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RESPONSE



Does the Likely Demographics of Affordable Housing [Motivate] NIMBYism

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I must begin by thanking the authors of these three coauthored responses for their passionate, well-documented, and finely argued rebuttals to our article (Wassmer & Wahid, 2019), which I received just a few weeks after the article's online publication. Such a quick response is possible given *Housing Policy Debate's* commendable policy of widely promoting its forthcoming in-print articles through social media. The promotion of our article caught the attention of these academics and a journalist who chose to feature a description of our article's findings, titled "Why Not Try a Cap-and-Trade System for Low-Income Housing?," on the *Atlantic Magazine's* CITYLAB website (www.citylab.com). Clearly, the relationship between not-in-my-backyard (NIMBY)ism and the lack of affordable housing construction is an important policy issue that academics, policymakers, and the public are deeply interested in.

Let me be very clear at the start of this response that I frame this issue within my observations of stakeholder efforts to implement equitable housing policy in California. I am fine with the commentators' focus on past injustices and what social justice demands, but I remain concerned that righteous indignation and cursory policy thrown at the issue have done precious little to move the needle toward generating more affordable housing where it is most needed. My interest in this topic and its coverage in my master's-level public policy and urban land development courses led my coauthor, Imaez Wahid, to pursue it as his thesis topic. His empirical results were of enough interest that we used them as the foundation of this journal article. As noted in the abstract to our article, even before publication, we understood the contentious nature of the empirical findings, and of the suggested policy thought experiment of using cap-and-trade as a possible mechanism to overcome NIMBYism. Even so, we envisioned them as a starting point to stimulate the important discussion of better understanding and dealing with how NIMBYism slows the development of affordable housing. This resulted in our decision to send this article to a journal whose title indicates what we were certain this work would generate: debate. Clearly, we have not been disappointed.

I am an economist by training and approached this issue with that disciplinary bias. Although the article went through a standard peer-review process that included revision and resubmission, the primary points made by the commentators did not arise in that process. Honestly, I am grateful that these concerns can appear immediately after our article and the reader can judge the merits of all at the same time. It is our hope that the debate that ensues on both the validity of our empirical results and the intended thought experiment regarding cap-and-trade as a policy mechanism is a productive one. In the remainder of my response, generously allowed by Editor Tom Sanchez, I first offer some clarifications on the overall intent of our article, and then my brief responses to some specific issues raised in each of the three coauthored commentaries.

A Better Explanation of Intent

All eight of the authors represented here believe that the United States needs more affordable housing in many of its largest metropolitan areas. The distribution of this affordable housing, furthermore, needs to occur throughout all cities and their neighborhoods in a metropolitan area. As pointed out in our article and in the responses, there are multiple reasons why this has not occurred in the past, and why it still does not occur. I trust I am also safe in saying that all the authors included here agree that NIMBYism is a culprit. An economist characterizes such NIMBY activity as the classic tragedy of the commons where the unmitigated perceived self-interest of stopping affordable housing dominates the social interest of providing housing opportunities for all. A possible solution to this is the condemnation of NIMBYism and the pursuit of an outright ban on its occurrence. Such a purely regulatory/legal approach is one that I have only limited qualms with. It is in a state's overall economic interest to promote an adequate supply of affordable housing in all its metropolitan areas. If NIMBYism is slowing the building of high-density affordable housing in the cities and neighborhoods where it is most needed, then there is a compelling argument to stopping, at least, the most egregious examples of not-in-my-backyard behavior.

Where our article parts ways with the comments on it is a concession to the idea that it is very politically difficult for elected officials, at both state and local levels, to take an absolute stance against NIMBYism. Such difficulty arises in (a) the passing of anti-NIMBY legislation by state lawmakers elected by local constituencies, (b) local officials being told by state law to act decisively to counteract NIMBYism within their jurisdiction, and (c) the state punishing jurisdictions that do not take such a course of action. The critics of our article understand this but believe stalwartly that an understanding of history, institutions, and motivations of NIMBYs toward the construction of more affordable housing must only lead to strong and decisive government action to eliminate NIMBYism. Since this is not happening in most of California's and the United States' most dynamic and prosperous metropolitan areas, we set out to try to better understand the role of NIMBYism in preventing it.

As our title to this response indicates, we mistakenly used the rather incendiary verb *justify* in the title of our article, which in retrospect should have been the more appropriate verb *motivate*. Justification implies righteousness, which as described above was not our intent. The empirical analysis, using readily available data, investigates this motivation. Below I will comment on some of the specific concerns raised in the criticism of our empirical analysis, but first I welcome the chance to further clarify the policy thought experiment described in the second half of our article.

I agree with the sentiment of all commentators that California should intervene to ensure that each jurisdiction in its metropolitan areas satisfies its mandated housing element (as described in our article) of having a fair share of its land area zoned for its region's needed affordable housing. Moreover, localities should make every effort possible to at least not slow (if not encourage) the development of such land for affordable housing. This will likely require carrots (subsidies, fee reductions, zoning and building code changes, etc.) to help developers construct such housing, but may also require sticks (withholding of state revenue sharing and/or legal action from the governor/attorney general's office) if local NIMBYism toward the construction of greater affordable housing is allowed to persist. For illustration, assume that 30% of housing in a region needs to be affordable (however defined). So, community X in this region must have a combination of existing housing, and plots zoned for housing, that meets this 30% threshold. A developer proposes affordable housing on the land zoned for it and some neighbors come out strongly opposed to it.¹ The point we tried to make in our article is that NIMBYs likely support the need for more affordable housing in general, but fear that if it is located near them it may lower their property values. They then use local political advocacy—in California, this includes the California Environmental Quality Act (CEQA) and its required environmental impact report (EIR)—to slow/stop this

development. The critical issue is that there has not been much political will at the state or local level to change this. Often, local government officials allow the use of such appeals because of strong political pressure from NIMBYs. And in the case of California's CEQA, this even occurs when one interpretation of the law finds the use of EIRs for some forms of affordable housing development inappropriate. This is a classic collective action problem where the strongly expressed interests of a few are impeding the construction of new affordable housing where it is most needed for the good of the entire metropolitan area and state.

Our article first set out to look for empirical evidence indicative of a possible economic motivation behind NIMBYs' opposition to further affordable housing in their neighborhood. Commentators have raised potential concerns regarding our empirical methodology, some of which I address later. I am also of the firm belief that a single regression analysis proves little about the world in general and hope these apprehensions receive thoughtful consideration when further regression analyses are crafted that refine, test, and validate or invalidate our empirical findings. But our hedonic regression analysis of this issue can stand separate from the policy thought experiment explored in the second half of our article. Perhaps the strong reaction of these six commentators to our cap-and-trade proposal may in part be due to a misunderstanding of exactly what we proposed.

Let us assume that the governor, legislature, and attorney general have all decided that their state will do everything legally possible to ensure that a fair share of affordable housing exists in every jurisdiction in all the state's major metropolitan areas. The state can help accomplish this through subsidies, but it will also need to use aggressive interventions, sanctions, and its available constitutional powers to get it done, because many local governments and their constituents will object. History has clearly shown that NIMBY groups will arise and claim that such will severely change the *character* of their neighborhood, which often codes for lowering property values. As a thought experiment, consider whether a local politician would be more accepting of this course of action (which I believe is essentially what the commentators to our article desire) if they could respond to a group of NIMBYs in the following manner:

Yes, I realize there may be costs to bringing more affordable housing to our jurisdiction and your neighborhoods, but for the good of the region/state, we need to bear them or face the severe penalties that the state will now impose. However, there is a way out that begins with us figuring out what these costs are and putting a dollar value on them in terms of what we would pay realistically to avoid them. This dollar value will be the basis of what we are willing to raise in local revenue (or sacrifice in current local services) to halt a portion of this affordable housing from coming to our city and your neighborhood. Other options for shirking our responsibility for the region's fair share of affordable housing no longer exist.

This scenario forces NIMBYs to think hard about what they fear from affordable housing, and then put a dollar value (say, per unit of affordable housing) on what they would pay to avoid it. For instance, fear of affordable housing could be fear of more crowded neighborhoods, schools, streets, parks, etc. that result in a diminished quality of local government services and a potential loss in homeowners' property value. After a community forum with NIMBYs, a local government official could offer reasons that these fears are unfounded, and solutions to deal with these concerns, or they could propose to offer another jurisdiction of similar socioeconomic status the dollar amount agreed upon to gain a reduction in the local share of the region's affordable housing.² Perhaps the costs would be lower in one jurisdiction than the other, and a trade ensues. An economist would call this an efficient trade that also generates the desired equitable outcome that all writing here want, of having the needed affordable housing built in a jurisdiction with the same type of opportunities for residents occupying it.

Although one may object to the idea of considering the cap-and-trade scheme in principle, our intent in offering this policy thought experiment, which contains the safeguard that trade is only allowed between jurisdictions in a metropolitan area with similar socioeconomic and employment opportunities, is to generate further discussion of the means by which to make

more politically acceptable the absolute need for the state to use its available power to get affordable housing built in jurisdictions that object to it. Currently, this is not happening in many of California's and the United States' large and most prosperous metropolitan areas. But even in proposing this idea via a policy thought experiment, I realize the possibility of this reaching the final stage of a completed trade is rare. One reason is that the perceived costs of affordable housing to NIMBYs in similar socioeconomic neighborhoods are very likely to be the same. Our impetus for allowing this trade option is more to force NIMBYs to honestly confront their fears by asking them, if they truly do not want to have affordable housing, to put a realistic dollar value on what they fear about more affordable housing coming to their neighborhood/jurisdiction. The thought experiment is to consider whether this may perhaps pave the way for a smoother political path to achieving the utter necessity of far greater state policymaking toward getting more affordable housing built where it is most needed.

But our policy thought experiment of using cap-and-trade to get affordable housing built comes with caveats that are well represented in the commentaries, and in reconsideration, we should have better clarified. The opposition of NIMBYs to more affordable housing extends beyond what people are likely willing to clarify, let alone quantify publicly in a concrete way. Some social perceptions and prejudices regarding affordable housing are a form of irrational psychological or sociological *othering* not easily addressed via a system of asking someone to put a monetary value on them. Our belief that it could be so addressed is a result of the economic approach inherent to our thinking and our article. Economics is only part of a large and complex puzzle that connects NIMBYism to a lack of affordable housing. Thus, after reading our article, it is highly appropriate to ask whether putting this policy thought experiment into practice would really allow NIMBYs to actively grapple with the motivations and consequences of their actions. As noted in the commentaries, it could inadvertently legitimize *othering* as a state-sanctioned activity. Yet we still believe that our article and the insightful commentaries offered on it serve the necessary purpose of exposing the complex intersections of economic and social dynamics masked by current workarounds and scapegoats to solving the need for more affordable housing. After reading the commentaries, a colleague far more skilled in public mediation and communication than I summarized "Your article clearly calls out an elephant. Guidance needs to be provided on the care and feeding of said elephant when some people are likely to be terrified of this creature."

It is my hope that this explanation offers clarification on the intent of the Wassmer and Wahid (2019) article and addresses some of the overall concerns raised by the commentators. Next, I briefly address some of the concerns raised specifically in each of the coauthored commentaries.

Commentary of Garboden and Dantzer

The concerns raised here are primarily technical in nature and I can offer very little to directly refute them without an expansion of the data set used and additional regression analyses. Garboden and Dantzer have done a laudable job of raising issues addressable in future empirical studies that reproduce our hedonic regression analysis using an expanded data set from Sacramento County or other county/metropolitan area(s) in the United States. The advantage of our analysis is the use of data that are readily available and reproducible throughout the United States. The smallest subcounty measures of race/ethnicity and the socioeconomic characteristics used here are only available at the census tract level and limited as an estimate drawn over multiple years from the American Community Survey. As these commentators argue, it is entirely true that any of the census tract socioeconomic measures could correlate closely with the percentage African American and/or Latino in the tract—consequently, our choice to include measures of race/ethnicity as separate explanatory variables. But as Garboden and Dantzer point out, there is also the possibility that any one of these socioeconomic measures could be acting as a proxy measure of neighborhood amenities.

I concede this possibility but am also intrigued by our findings that all the socioeconomic measures drawn from a census tract exert a distinct and statistically significant influence—not just the negative influence of the poverty rate (see Table 2 of Wassmer & Wahid, 2019), but also the negative (positive) influences detected of percentages of household incomes below (above) the county's median household income. If these measures of household income and measures of people per household and percentage with less than high school education move together as a group to substitute for the general positive or negative amenity level in an entire census tract (because the use of census block group dummy variables controls for smaller neighborhood amenities), then the multicollinearity generated from including them all would likely lead to a finding of statistical insignificance among all of them. Resolution of this issue and others raised by these commentators will require the use of a panel data set. Finally, we are very clear in our write up that we do not in any way wish to isolate and discuss the effects of race/ethnicity on home values. We purposely exclude this from any of the simulations shown in Table 4 of Wassmer and Wahid (2019).

Commentary of Nguyen and Payton Scally

The concerns raised by these commentators fall under (a) the use of socioeconomic characteristics to proxy for the unease that may cause NIMBYs to oppose more affordable housing, and not the affordable housing units themselves; (b) inclusion of percentage African American and Latino in a census tract in the regression; (c) irrationality of NIMBY concerns; and (d) whether the trading scheme proposed here is ethical and/or effective. The rebuttal of Nguyen and Payton Scally is well constructed. I will leave it to the reader to weigh the merits of each point and generate their own conclusions as to how “deeply flawed” our study is. I only want to add a few clarifications. Regarding point (b), we only include measures of race/ethnicity in a census tract as an attempt to control for a bias against these groups that we wish to take entirely out of our quantitative simulation of the effects of NIMBYism on home values (in Table 4 of Wassmer & Wahid, 2019). Instead, we wish to calculate potential NIMBY perceptions based only on the socioeconomic characteristics of those more likely to occupy new affordable housing. In no way do we imply that “the presence of African Americans and Latinos in a census tract is a proxy for [more] affordable housing units.” Quite the contrary: We include race/ethnicity so our hedonic regression equation coefficient measures of household income, household education, and more people per household better isolate from race/ethnicity the socioeconomic measures of what may concern NIMBYs when they oppose affordable housing. In addition, I do not entirely disagree with Nguyen and Payton Scally's point (c) on the possible irrationality of NIMBY attitudes. It was not our intent to evaluate whether concerns over the socioeconomic characteristics of neighbors are rational, but instead whether they exhibit a detected influence on home values. It is for this reason that we chose to not use the presence of affordable housing (as raised in point (a)), but potential measures of socioeconomic characteristics that may be stoking the irrational fears of affordable housing. Regarding point (a), it is inspiring to hear of Nguyen and Payton Scally's optimism over the availability of data on affordable housing units for the prospect of future work on this prominent issue. Readers should truly appreciate the ideas and references they offer in how to obtain these data. My hope is this encourages others to produce more hedonic regression studies that measure the impact of the proximity of affordable housing units on a home's sales price, rather than the broader socioeconomic characteristics of people used here. However, I still suspect that the irrational fears of NIMBYs will not be dissipated entirely by only building an affordable housing unit that looks like other residences in the neighborhood. This line of thought resulted in the provocative approach attempted here of using socioeconomic characteristics measured at the census tract level, that are not available at the unit level. Finally, I hope the further detail offered on the policy thought experiment proposed in Wassmer and Wahid (2019)

addresses some of the concerns raised in Nguyen and Payton Scally's point (d) concerning its ethics and efficacy.

Commentary of Tighe and Goetz

Our intent in composing this article was never to “make invisible the racism, bigotry, and classism that produces the dynamic [studied]” of too many metropolitan areas in California and other parts of the United States lacking the affordable housing necessary for prosperous and fair regional economies, as Tighe and Goetz write in their commentary. I hope my explanation made this clear. And yes, we are guilty of not covering in our literature review the extensive research that documents this. This was not to purposely ignore its existence, but because of the space constraints of a typical journal article, and our ambitious goal of describing both a hedonic regression analysis and a policy thought experiment in the article. I am therefore grateful for Tighe and Goetz's willingness to offer this summary of the history and institutions behind the United States' pattern of racial, ethnic, and class segregation across residential developments in its urban areas. I hope my earlier *mea culpa* concerning the use of *justify* instead of *motivate* in our article's title defuses somewhat these commentators' conclusion that our intent is a defense of privileged political action. Quite the contrary, the discovery I wish to be taken from our article is not how to accommodate this dynamic but how to change it, given state and local government institutions and the political realities that surround it. The cap-and-trade scheme proposed here only allows trade between cities/neighborhoods of near-equivalent socioeconomic makeup and similar employment opportunities. This purposeful social justice component is something that the New Jersey Regional Contribution Agreements (RCAs) did not contain. Without it, I would oppose a cap-and-trade plan to overcome NIMBYism toward affordable housing, to the degree expressed by all six commentators.

Notes

1. There is a Planet Money Podcast (<https://www.npr.org/templates/transcript/transcript.php?storyId=633224790>) that describes this exact occurrence in the San Francisco Bay Area, California.
2. Given that the residential property values in affluent jurisdictions are unjustly inflated because of discriminatory housing practices, it would be appropriate to raise the revenue needed to compensate another jurisdiction, or to mitigate the perceived costs of affordable housing to neighbors, through a land-value tax as advocated by Henry George.

Disclosure Statement

No potential conflict of interest was reported by the author.

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