

## **Housing Scarcity: Better Measures Can Mean Better Decisions**

### **The Problem: Lack of multivariate data analysis**

When housing prices rise, people with less money feel the pain first and generally for the longest period of time. Public policy tends to change only when consumers begin to complain about higher prices and rents, and by that time it's too late to do much but ameliorate the true culprit, lack of housing supply in the face of rising demand. New supply and subsidies are slow to arrive on the scene once there is a price problem.

Worse, the measures used by federal, state, and local government are often years-old self-reported rent and income data from the American Community Survey (ACS) conducted by the United States Census. Anyone paying more than 30 percent of gross, pre-tax income on housing is deemed to be cost burdened. Often this number is then translated into a quantitative measure of "demand for affordable housing," and then into a number units needed. These figures often vastly exceed a practicable number of units, numbering in the tens of thousands when the jurisdiction issues only hundreds or thousands of permits per year.

### **Data Available to Cities: Permitting from application to certificate of occupancy**

City governments don't have control over the vast number of inputs that affect the housing market in their jurisdictions, but they do control the rules that govern permitting and the processes for issuing permits. However, most cities don't have data management practices or platforms that readily report how long it takes for a proposed housing development – whether a single-family home or hundreds of rental units – to be delivered to the consumer.

This data is critical to understand how much, if any, control a city can exercise over supply. Without it, we can't fully understand whether and how much the city is standing in the way of supply arriving to meet demand in time to avoid price rises from decreases in vacancy. Longitudinal permitting data would enable mixing that data with other data points like population and job growth, spikes in labor and materials prices, and other factors to give cities an accurate assessment of what they can and can't affect through their permitting process.

### **Solution: Rich retrospective data, a valid mixing model, and a transparent predictive platform**

Combining accurate, longitudinal permitting data with other data points would allow a correlative retrospective analysis of consumer price and rents and would enable the development of a statistically valid predictive model of how and if permitting and other factors create price and rent spikes. Simply put, this combination of data and analysis would give cities a dashboard with sensitive measures for housing supply and demand rather than only a check engine light. Such a dashboard could help make better policy decisions for the allocation of resources and the implementation or de-implementation of regulation to positively affect price for housing consumers of all levels of income to the maximum extent possible within the city's jurisdiction. Better and more data could enable cities to reduce peaks and valleys in housing prices, allowing housing supply to reach demand just in time to avoid scarcity and price spikes.