ULI Terwilliger Center for Housing

- Catalyze housing production and affordability
- Provide thought leadership in residential development
- Broaden and deepen support for housing
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Agenda

Meeting Arizona’s Housing Challenge

- Arizona’s housing challenge
  - Underproduction
  - Cost burden
  - ULI Affordability Index and Dashboards

- Strategies to reduce development costs
  - Construction
  - Land
  - Regulation
  - Capital
Arizona’s Housing Challenge
7.3 Million Homes Underproduced from 2000 to 2015

Source: ECONorthwest calculation, U.S. Census
Cost Burdening Across Arizona is Widespread

Percent of households that spend more than 30% of gross income on housing in 2017

Source: St. Louis Federal Reserve, GEOFRED
In Phoenix-Mesa-Scottsdale, a lower percentage of middle-income ($30-$75,000/year) households spend more than half of their income on housing compared to the ULI service area average.

A household at the 40th income percentile (in this region, a hotel front desk manager earning around $49,000/year would be at this level) can afford to purchase nearly 52% of homes on the market in the last year.

For every 100 households earning 50% of area median income (in this region, an office clerk earning approximately $36,700/year would be at this level), there are 45 rental units they can afford that are not occupied by a higher-income household.

The region has a higher level of income segregation compared to the ULI service area, with nearly 40% of the region’s population living in areas that could be considered “poor” or “affluent.”

These resources will provide a high-level snapshot of the extent to which a housing market provides a range of attainable choices to the regional workforce.
ULI Housing Affordability Index and District Council Dashboards

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- In the Phoenix-Mesa-Scottsdale region, a housekeeper would have to earn an additional $15,755 per year to be able to afford a modest two-bedroom rental without being cost burdened.

- A sample two-income household including a home health aid and a delivery truck driver would need to earn $6,104 more per year to afford to purchase a median-priced home with a 10% downpayment.
Addressing Housing Cost Drivers
Barriers to Home Affordability

- Construction costs
  - Labor
  - Materials
- Land costs
  - Supply / demand
  - Exclusionary policies
    - Density restrictions
    - Use restrictions
- Regulatory costs
  - Fees
  - Entitlement processes
  - NIMBYism
- Capital needs
  - Access to debt and equity
  - Inadequate rents to reach those most in need
Barriers to Home Affordability

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Land

Ownership/control
- Existing public land/facilities
- Land banking

Regulation and zoning
- Density
- Euclidean v. form-based zoning
Leveraging public land

Acquisition and land banking
Zoning regulations are intended to protect existing land uses and assure that uses are compatible with each other and with available public facilities and services.

- Zoning Process Guide, City of Phoenix
Form-based v. Euclidean zoning

- Euclidian zoning uses building type (office, residential, retail) as an organizing principle.
Form-based v. Euclidean (single use) zoning

- Form-based zoning uses building form and mass (i.e., facades, and size/scale/mass) as an organizing principle
Density dividend

- Addresses land cost
- May generate additional revenues to meet community needs
- Maximizes infrastructure investments
- Other benefits
  - Reduces congestion
  - Reduces carbon footprint
  - More amenities and opportunity
- Need not alter neighborhood character
Regulatory Costs
Policy driven expenses impacting affordability

- Fees and taxes
- Entitlement processes
- NIMBYism
Regulatory Costs
Policy driven expenses impacting affordability

- Fees and taxes
  - Impact fee relief
  - Property tax relief
  - Sales tax relief
Streamlining entitlement processes

- Depoliticize “in the weeds” decisions
- Crowdsourc development goals from those to be impacted
- Establish clear plan intent and non-discretionary requirements
- Ensure flexibility to adjust plan and phase development as needed
Combatting NIMBYism

"This would protect us from over-development...

NIMBY HEADQUARTERS

But nobody will let us build it in their neighborhood...

[Image of a cartoon featuring two businessmen discussing a building labeled "NIMBY HEADQUARTERS," with one saying, "This would protect us from over-development," and the other responding, "But nobody will let us build it in their neighborhood."]
Combatting NIMBYism

- Invest in process
- Engage the most affected first
- Seek community input to clarify issues and strengthen solutions
- Be transparent and set expectations about how input will be used
- Listen and respond (actively)
Access to Capital

Expanding the reach of markets and housing subsidies

- Federal programs
Access to Capital
Expanding the reach of markets and housing subsidies

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Access to Capital

Expanding the reach of markets and housing subsidies

- Federal and state tax credits and bond issues
- Local housing trust funds / dedicated funding streams (e.g. Washington, DC: $100M/year)
- Government credit enhancements (Philadelphia)
- Local foundations (Colorado Health Foundation)
- Business investments
  - Health care
  - Tech
  - Resorts (Aspen Ski Company)
- Improved MF and SF debt underwriting
- Mission/social investment (The Lindley)
- Opportunity Zones
Opportunity Zones

Early lessons from King County, WA, Cuyahoga County, OH, and South Carolina (Urban Institute)

- Absent other subsidy sources, OZ financing not sufficient to produce deeply affordable housing
- High impact and high return are difficult to achieve in the same investment
- Need to plan exit strategies (co-op conversions, ownership transfer, etc.)
- CDFIs and other community organizations can help ensure benefits to lower-income residents
- Impact on deal closures is unclear (but research is forthcoming)
- Community engagement critical
- Align other state and local resources to support Ozs
- Substantial opportunities for ULI to convene stakeholders and to evaluate local contexts
