



**Issue Backgrounder**  
**2003-G**

# Housing and the American Dream

*Denver's high housing prices prevent low-income people from attaining the American dream. The Center for the American Dream will promote affordable housing by finding ways to protect neighborhood values without needless regulation.*

Independence Institute • 14142 Denver West Parkway, Suite 185 • Golden, Colorado 80401 • 303-279-6536 • [i2i.org/cad.aspx](http://i2i.org/cad.aspx)

Two out of three American families own their own homes, and homeownership is truly the American dream. But it is more than just a dream: Homeownership is a key component of wealth production in this country.

Homes are more than just shelter. The equity people own in their homes can be put to work. People can borrow against that equity to put their children through college or start small businesses. "The single most important source of funds for new businesses in the United States is a mortgage on the entrepreneur's house," says economist Hernando DeSoto.

Unfortunately, some people have been left behind. While nearly three out of four white families own their own homes, only about 45 percent of black and Hispanic families own their homes. This lack of homeownership is not only an indicator of poverty, it is an obstacle to getting out of poverty.

High housing prices are a particular obstacle to low-income people in Denver, where a typical, four-bedroom, 2,200-square-foot home costs more than \$250,000. That same home would cost less than \$150,000 in Colorado Springs, even though Colorado Springs has been growing slightly faster than Denver.

What is the reason for the difference? According to a paper recently published by the Harvard Institute of Economic Research, housing affordability is strongly influenced by the level of land-use regulation. For example, the paper found that doubling the time it takes to get a permit for a modest subdivision reduces the amount of affordable housing by 15 percent. "Difficult zoning seems to be ubiquitous in high-cost areas," says the paper.

This is clearly seen by comparing home prices in Denver with other major cities. Las Vegas, the nation's fastest growing major city, has minimal zoning require-

ments, and that 2,200-square-foot home would cost only \$188,000. Houston has no zoning, and the same house costs only \$162,000. At the other end of the regulatory scale, the same home in Portland costs \$276,000 and in San Jose it costs \$630,000.

Planning advocates are quick to blame unaffordable housing on demand. But, as noted, Las Vegas has grown faster than Portland or Denver, and all three have grown faster than San Jose. The real problem is the inability of homebuilders to keep up with demand due to stringent land-use requirements.

While high housing prices are good for people who already own their homes, they are bad for homebuyers, including people who may want to buy up to a larger home. There is also the danger of a housing bubble, which is currently a serious threat in San Jose.

The impact of high housing prices falls greatest on the poor, who are prevented from using homeownership as a way of building their wealth. Regulatory advocates seek to correct this problem through a variety of subsidies and regulations, such as inclusionary zoning. However, these help only a tiny number of people and in most cases, such as inclusionary zoning, they actually making housing for most people even more expensive.

"Building small numbers of subsidized on housing units is likely to have a trivial impact on average housing prices," says the Harvard paper. "If policy advocates are interested in reducing housing costs, they would do well to start with zoning reform."

The Center for the American Dream will help Colorado housing advocates oppose needless regulatory zoning. The Center will find alternative ways to solve the problems that regulation is meant to address without imposing high costs on homebuyers.