Greater Greater Washington
The Washington, DC area is great. But it could be greater.

Encourage renting and mobility to reduce sprawl

Photo by Dean Terry.
by David C

Since the end of World War II, homeownership has been the very embodiment of the American Dream. A variety of government policies and programs have dramatically increased home ownership. But lately, some have been advocating that the government stop subsidizing home ownership, arguing that it locks people to a place, and when the economy goes sour people need the flexibility to go where the jobs are. I would say that we need to take it farther and that, in addition to allowing the unemployed to move to work, encourage the employed to move closer to work.

Richard Florida, of *The Rise of the Creative Class* fame, wrote an article in the Atlantic recently on How the Crash will Reshape America. In it he writes of the changes that the Great Depression brought on America, how the country changed afterward, and the obstacles that change created:

Before the Great Depression, only a minority of Americans owned a home. But in the 1930s and '40s, government policies brought about longer-term mortgages, which lowered payments and enabled more people to buy a house. Fannie Mae was created to purchase those mortgages and lubricate the system. And of course the tax deduction on mortgage-interest payments (which had existed since 1913, when the federal income-tax system was created) privileged house purchases over other types of spending. Between 1940 and 1960, the homeownership rate rose from 44 percent to 62 percent.

Substantial incentives for home ownership distort demand, encouraging people to buy bigger houses than they otherwise would. Artificial demand for bigger houses also skews residential patterns, leading to excessive low-density suburban growth.

Florida is not alone in his opinions. Tyler Cowen of Marginal Revolution has been arguing against "subsidizing sprawl" — which he loves — for years. Steven Slivinski of the Cato Institute argues that we've over-invested in our homes, to the detriment of other investments.

In his Atlantic article, and again on [NPR]() this weekend, Richard Florida sets out a course correction:

Instead of resisting foreclosures, the government should seek to facilitate them in ways that can minimize pain and disruption. Banks that take back homes, for instance, could be required to offer to rent each home to the previous homeowner, at market rates—which are typically lower than mortgage payments—for some number of years.
It's possible some efforts to reduce the incentives for home ownership are in the cards, but we should do more. We should create incentives for people to put property out to rent. If we're going to have more renters, we'll probably have more landlords. Laws that allow, or even encourage, English basements and mother-in-law units will increase rental stock. Tax laws that allow "small landlords" to write off the first few thousand dollars they receive in rent, or a portion of their rental mortgage interest, would create further incentives.

Richard Florida talks about creating national rental companies that will allow you to transfer a lease to another property and facilitate your move, instead of charging you for breaking your lease and leaving you to fend for yourself in the next town. That's similar to the way people trade in a car for the new one. Our public policy should encourage that as well.

Furthermore, we need to change tax laws that don't accommodate all types of mobility. Current federal tax laws allow deducting moving expenses. But the time and distance requirements that do not allow you, as bankrate.com puts it, to move just "to ease your daily commute to work." But why shouldn't we subsidize a move to ease your daily commute? We subsidize your commute through tax deductions for commuting expensive. Why not subsidize easing the commute? Doesn't it also carry environmental advantages that we want to encourage? Shorter commutes strengthen families, and ease everyone else's commute too. Isn't that more of a public good than home ownership?

Currently, you can only deduct the cost of a move if you change jobs and your new job is more than 50 miles farther than your old job. You also have to work at the new job for a certain amount of time. But, there is no limit to how close to your new job you need to move. Instead, let's allow you to deduct some moving expenses as long as you're moving closer to work. I recently moved two blocks closer. That shouldn't count, so there will have to be minimums. But even if you're only moving a mile closer, that's two fewer miles of driving a day. Those kinds of changes can really add up.

Finally, we should cap how far from work you can live and still take the deduction. If you want to live far from work, that's fine, but since we're going to subsidize your commute, we won't subsidize your move. Perhaps the deduction should be full within 10 miles, but phasing out to 20. The goal is to encourage people to live near, or nearer, to work. Isn't it better to subsidize that than subsidizing transportation? Maryland has tried to encourage that somewhat with their Live Near Your Work program, but it is limited in scope and again, is tied to home ownership. We need a Live Near Your Work program that works for renters.