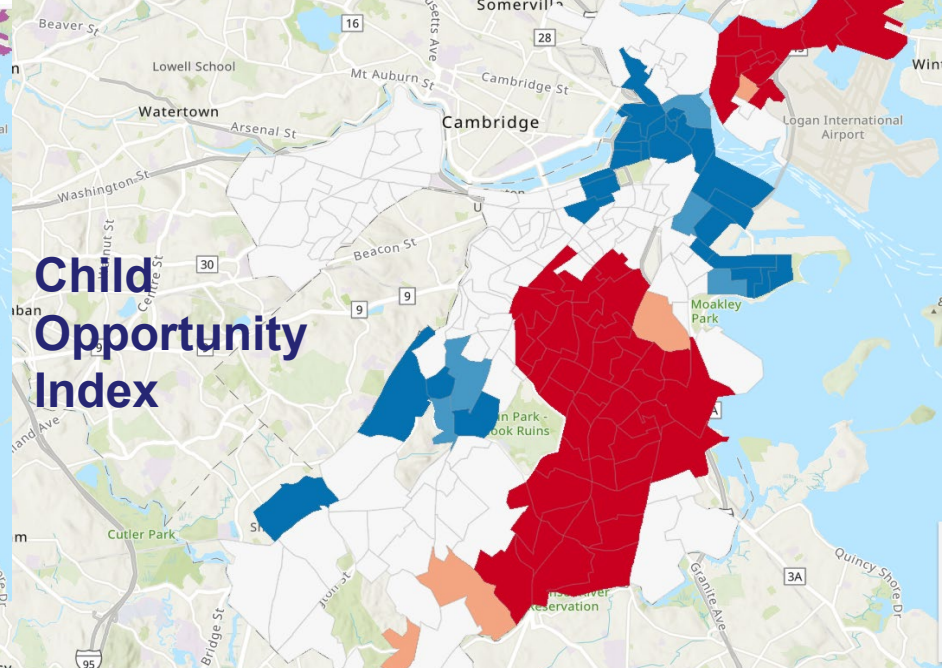
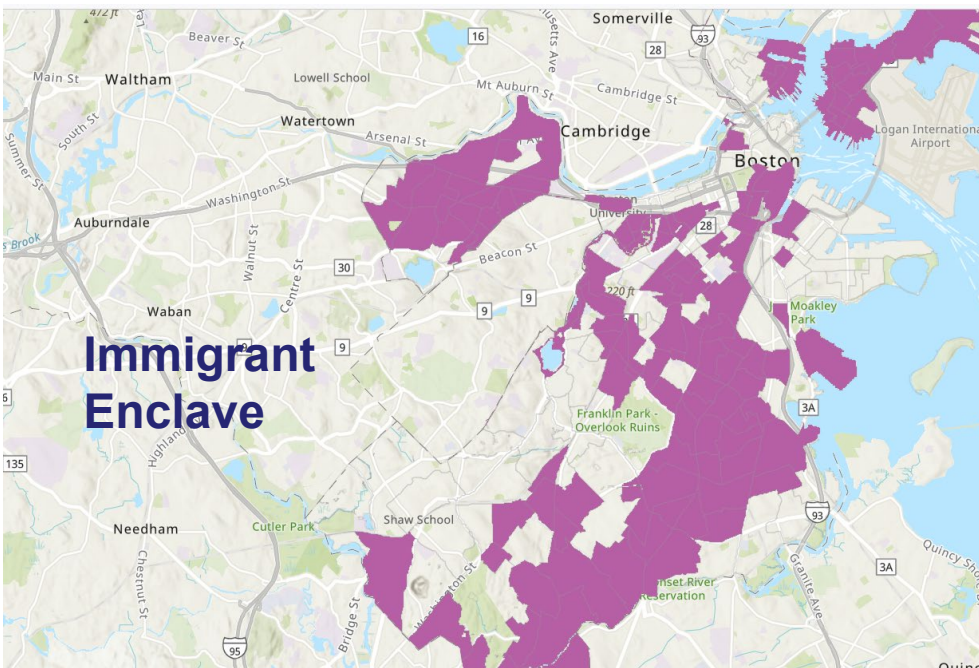
Kevin Lane, PhD (SPH Env Health), Talia Feldscher (Research Data Analyst, SPH Env Health) & MyDzung Chu, PhD (Tufts ADAPT)!



Boston University Office of Research

Examining social and environmental risks to child & family health

- Changing lifecourse starts at earliest stages
- Exposure to social + environment – unique intersections and impacts
 - Unique considerations for policy change
- Linking datasets to answer nuanced, cross-cutting questions
 - Children's HealthWatch: 25 years – ongoing cross-sectional survey of caregivers of young children bringing young children for care +
 - Electronic Health Record repository – diagnoses, health care utilization, and addresses → geocoding! +
 - Link to environmental, spatial data = “GeoJustice” collaboration



Housing Stability → Health:

Housing Burden
(Rent >30% of
household income
& income <\$75K)

- **Child Opportunity Index**
 - Little Rock – $p < 0.001$
 - Philadelphia – $p < 0.001$
 - Boston – $p < 0.001$
 - Minneapolis/St. Paul – $p < 0.001$
- **Social Vulnerability Index**
 - Little Rock – $p < 0.001$
 - Philadelphia – $p < 0.001$
 - Boston – $p < 0.001$
 - Minneapolis/St. Paul – $p < 0.001$

All cities: comparing highest and lowest quantile groups to each other (most and least vulnerable 20th percentiles):

As SVI increased and COI decreased (more vulnerable), average housing burden increased

Preliminary analyses

Next Steps for GeoJustice

Policy

- Investments - reducing cost burden: place-based interventions – supporting economic mobility

Research

- Linking Children's HealthWatch data:
 - *Survey data* (cross-sectional, detailed sociodemographic data, child and caregiver health/mental health outcomes, child developmental risk, public program participation/barriers, material hardships)
 - *Electronic Health Record repository data* (longitudinal, diagnoses, labs, and health care utilization)
- Deeper exploration of climate change (extreme temps), relationship to shelter cost – utilities! - & maternal and child health (immigrant enclave)

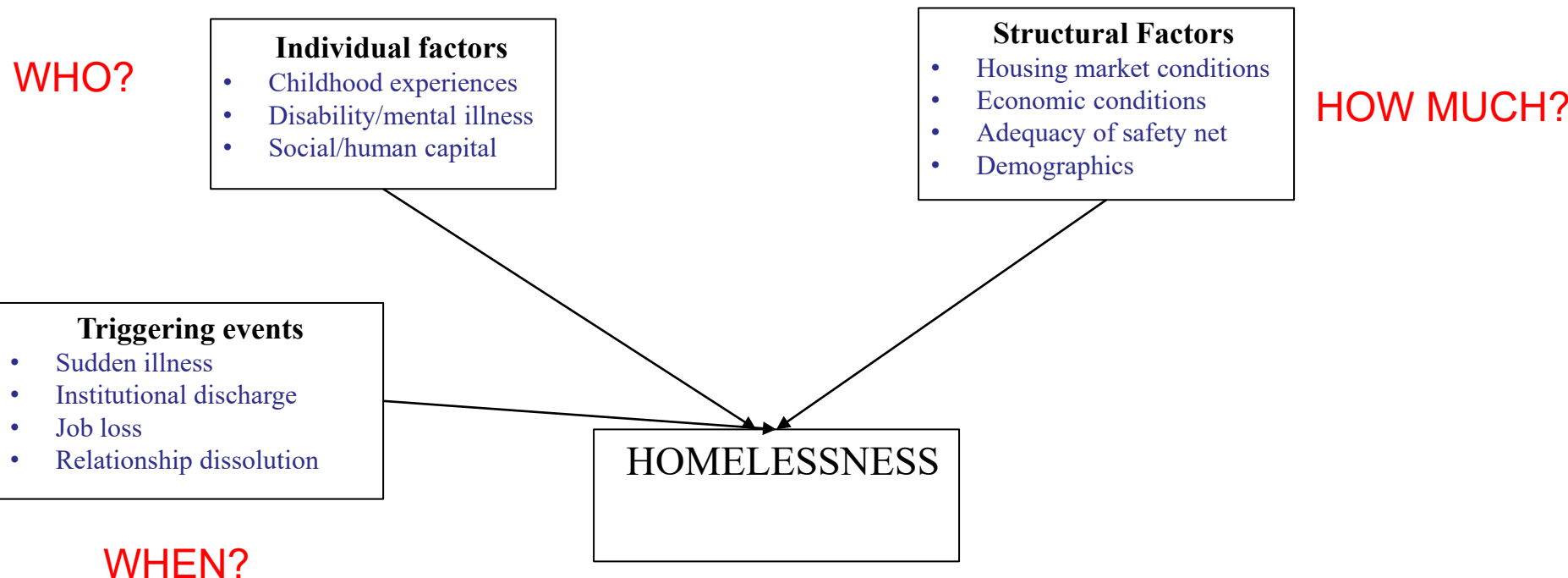
Housing Affordability and Homelessness

Tom Byrne

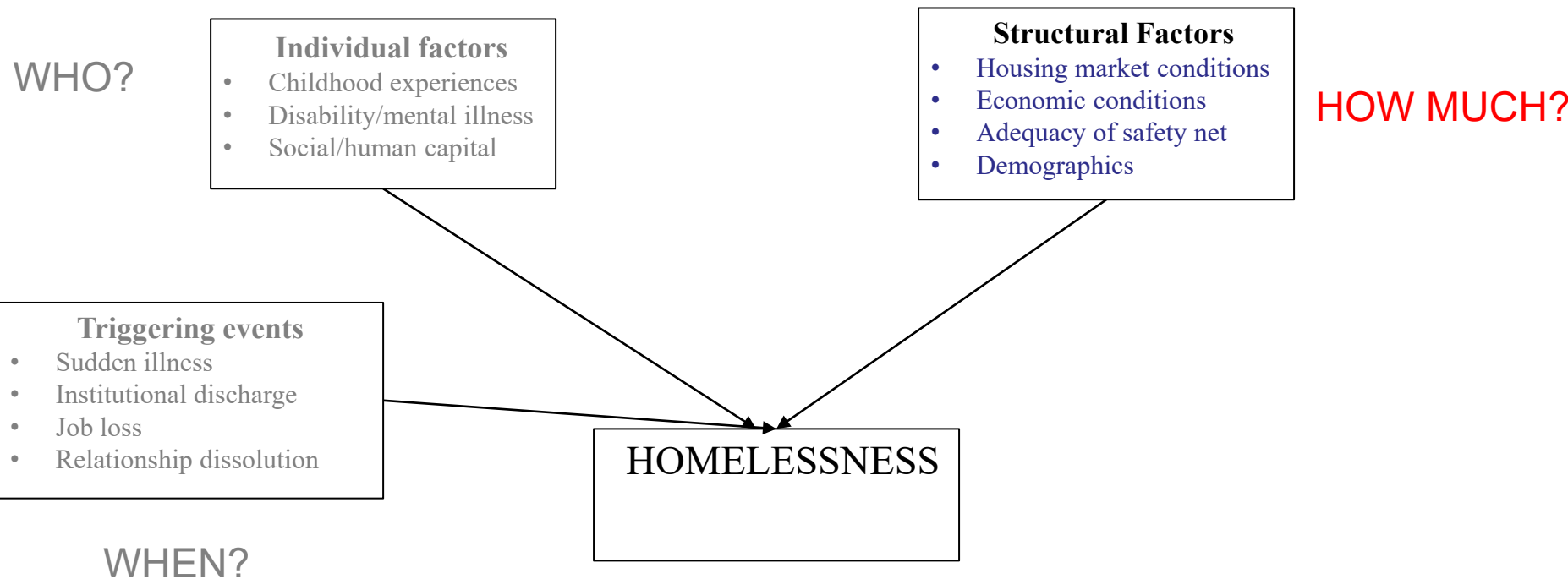
Associate Professor
School of Social Work



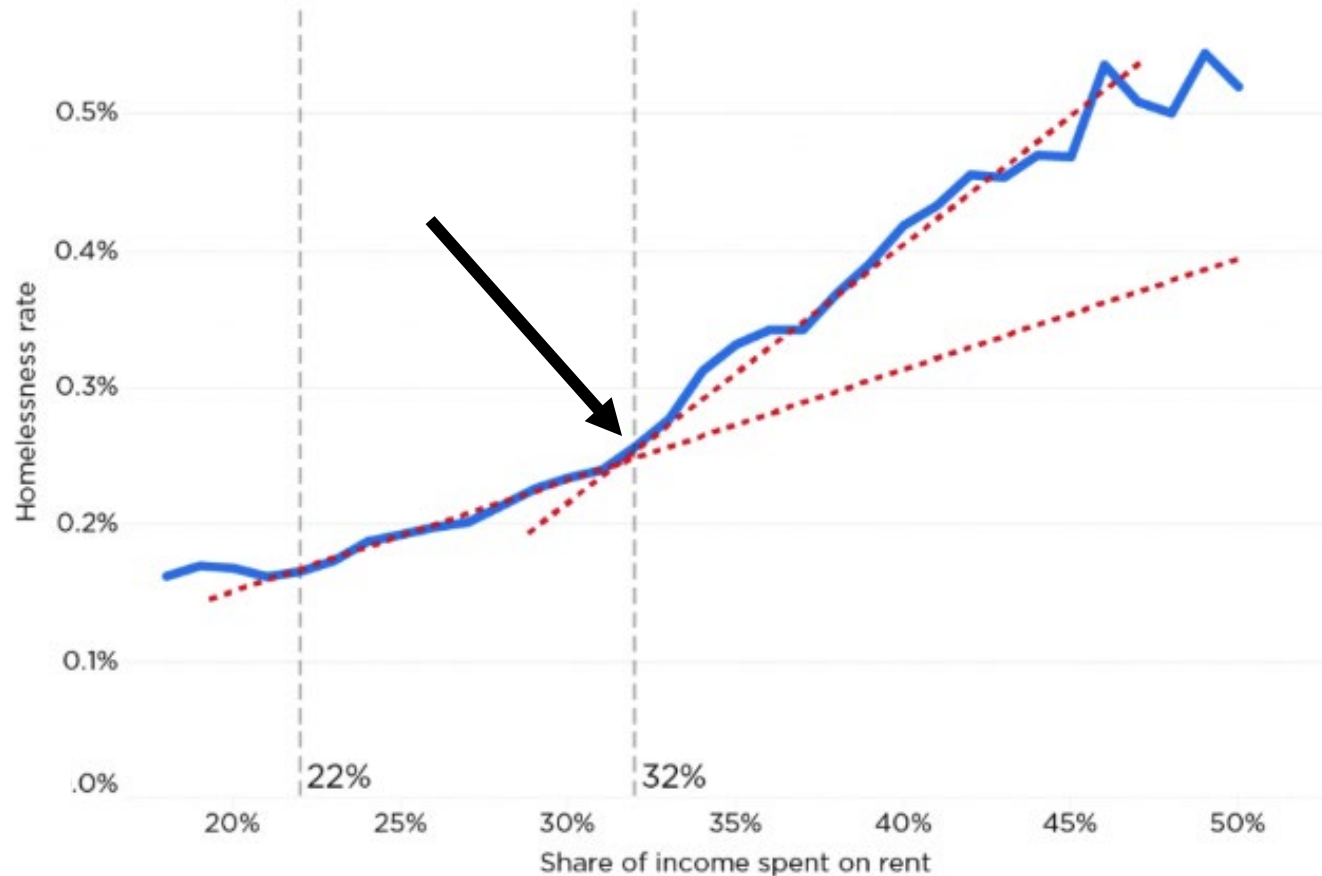
Causal Model of Homelessness



Causal Model of Homelessness



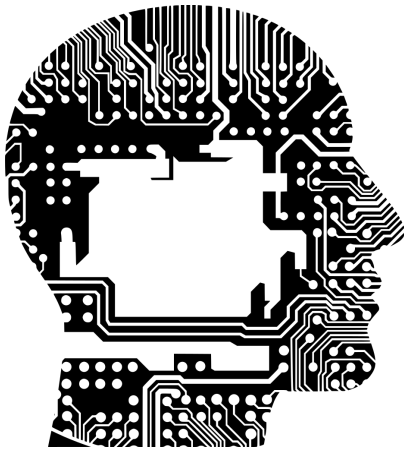
Homelessness Rises Faster Where Rent Exceeds a Third of Median Income



The Homeless Population is Disproportionately Concentrated in a Cluster of High Housing Cost Communities

	Group 1	Group 2	Group 3
# of Communities	138	189	54
% of Total Population	37%	48%	15%
% of Homeless Population	14%	38%	47%
Median rent (relative to national average)	-9%	-2%	+29%
Median rent / Median income	27%	29%	38%

How to Train your AI for Housing Justice



Jade Brown

Associate Clinical Professor
BU Law

The Housing Justice Gap

- 90% of tenants face eviction without a lawyer
- 4 states have *Right to Counsel*
- Post-pandemic evictions filings have increased



Benefits of ChatGPT



Four Key Legal Tasks:

Research
Drafting
Analysis and
Prediction



Others:

Time saving
Agency
Translation and
Dictation

AI Limitations and Concerns

- Hallucinations
- Jurisdictional differences
- Unauthorized practice of law/
replacement for lawyers
- Confidentiality

Using Chat GPT in A Housing Case

Background & Prompt

I should not be required to pay rent because my landlord is not providing heat in my apartment. Turn this into legalese, ChatGPT.

ChatGPT's Response

"By virtue of the principle of the implied warranty of habitability, it can be argued that the landlord's failure to provide a habitable living environment by withholding adequate heating in the leased residential premises may constitute a breach of the lease agreement. This breach could potentially give rise to a valid defense, potentially entitling the tenant to assert the withholding of rent as a remedy. [Caveats removed]"

Factors Associated with Racial Disparities in U.S. Homelessness

Molly Richard

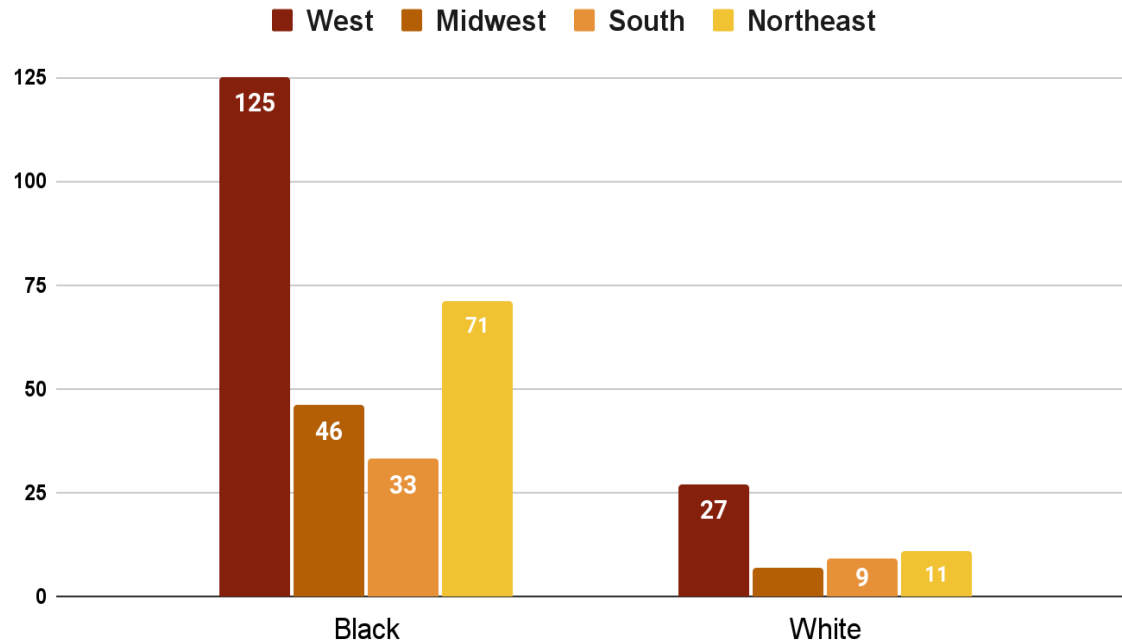
Postdoctoral Associate
Center for Innovation in Social Science, CAS



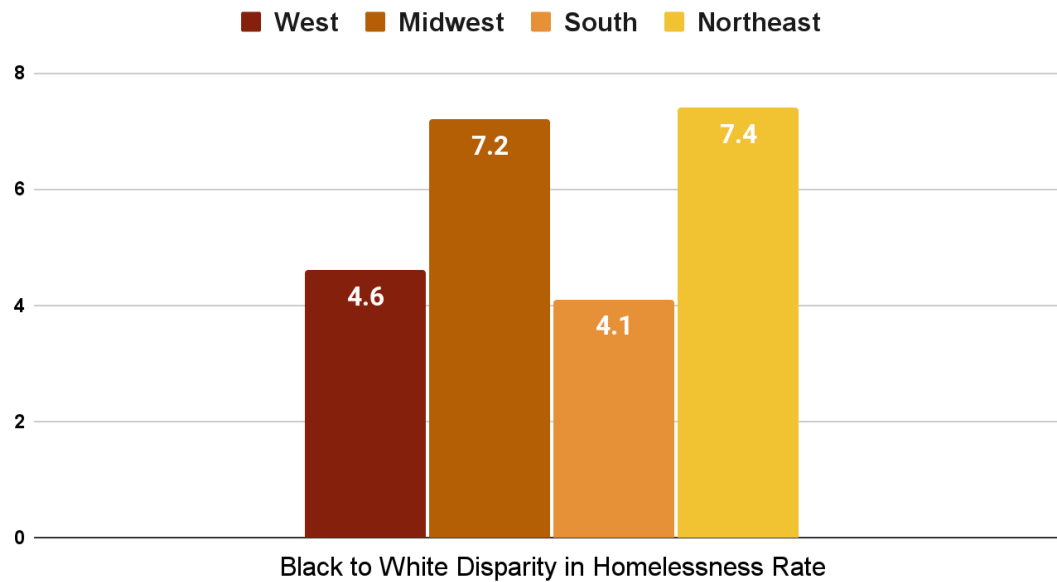
Race matters for understanding and addressing homelessness.

- Black people are vastly overrepresented among those experiencing homelessness in the U.S.
- Existing research shows that homelessness is primarily a housing problem, but this research has been limited by a colorblind approach to modeling area-level homelessness.
- **Question:** How do racial disparities in homelessness vary across urban & suburban areas, and what factors are associated with these inequities?
- **Data:** Annual counts of sheltered & unsheltered homelessness across 260 urban & suburban Continuums of Care (U.S. Dept of Housing and Urban Development geographic areas) for 2016-2020, alongside area-weighted population totals derived from the American Community Survey.

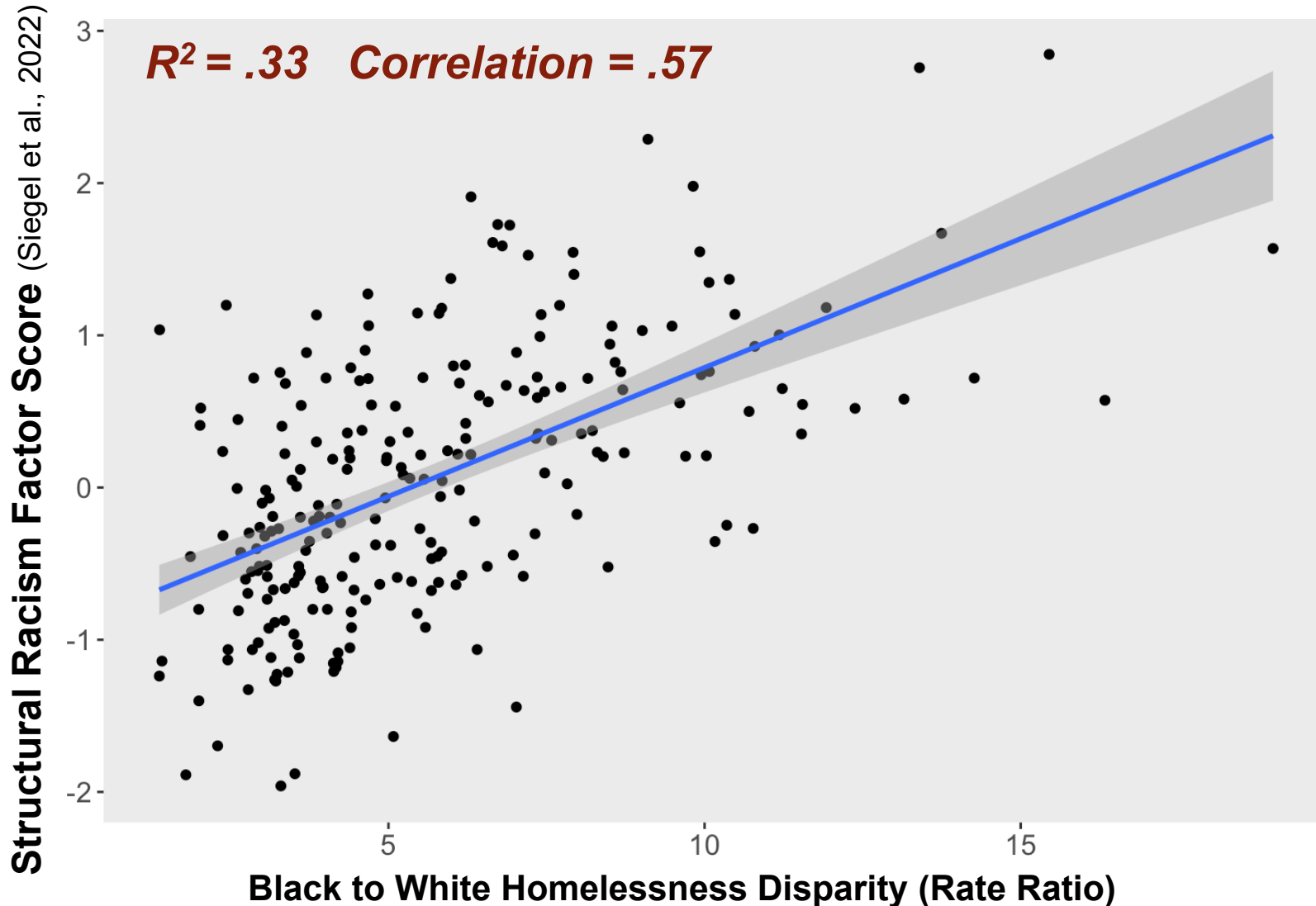
Homelessness Rate (People per 10,000 in the population)



Racial Disparities (Black to White Rate Ratios)



Key Finding: A multidimensional measure of **structural racism** (Black to White inequities across several domains, and their interactions) is significantly associated with homelessness disparities.



The structural racism factor score includes housing, education, employment, economic mobility, and criminal justice measures.

On their own, Black to White disparities in poverty, renter-household, and jailing/detention rates are the strongest predictors of homelessness disparities.

Implications:

Evidence that solutions to homelessness will fall short without addressing ongoing systemic racism and redressing past harms.



What Does it Mean to Age-in-Place When You are Homeless? Older Women's Navigation of Urban Streets and Shelters

Judith G. Gonyea, PhD

Professor
School of Social Work

Older homeless women have largely been an invisible population; however, this is changing as their numbers grow. Today, women represent about 30% of the single adult shelter population each night— half of whom are 50 years and older.

Through women's accounts, we sought to gain a deeper understanding of the impacts of shelter life and daily displacement onto the streets.



Population of Interest

We chose to focus on homeless women in the fifties as from a policy perspective they are “tweeners.”

Although their physical health often resembles housed counterparts in their 70s they are not eligible for Medicare and other old-age benefits. Yet, without dependent children, they also do not have access to family-related programs.

Sample Characteristics

Of the interviewed women: the majority were women of color, all were currently spending each night in a shelter, almost all met the federal definition of being “chronically homeless,” and almost all had been displaced multiple times.

Data Gathering (informed consent prior to interview)

Using a phenomenological approach, semi-structured guided interviews (lasting 50-60 minutes) were conducted by a MSW social worker. With permission, the interviews were recorded and transcribed verbatim.

**THE NEXT THREE SLIDES PRESENT THE SIX THEMES
EMERGING FROM THE DATA**



Theme 1: Shelters are dehumanizing places that stigmatize women and diminish their self worth.

Women rallied against being reduced to a one-dimensional identity “homeless”-- imbued with stigmatizing representations of personal inadequacies and/or moral weaknesses.

I think that they [shelter staff] should see the homeless as a human being. A homeless person is not a number. They always call us by bed numbers... We are all dumped together, but we are people with different belief systems, different cultures, different backgrounds... they think everybody who comes in there is a drug addict or a prostitute... The most painful thing about the homeless situation is that we are all dumped in one big, rotten pot—homelessness.”

Theme 2: Shelters are dangerous places; one must constantly be on guard to protect oneself.

The first two months in that shelter is the hardest. Let me tell you, it's like a little prison. It's hardcore! You've got bullies, you got all these people bumping into you, pushing you around. It's tough in a shelter. It's very territorial... I didn't get a locker because a lot of drama and fights break out there.



Theme 3: Shelters are “bare bones,” lacking physical and emotional comfort; one feels a deep sense of loss for the familiarity and routine of home.

Commenting on her current shelter conditions, one women shared,
I don't see any types of, you know um, consideration for older women, especially in terms of bunk beds... It's all first come, first served... you get whatever bed is there. There are no pillows. Sometimes they run out and you get one bed sheet and no blanket...

Another spoke of “being driven crazy” by shelter life,
I just need stability. Just some place where you can go every day and not have to worry about a certain time to eat, a to go upstairs to bed, to watch TV. You know what I'm saying?... I need my life to be where I have my place; where, I can be comfortable and do what I want.

Theme 4: In shelters, one loses a sense of control, self-determination and independence; one can feel powerless.

The women raised the regimented nature of shelter life and the stress of the daily unpredictability of living in a public space with no control over others' attitudes or behaviors.

I get up at 6 am. Lights up. Some staff are rude; some are nice. Some give you extra time; some put on lights earlier than they're supposed to. Some residents are cruel; some are respectful... Every day is different and it throws me off my routine. You go to your locker; you have to strip your bed of all the sheets. You deposit your sheets and scrubs into bins and then get yourself dressed and go down. There's breakfast from 6 to 7 am; the building closes at 8:30 am.

Theme 5: The streets and shelter “wear you down;” one’s physical and emotional health suffer.

Each morning, the shelter residents, many of whom are coping with serious health problems (e.g., diabetes, cancer, hypertension, arthritis, PTSD, anxiety, depression) face involuntary displacement onto the street.

I walk to my appointments because I’m indigent... It’s a long process. I have to take frequent breaks because of my medical condition... I’m menopausal... I have cancer, and it has hopscotched... I’m consumed with the domestic violence in my family, with worry about my health, and just navigating—just getting through the day—it consumes me.

Theme 6: The streets and shelters can weaken or disrupt social relationships and networks.

Contrary to the “loner” stereotype, women often spoke of their family and friendship roles and community connections. These relations provided positive identities, a sense of purpose, and access to social capital. Yet, limited resources often added to women’s challenges of maintaining these bonds.

Her cell phone stolen, this woman explained,
These are the only two places with phones--that’s it. There’s no phone at the shelter And, they’re clear across town. And, for me and my body, and I have to walk because I don’t have transportation.

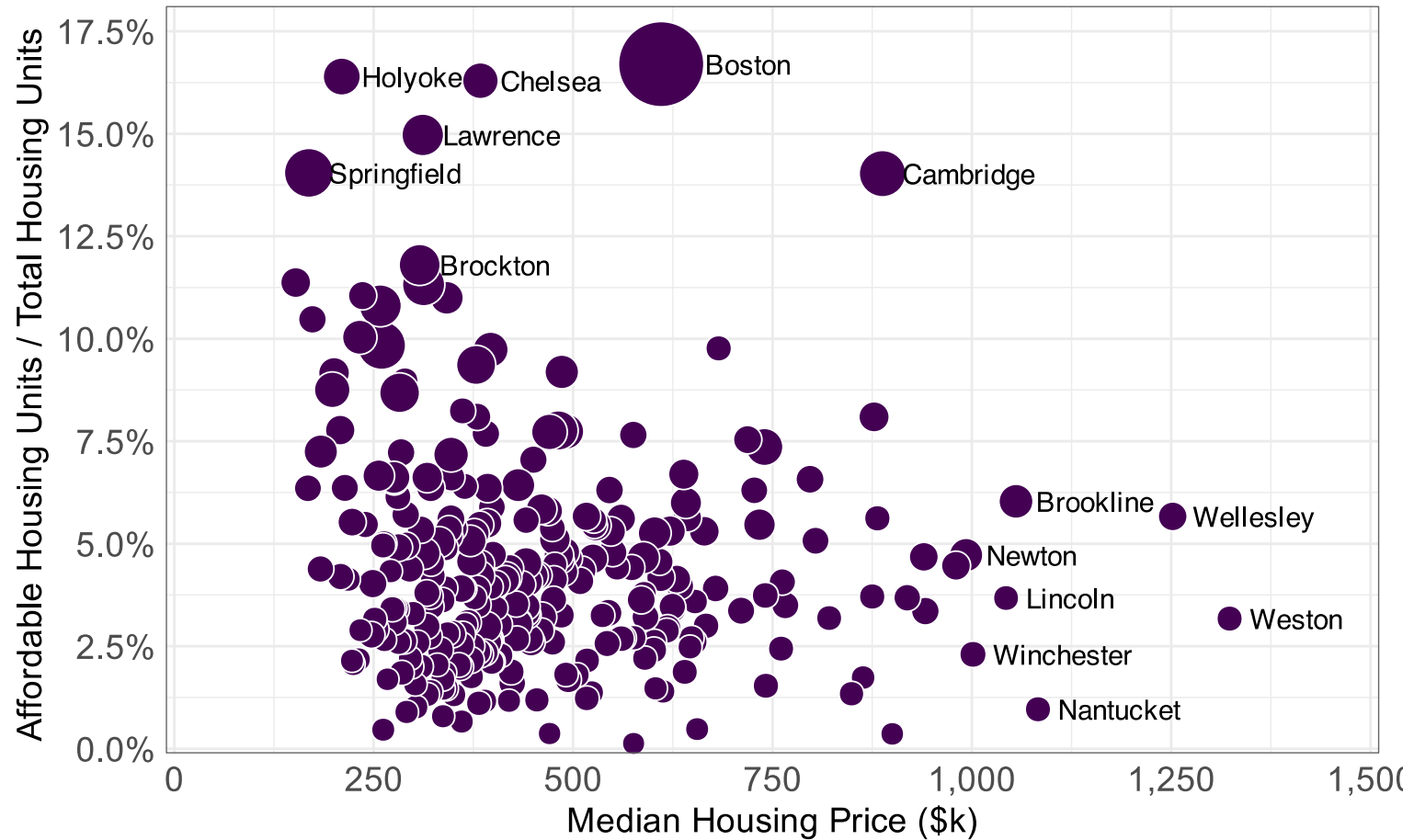
How Affordable Housing Can Exclude

Maxwell Palmer

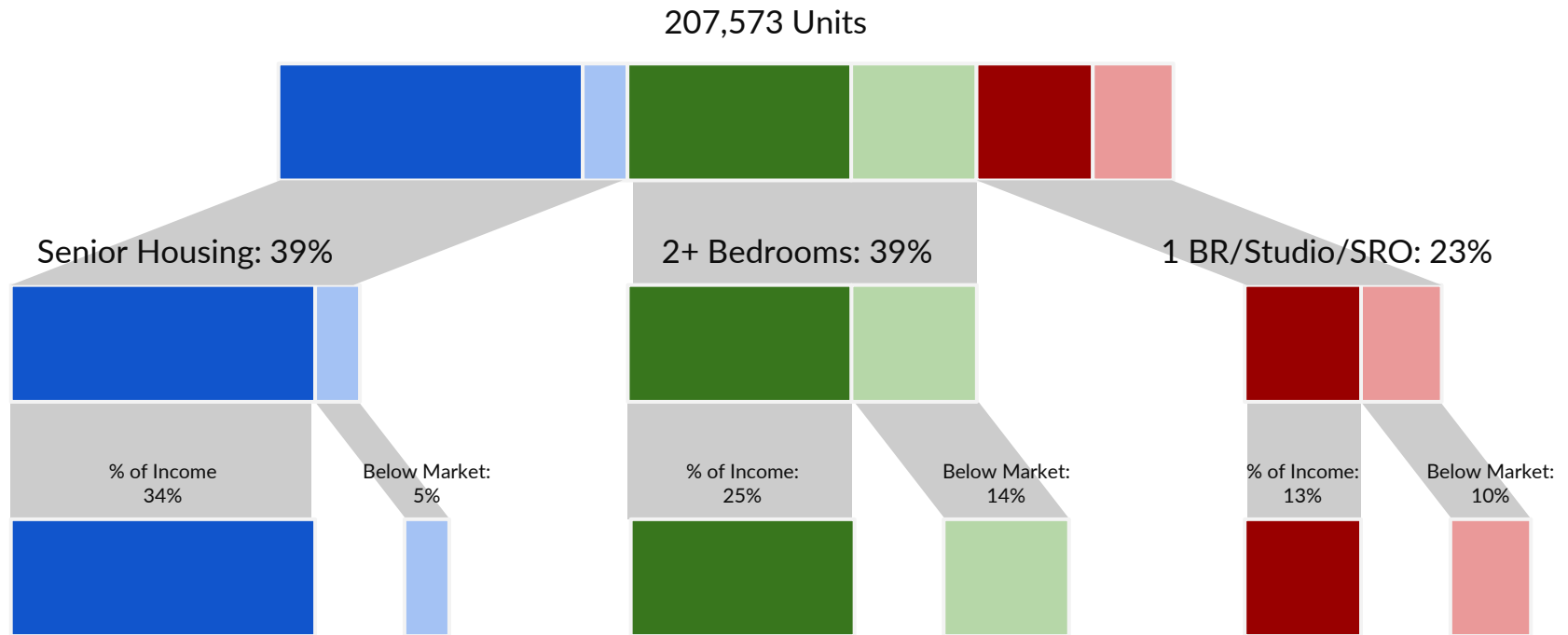
Associate Professor
Political Science, CAS



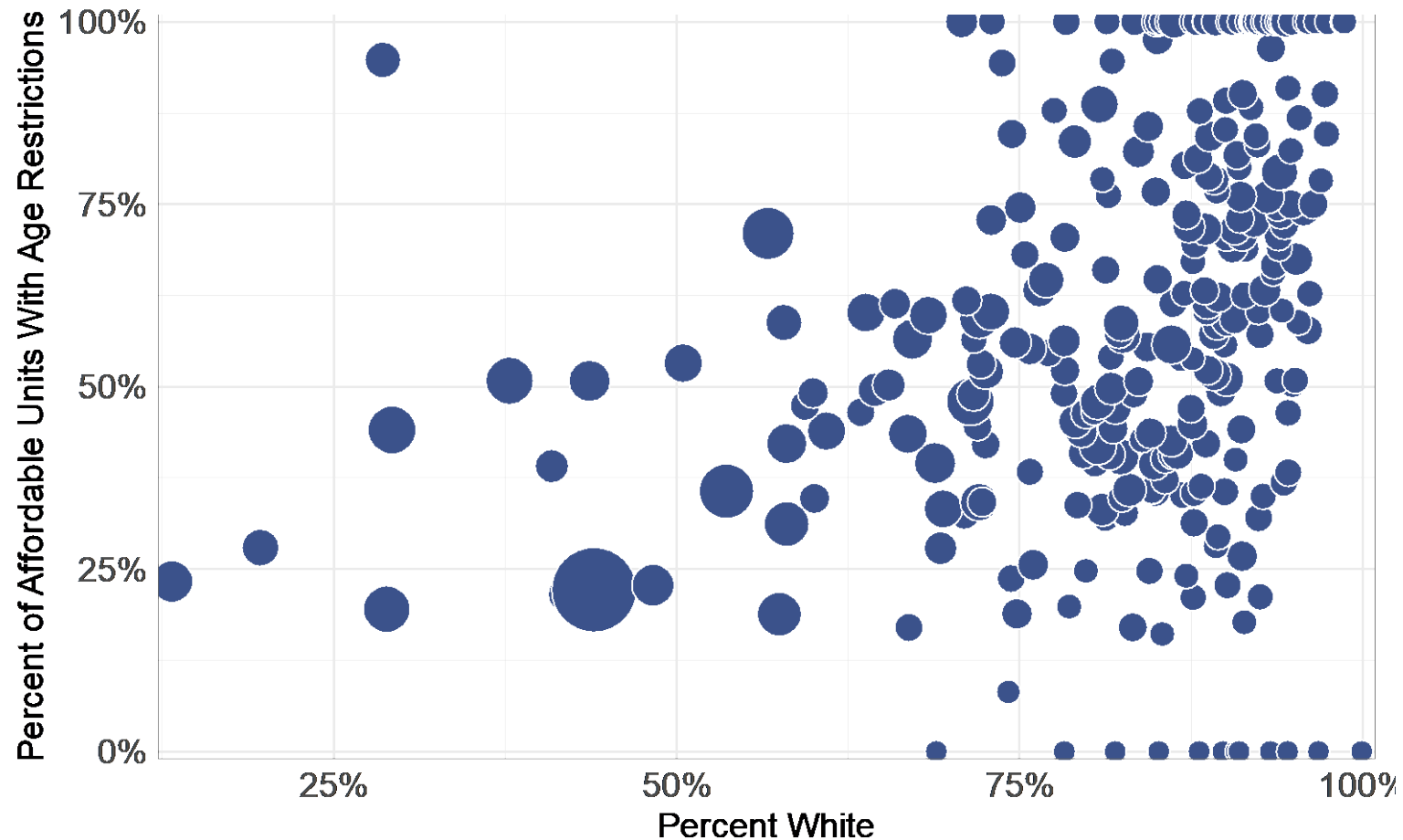
The most expensive towns have smaller shares of subsidized housing.



Only a small minority of subsidized units are 1 BR/Studio/SRO available for non-seniors.



White cities and towns are significantly more likely to restrict subsidized housing to seniors.



The New Politics of Housing in the USA

Kenton Card

Postdoctoral Research Associate
Initiative on Cities



Local – Tenant Movement Impact on Policy

How did rental housing policy change in Los Angeles between 2008-2020?

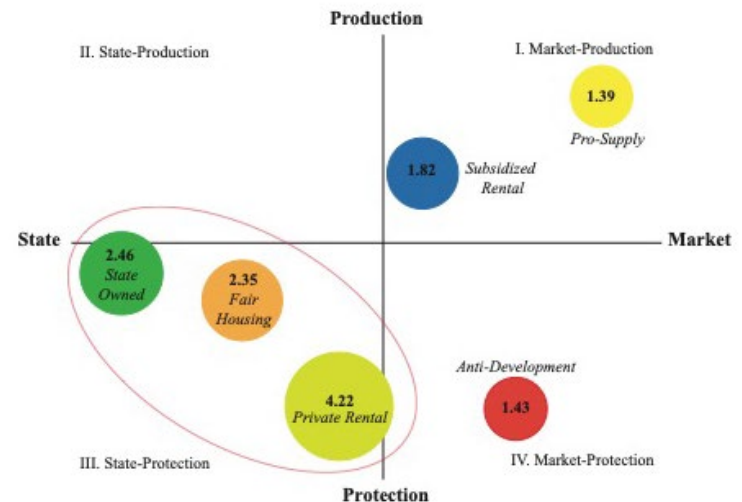
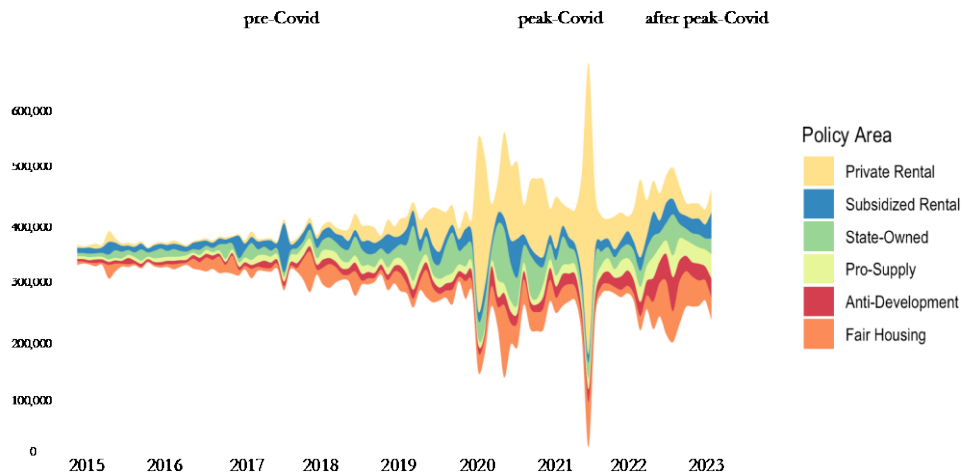
How did tenants influence policy?



National – Online Political Speech on Rental Housing Policy

How can we interpret the growth and changing structure of debate?

Panel A: All Tweets

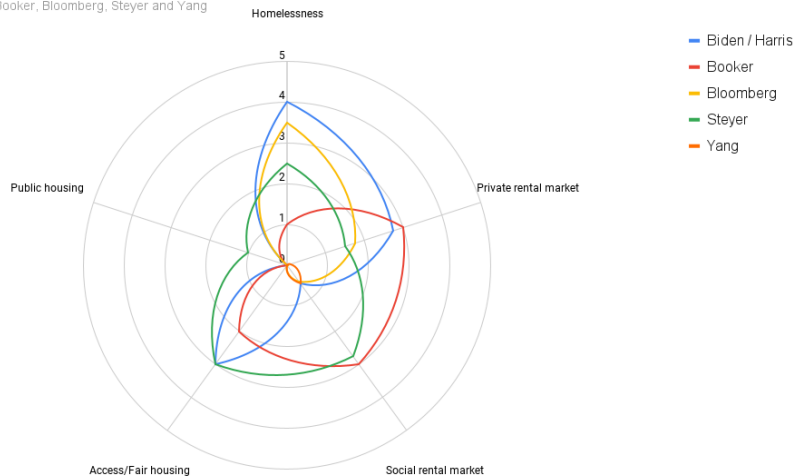


National – Housing Policy Platforms of Candidates

How can we interpret housing platform in the 2020 Democratic Presidential Primary?

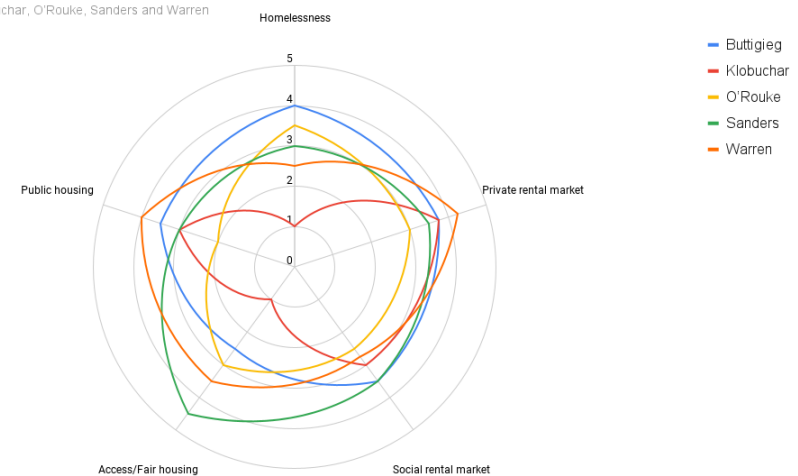
Establishment Democrats: Selective plans

Biden/Harris, Booker, Bloomberg, Steyer and Yang



Non-Establishment Democrats: Comprehensive plans

Buttigieg, Klobuchar, O'Rourke, Sanders and Warren



Multi-Scalar – Tenant Movement Impact on Federal Policy

How does the housing justice movement challenge neoliberal federal policy?

WE BELIEVE IN A NATIONAL HOMES GUARANTEE

In the richest country in the world, everyone should have access to safe, sustainable, and affordable housing.

We believe that the people closest to the problems are closest to the solutions. Our grassroots leaders are the experts of their own experience, and this platform has been shaped by the demands of people directly impacted by the national housing crisis, and built from a long tradition of tenant organizing.

BUILD 12 MILLION UNITS OF SOCIAL HOUSING - END HOMELESSNESS

The private market has failed to meet the needs of the people. We call for legislation to build 12 million new units of social housing to provide for 12 million "renter" households that are cost burdened and for the millions who are experiencing homelessness.

REINVEST IN EXISTING PUBLIC HOUSING

Public housing in the U.S. serves over 2 million people and existing units require at least \$70 billion in repairs. The government must reinvest in public housing, committing at least \$30 billion annually for five years, totaling \$150 billion.

PROTECT RENTERS - BANK TENANTS

Renters and bank tenants, another term for homeowners, are subject to unpredictability of unregulated and predatory industries that cause evictions, displacement, and foreclosure. We need a National Tenant Bill of Rights that includes Universal Rent Control, good cause evictions, right to counsel, and more to build the power of tenants.

PAY REPARATIONS FOR RACIST HOUSING POLICIES

The United States has never addressed the brutality of indigenous genocide and slavery, as well as other racist housing policies like redlining. The Homes Guarantee outlines a reparative framework that would compensate communities directly impacted by housing discrimination, and push for racial impact analyses of housing policy.

END REAL ESTATE SPECULATION AND DE-COMMODIFY HOUSING

Speculation is the process of buying property as a wealth building tool. For many, housing is a necessity and not a tool for wealth. We must end land and real estate speculation and call for tax measures and legislation that will commodify housing and create a system that is focused on meeting needs, not profit.

A GREEN NEW DEAL FOR HOUSING

The housing and climate change crises converge in the American household. We must upgrade existing housing stock and make it carbon neutral by fully electrifying buildings and retrofitting to reduce energy use. This will reduce long-term operating costs and energy consumption, and create millions of jobs across the country.

LEARN MORE AT HOMESGUARANTEE.COM

The New York Times

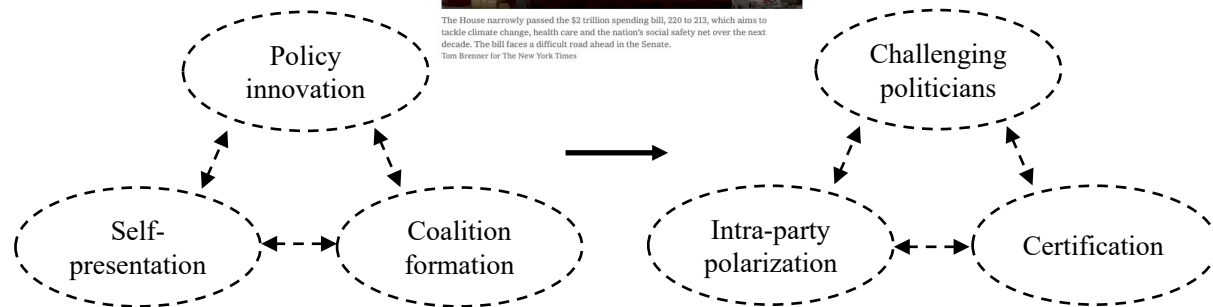
House Narrowly Passes Biden's Social Safety Net and Climate Bill

The vote was months in the making for the roughly \$2 trillion measure, one of the most consequential bills in decades. Now it faces a difficult path in the Senate.

Share full article

WASHINGTON, Nov. 21 (The New York Times) — The House of Representatives on Wednesday passed a landmark \$2 trillion bill to expand social safety net programs and address climate change, health care and the nation's social safety net over the next decade. The bill faces a difficult road ahead in the Senate.

Tom Brummer for The New York Times



**BOTTOM-UP POLICY AGENDA
FORMATION**

MOVEMENT-TO-PARTY IMPACT

Housing's Trillion \$ Mistake & Opportunity

Cornelius Hurley

Lecturer

Boston University School of Law (2002-Present)

Federal Home Loan Bank of Boston (2005-2021)



Are you **ANGRY** (you should be)?

- A Federal agency that is rife with waste, fraud & abuse
- \$1.6 trillion in debt
- All borrowed on taxpayer's credit card
- CEO makes \$3 million/year
- There are 11 CEOs . . . and 11 C-suites
- Agency created in 1932 to address housing crises, then **and NOW**
- Agency has turned its back on housing
- Instead, it gives cheap funding to banks ... at your expense
- For every \$20 taxpayer subsidy: \$1 to affordable housing, \$19 to banks
- It destabilizes the financial system, e.g., Silicon Valley Bank, etc.

FHLBs, aka, the “Flubs”, in a nutshell

- 1932 Created by Congress to address housing crisis
- 11 Flubs (Boston to San Francisco)
- Largest issuer of debt (after U.S. Treasury)
- \$1.6 debt outstanding (June 30, 2023)
- \$9.3 billion annual taxpayer subsidy
- Exempt from paying any federal, state or local taxes
- Have no material impact on housing (GAO)
- Regulated by FHFA (same as Fannie & Freddie)
- Most important asset . . . *Political clout!*

There is HOPE...

- FHFA calls for “new” mission to include housing & community development
<https://www.fhfa.gov/PolicyProgramsResearch/Programs/Pages/FHLBank-Focusing-on-the-Future.aspx>
- Legislation is in the works . . . Message: REFORM or ELIMINATE!
- Make each of the 11 Flubs a “[benefit corporation](#)”
- Allow nonbanks as members . . . nonbanks make most housing loans, or
- ELIMINATE the Flubs

What can I do?

- Call Tim Barrett (CEO of the Boston Flub, 617-872-7603): “You should not be making 5X what Susan Collins (CEO of the Federal Reserve Bank of Boston) makes.”
- Call Sen. Warren, Rep. Lynch, Rep Pressley: “Pass legislation to either reform the Flubs or eliminate them.”
- Call any banker you know: “Your bank should pressure the Flubs to stop spending taxpayers’ money on lobbyists to kill reform of the Flubs.”
- Promote reform of the Flubs on social media.
<https://twitter.com/ConsumerFed/status/1762229942744482003?s=20>

Gender and Housing: A Research Agenda

Japonica Brown-Saracino

Professor and Chair
Sociology, CAS



Celebratory Representations of Women's Homeownership

CityLab
Housing

Living the Dream? The Realities of Female Homeownership

The challenges for women homeowners may be more complex than the current narrative suggests.




The demographic patterns in female homeownership tell only one piece of the story. *Photographer: Issarawat Tattong/Moment via Getty Images*



By Robin Bartram and Japonica Brown-Saracino

Investing in Real Estate as Self-Care

Many women seeking independence after a breakup or divorce have discovered emotional empowerment and even healing in real estate investment.

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Guiding Research Questions

- Do increases in women's homeownership rates constitute an unambiguously positive trend?
- Are outcomes and experiences of homeownership equally good for all women and in all contexts?
- How do homeownership outcomes and experiences vary by place, over time, by demographic group, and across the life course?

Our Agenda

- *Annual Review of Sociology* article on literature on gender and housing
- Soon-to-launch qualitative study of women homeowners in two U.S. metropolitan areas

Supporting Veterans After Incarceration: Towards Preventing Homelessness

Keith McInnes

Research Associate Professor

Health Policy, Law, and Management, BU School of Public Health

&

Center for Healthcare Organization and Implementation Research

VA Boston and VA Bedford

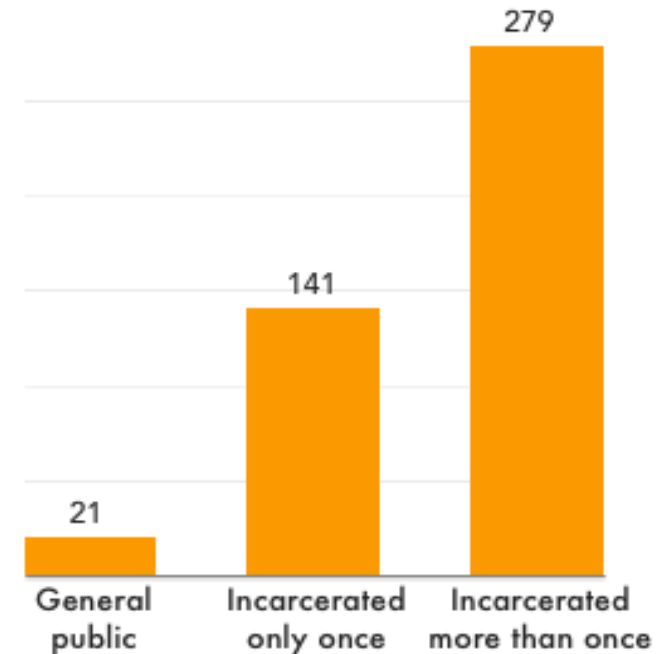


PROBLEM: Housing after incarceration (in US)

- 700,000 released from prisons each year (West 2010).
- Incarceration doubles the homelessness risk, due to triggers:
 - a) miss a rent/mortgage payment
 - b) share housing to reduce costs
 - c) risk being evicted (Geller 2011).

The revolving door of prison contributes to homelessness

Number of people experiencing homelessness in 2008, per 10,000 population



(Couloute 2018)

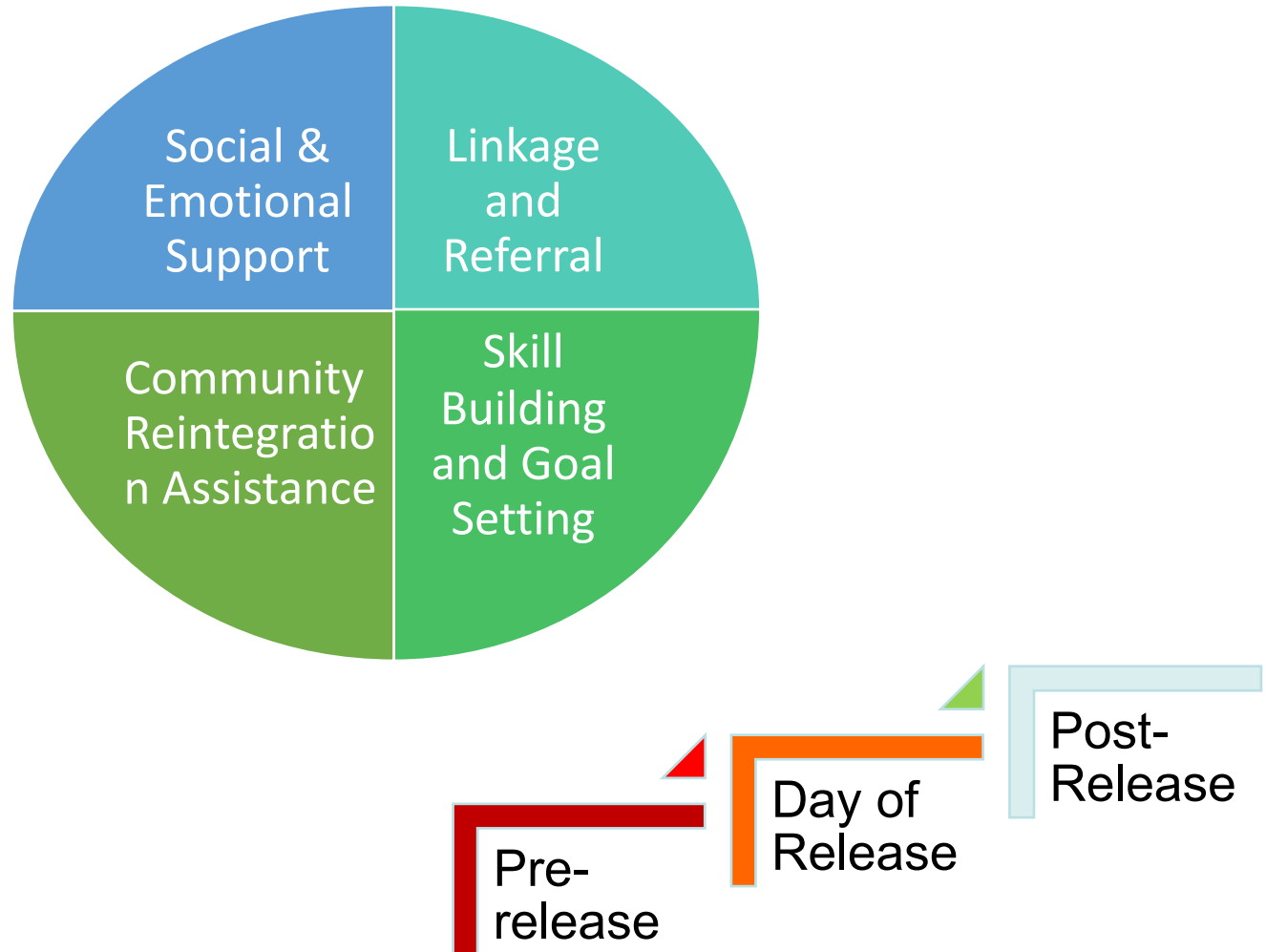
(Refs: West, Sabol, and Greenman 2010; Geller and Curtis 2011; Couloute, L. 2018).

VA ENGAGES: Peers supporting returning veterans

Post-Incarceration Engagement (PIE) Program

- Augments case managers from the VA's Health Care for Reentry Veterans (HCRV), but with peers providing support ~ 6 months.
- Use VA's *Whole Health*: patient-centered & orient to life goals
- Maintain connections with correctional and community agencies
- Peers trusted & respected: veteran status and criminal justice involvement
- Piloted in 1 state – expanding to 5 more.

ELEMENTS OF PIE PEER PROGRAM



PEER MODEL BENEFITS

- Veterans permanently housed (84%)
- Peer supported group vs comparison group:
 - Substance Use Disorder treatment (86% vs 19%)
 - In mental health treatment (93% vs 64%)
 - Mean outpatient visits per month (2.2 vs 0.78)

(Hyde 2022 Hlth Just)

- Began in Massachusetts, now expanding to:
 - New Hampshire
 - Texas
 - Arkansas
 - Nevada

Residential Housing Construction in Boston: Headwinds and The Potential Impacts of Property Tax Abatement

Adam Guren

Associate Professor of Economics
CAS



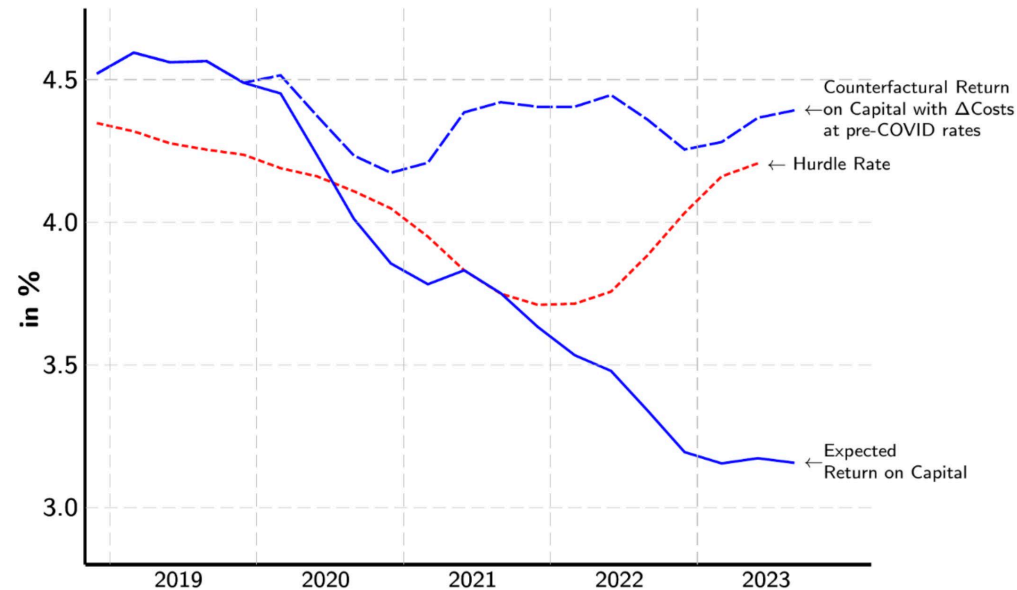
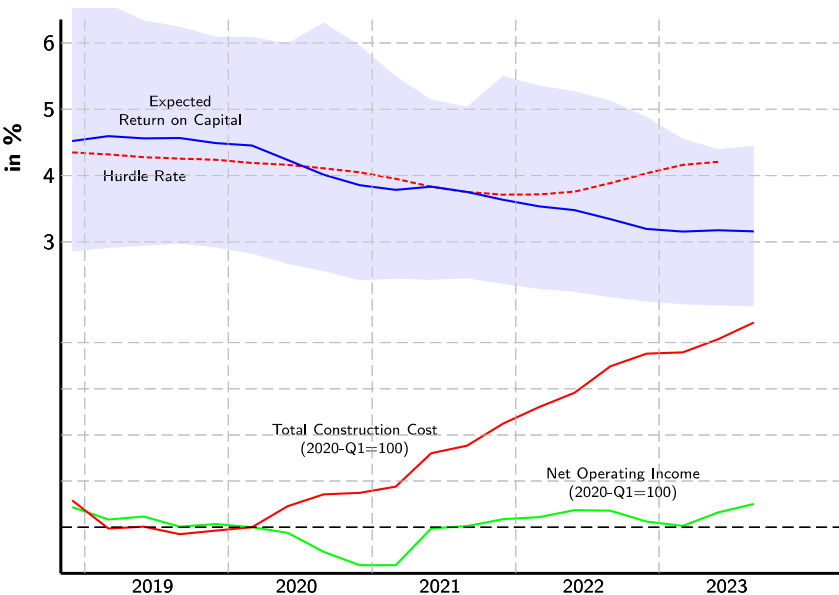
What Has Stalled Construction of Rental Housing in Boston? What Can Be Done to Jumpstart It?

- Historically large backlog of market-rate multi-family rental housing that has been approved but not started construction.
 - About 7,795 units as of summer 2023.
- Mayor Wu asked our committee to analyze potential for property tax abatement to jumpstart construction (taxes are 1% of value).
 - Acknowledge rest of committee: Ed Glaseser (Harvard), Denise Di Pasquale (Harvard), Patricia Alejandro (HLS), Mary Ellen Carter (BC), and Paul S. Willen (Boston Fed).
 - Speaking for myself and not them, their institutions, or Federal Reserve Bank of Boston.
- We did not make policy recommendations but described costs and trade-offs to mayor of different policies.
 - Citing some of the points we made, Mayor Wu decided not to pursue any policy.

How Do Developers Decide Whether to Build?

$$\frac{\text{Expected Return on Capital} - \text{Hurdle Rate}}{\text{Construction Cost}} \geq \text{Hurdle Rate}$$

$\text{Expected Return on Capital} = \text{Net Operating Income} \times \text{Times}$
 $\text{Construction Cost} = \text{Land Costs} + \text{Hard Costs} + \text{Soft Costs} + \text{Financing Costs}$



With 40% cost increase and 1-2% hurdle rate increase (more than in figure), very few buildings that were drawn up pre-pandemic make sense to build today.

What About Tax Abatement?

- Calculate NOI/Cost for every building that has been approved but not yet built. Then alter tax policy under several different hurdle rate scenarios.
1. **No Panacea:** Even the most generous policies will only create about 1,800 relative to 7,795 units in the pipeline. Cost-effective policies will create fewer than 1,100 units.
 - Taxes are 1% of value, so can increase NOI/Costs by 1 percentage point with abatement. But very few units are within 1pp of being profitable.
 2. **The present value tax cost (tax expenditure) per unit to the city is over \$167k per unit** for every policy and scenario and over \$400k for some.
 - The **inability to target tax relief to marginal units** makes this policy expensive, as builders who would have built anyways receive a subsidy.
 3. **The most cost-effective policies involve a cap on per unit subsidy.** A cap shrinks tax subsidy to luxury buildings and cost of policy more than it reduces units built.
 - Cost per unit for 15-year \$5k cap is \$206k-\$293k; 29-year \$238k-\$345k.
 4. The most significant long-run concern for Boston is **construction costs**. Tax subsidies cannot make up huge rise in construction costs, which need to be tackled directly.

THANK YOU!



UPCOMING EVENTS

Learn more & RSVP: bu.edu/research/events
Topic ideas & feedback: bu.edu/research/topic-ideas

RESEARCH ON TAP

Climate Change and Infectious
Diseases

March 27 | 3-5 pm

BU and Africa: Culture, Development,
Health, Environment, and Governance

April 8 | 4-6 pm

RESEARCH HOW-TO

Celebrating Women in Research:
International Women's Day Panel

March 7 | 1-2 pm

Meet the Gordon and Betty Moore
Foundation

March 26 | 4-5 pm

