ULI Americas Trends
National Perspective

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Annual Emerging Trends in Real Estate
Program + Housing Summit

November 8, 2018
TACKLING HOUSING AFFORDABILITY
Prepared for: 2018 ULI Housing Summit, Raleigh, NC
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November 2018
Agenda

I. Affordable housing—where does it come from, where does it go?
II. Protecting and preserving affordable housing
III. Subsidy—where can we get more?
IV. Thoughts on Triangle Region
V. Questions and comments?
My Key Messages

• Affordable housing shortages are stubborn, require creative, coordinated, & committed responses

• You can’t build your way out of affordable housing crisis, but you won’t get out without building

• Subsidy is necessary to provide affordable housing for many HHs—the real challenge is how to make subsidies smart

• More important to protect your housing market and preserve the AH stock than to build.
Affordable Housing

Where does it come from?

- Production?
  - Subsidized – the ironies
  - Inclusionary
- Filtering?
- How do we meet unmet need?
  - ADUs (Land Lines July 2016)
Affordable Housing Is Your Spare Bedroom

More Cities Say Yes to Granny Apartments, ADUs

EfficientGov, Nov 7, 2017

Affordable Housing Is Your Spare Bedroom

NYT June 12, 2018
AH: Where does it go?

- 60% of low-cost units in 1985 lost by 2013 (JCHS, 2018)
  - Permanent removals (27%)
  - Conversions (18%)
  - Upgrading to higher rents (12%)
- 2.5 million units priced <$800/mo (in real terms) lost between 1990 and 2016 (JCHS, 2018)
- 500k LIHTC units will be lost by 2030
San Jose and Raleigh are Zillow's Hottest Housing Markets for 2018

PR Newswire January 9, 2018
THE TOP 100 CITIES
(BY PROPERTY INVESTMENT)
ACCOUNT FOR:

• 10% OF THE WORLD’S POPULATION

• 30% OF THE WORLD’S GDP

• 76% OF PROPERTY INVESTMENT
Top cities for TOTAL PROPERTY INVESTMENT (national + foreign)
TOWERS OF SECRECY

Stream of Foreign Wealth Flows to Elite New York Real Estate

By LOUISE STORY and STEPHANIE SAUL  FEB. 7, 2015
In 2014, 54% of sales over $5 million in Manhattan were to shell companies.
How do we protect AH?

Direct action

• Surcharges on foreign purchase

Indirect Action:

• Permanently affordable housing
  – Shared equity
  – Deed Restricted/Inclusionary
  – Permanently affordable subsidized rental
The message we have sent the world is, ‘Come and buy our real estate, but do not try to make a living here,’” said Tom Davidoff, an economist at the University of British Columbia. Alana Paterson for The New York Times, June 2, 2018
How do we protect AH?

Direct action
• Surcharges on foreign purchase

Indirect Action:
• Permanently affordable housing

Singapore is one of this study’s few cities whose affordability has improved over the past decade. There has been no difference between house price and income growth in Singapore over the last 30 years.

UBS Global Real Estate Bubble Index, Sept 2018
Where can we find new subsidy?

**Land-Based Revenues:**

- Inclusionary Zoning
- Special Assessments
- Exactions/Impact Fees
- Sale of Development Rights
- Land Readjustment
International Experience

• Sao Paulo: sale of building rights to finance redevelopment ~$4 billion in revenues

• Colombia: partial plans finance redevelopment of Fenicia Triangle in Bogota

• Seoul: 50+ self-financed land readjustments redevelop land and produce 500k housing units

• Indonesia: land readjustment used to redevelop Banda Aceh after 2004 tsunami
Additional building rights charged for

Max FAR

Basic FAR
FUNDURB
Municipal Fund for Urban Development

MORE LAND VALUE IS CAPTURED VIA ONEROUS GRANT OF BUILDING RIGHTS
The **Urban Operation Consortium** law allows the concession of **additional building potential**, under the condition of a **counterpart payment** (acquisition of CEPACs).

The revenue from selling CEPACs must be used to finance **urban interventions and public social facilities within the perimeter of the Urban Operation**.
Agua Espraida Bridge & Jardim Edith Slum
Social houses in former Jardim Edite slum
Metro line in Agua Espraiada
New York: Transfer of Development Rights

Synopsis: Acquisition of TDRs from landmarked buildings in 78 block zone

Select Outcome: Expected Yield for Public Improvement Fund is $20 million USD

Sources: Photo © Wall Street Journal; TDR Figures Gerald Korngold
San Francisco: Development Impact Fees

**Synopsis:** Monetary exactions charged to developers as a condition of development approval

**Select Outcome:** Yield for Public Investment - $423 million USD (FY 13-16)

Sources: Photo © City of San Francisco; Impact Fee Figures Lourdes German & Allison Bernstein; City of San Francisco, FY2014-15 & FY2015-16 Biennial Development Impact Fee Report
Synopsis: 2016/2018 zoning amendments enable sale of Floor Area Ratio (via Formula)

Select Outcome: Revenues allow investment in:

- Neighborhood Opportunity Fund (80%)—underserved neighborhoods
- Landmark Fund (10%)—restoration of landmarks
- Local Impact Fund (10%)—public improvements within 1 mile of development site

Sources: Photo © City of Chicago; ESRI; Figures City of Chicago; Gerald Korngold
What can be done in Triangle?

1. “Make Room” with ADUs, especially manufactured ADUs
2. Coordinate transit & affordable housing development
3. Adopt mandatory inclusionary zoning
4. Grow subsidy w/charges for development rights and other value recovery tools
5. Fight speculators (foreign & domestic)
What can be done in Triangle?

6. Protect a growing share of housing stock as permanently affordable

7. Preempt local zoning w/ regional plan to densify

8. Establish urban growth boundaries, AND monitor land & rental markets to decide when to add serviced land
Closing Thoughts?

There is no simple answer to confront AH problems, but we need:

1. Clear analysis of the problem and solutions
2. Public commitment to deal with problem
3. Adequate resources
4. The right plan, well implemented
5. Look ahead to the future—housing challenges do not need to be permanent problems—but we do have to start now with solutions.
Thank you!

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