

Affordable Housing in Fredericksburg, TX (posted on blog 4/3/08)

In discussing the evermore pressing need to jump ahead of Fredericksburg's growing affordable housing "crisis" and the ripple effect it is creating for our local economy, I came across a gentleman from a similar community that had faced similar (though much more pronounced) issues.

Telluride, CO is not terribly dissimilar to Fredericksburg, TX. Each community has a rich and colorful heritage, each have experienced tremendous growth and each are (to large degree) "tourist supported" communities.

As have many resort communities, Telluride faced the disconnect between the cost of housing and the ability of average wage earners to afford this housing. Shop owners, clerks, police officers, firemen, etc. could not afford to live in the community they were so deeply involved in. Among the solutions was the implementation of a *real estate transfer tax*. The revenue generated from this levy was designated to supply affordable housing to those so important to the lifeblood of the community. Guess what, it works.

While certainly not a proponent of tax increases (I already think we all pay way too much), this is a targeted solution to a very real problem and one that places the burden of a solution onto the very economic factors that are creating the underlying problem.

Many states and local communities have a real estate transfer tax of one kind or another, all of which are designed and implemented to address very specific problems. A state-wide real estate transfer tax was discussed in the 2005/2006 Texas legislative session as a way to fix the "school funding crisis" and was quickly shot down by the predictable lobbies (and, I might add, for very good reason).

As a state-wide solution to whatever problem, this tax structure has some serious problems and has created many unintended consequences. As recently proposed for Texas, it deserved to die. It is my opinion that such a targeted levy be reserved at the community level to address very specific issues.

There are ample cases of town and cities throughout the country that have made such a tax work to the benefit of the entire community. Real estate markets didn't crash, values did not plummet and the sky did not fall. Do a Google search on "real estate transfer tax" and see what comes up. After digging through the predictable, negative, knee-jerk reactions, spend some time looking at cases where it has been successful.

Another solution to our affordability dilemma is local government incentives to developers/buyers, etc. of "affordable" housing. As governments are loath to reduce taxes, the idea of a new one might be easier for them to swallow.

In short, government intervention of some kind will be needed to allow for the creation of housing that is within the reach of more members of our community. "Market forces" cannot be relied upon to supply that which is (under current conditions) not profitable. The only way to make it profitable (and therefore attractive) is with tax payer assistance of some kind. The programs that exist on the state level take way too long to fund and inhibit a developer's realistic chances of tying up a property while waiting (gambling) to be approved for subsidies. A local solution is needed for a local problem.