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ULI Arizona Health, Equity & Housing Solutions Roundtable

CHRISTOPHER PTOMEY, ULI TERWILLIGER CENTER FOR HOUSING

FEBRUARY 5, 2020

ULI Terwilliger Center for Housing



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

ULI Terwilliger Center for Housing



- **Catalyze** housing production and affordability

Affordable Housing Washington, D.C.

A ULI Advisory Services Panel Report

July 7–13, 2019



ULI Terwilliger Center for Housing



- **Provide thought leadership in residential development**



ULI Terwilliger Center for Housing

- **Broaden and deepen support for housing**





Agenda

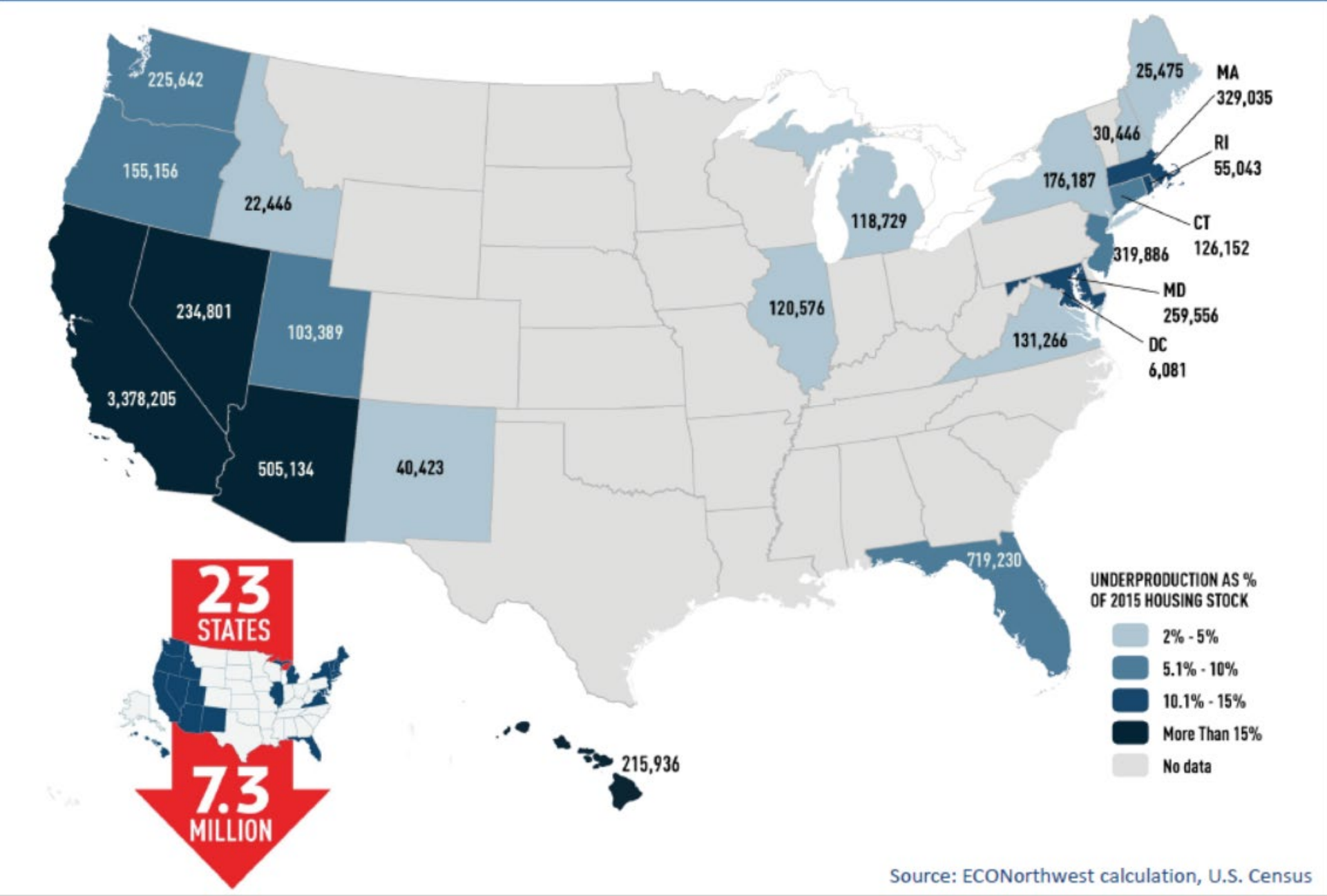
Meeting Arizona's Housing Challenge

- 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

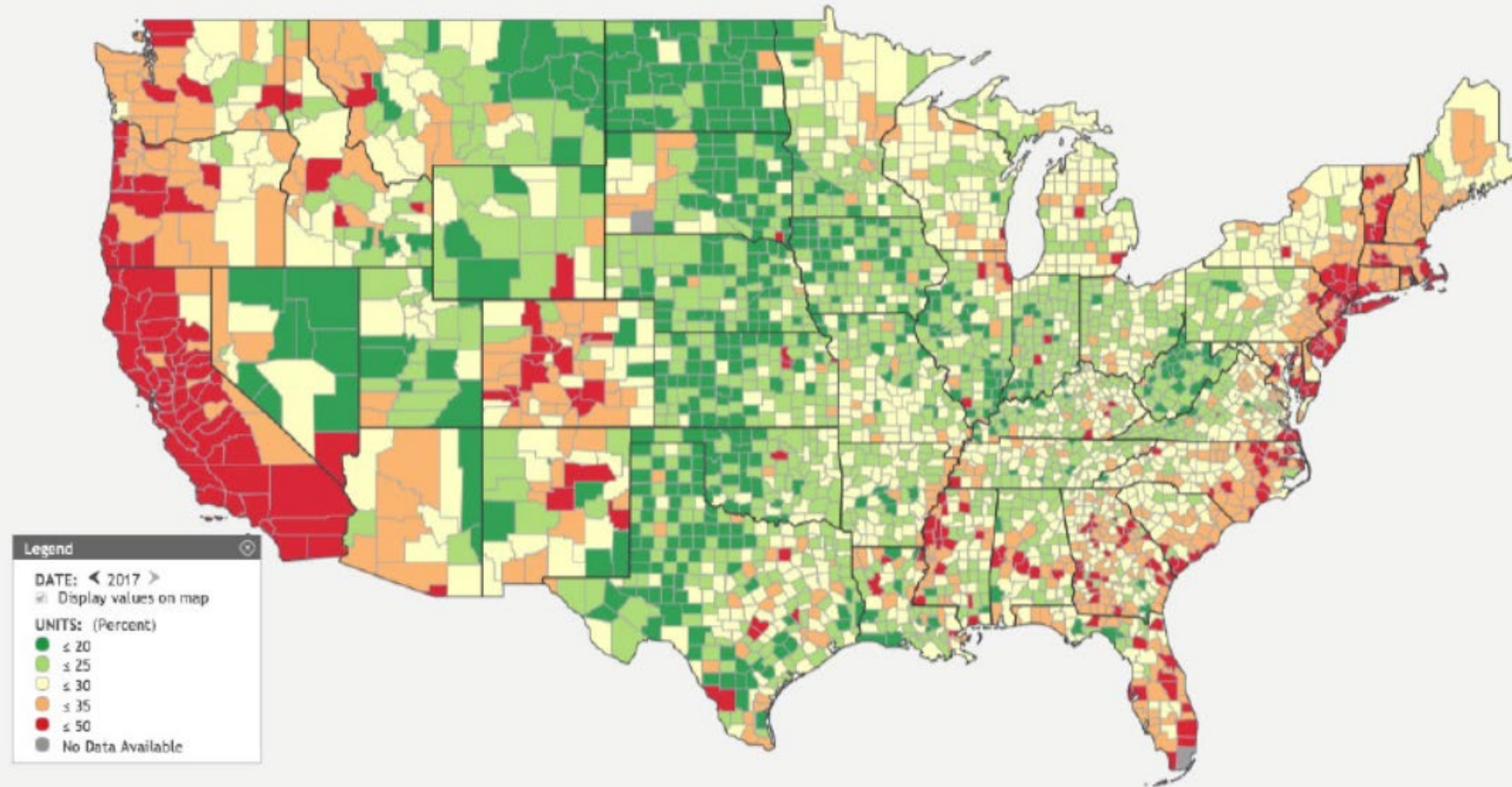
7.3 Million Homes Underproduced from 2000 to 2015



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



ULI Housing Affordability Index and District Council Dashboards

Housing Attainability Metrics for the Phoenix-Mesa-Scottsdale MSA

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."

Category	Metric	Value	% above/below ULI average	ULI Service Area percentile
Overall affordability	Percentage of severely cost burdened households earning \$30-44,999/year	10.55%	78.07%	46
	Percentage of severely cost burdened households earning \$45-75,000/year	2.88%	71.91%	35
	Median cost-to-income ratio	21.18%	99.56%	41
Homeownership attainability	Share of recently sold homes affordable to a household with a 40th percentile income	52.00%	100.72%	41
	Share of recently sold homes affordable to a household with a median income	64.70%	99.07%	38
	Share of recently sold homes affordable to a household with a 60th percentile income	79.00%	103.38%	43
	Homeownership rate	63.70%	98.12%	
	Share of cost-burdened owner households	22.49%	100.75%	39
Rental attainability	Affordable and available rental units per 100 households at 50% of AMI	45	82.30%	28
	Affordable and available rental units per 100 households at 80% of AMI	98	104.18%	36
	Affordable and available rental units per 100 households at the median income	104	101.81%	45
	Percentage of renter-occupant households	36.30%	103.48%	
	Share of cost-burdened renter households	46.32%	97.79%	57
Neighborhood Opportunity & Access	All Transit Performance Score	4.1	128.22%	74
	Proportion of families living in poor or affluent neighborhoods	37.50%	125.65%	20
	Percentage of households spending 45% of income or greater on the combined cost of housing and transportation	74.10%	100.99%	48
	Housing production	69.4	67.33%	13

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

- 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.

ULI Housing Affordability Index and District Council Dashboards

- The region has a higher level of income segregation with nearly 40% of the region's population living in areas that could be considered "poor" or "affluent."
- 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.

A grayscale background image showing several hands holding pens, poised over a table covered with architectural blueprints or documents. The scene suggests a collaborative professional meeting or a design studio.

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

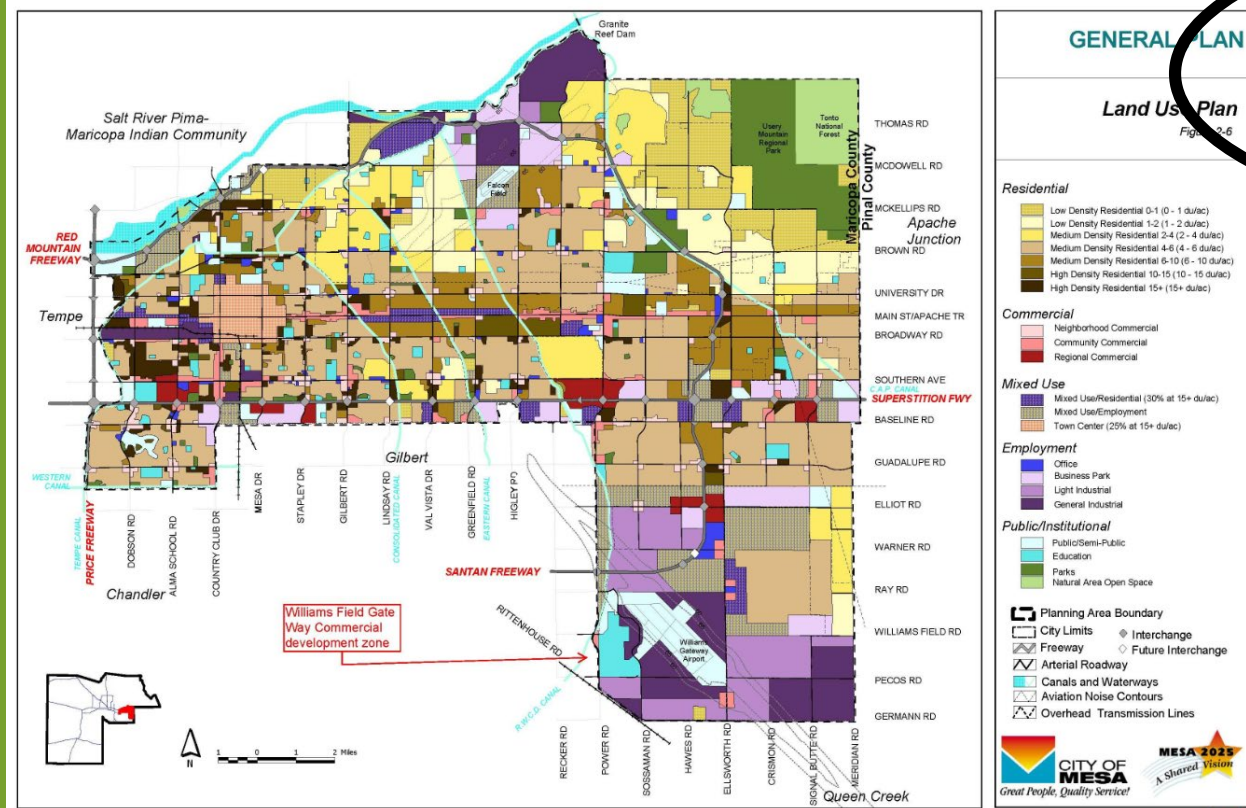


Regulation and zoning

“

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.

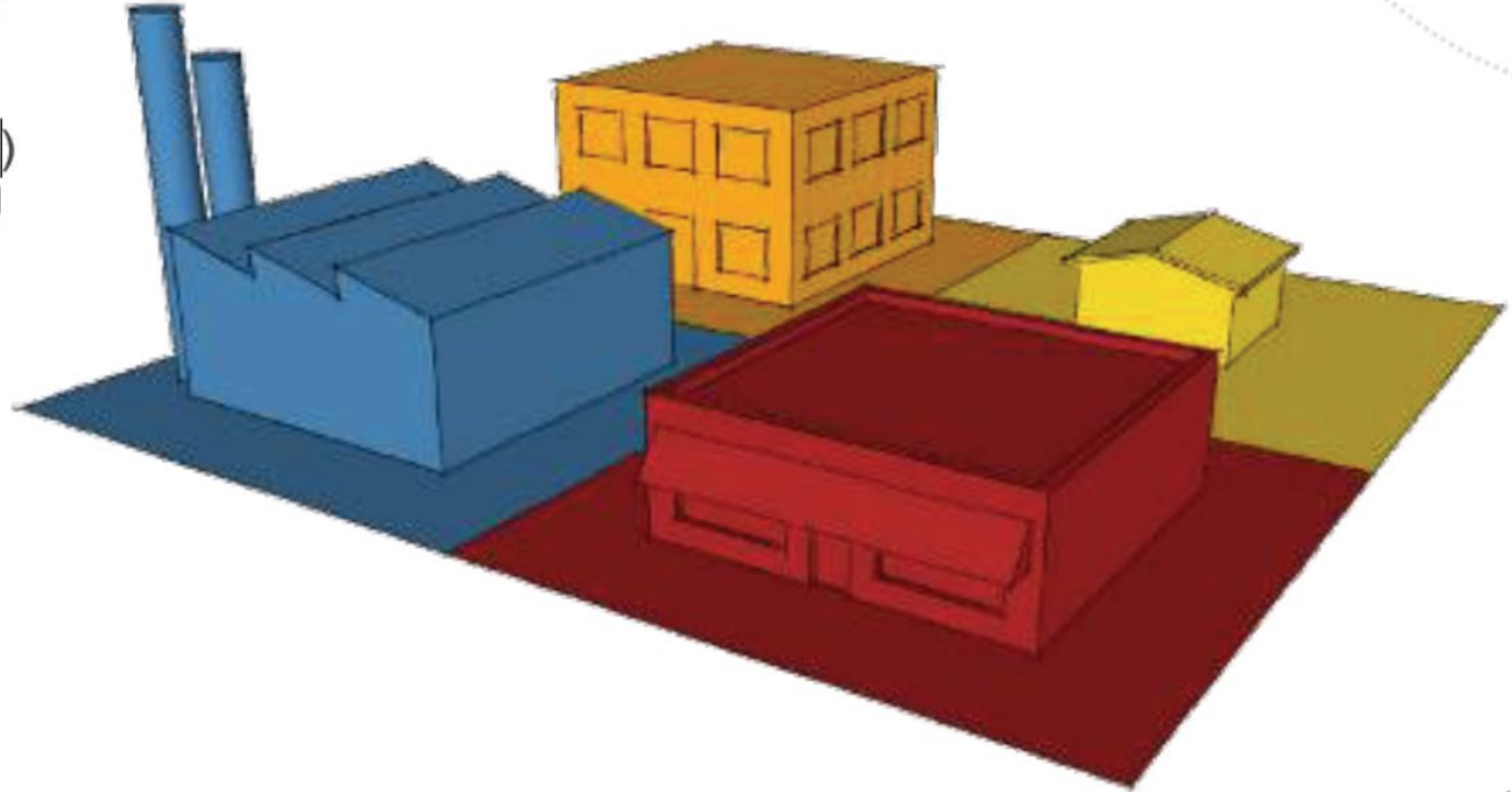
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- Zoning Process Guide, City of Phoenix

Form-based v. Euclidean zoning

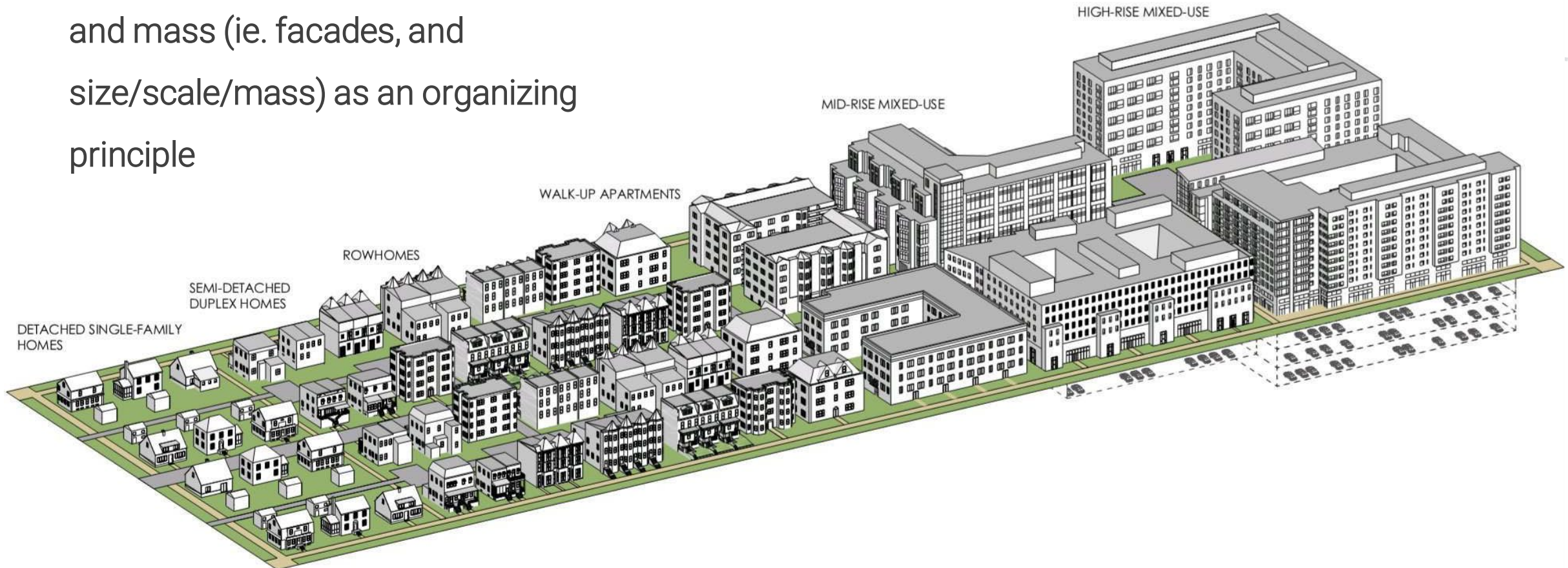
- Euclidian zoning uses building type (office, residential, retail) as an organizing principle



Urban Land

Form-based v. Euclidean (single use) zoning

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



SUPPORTING SMART
URBAN DEVELOPMENT:
SUCCESSFUL
INVESTING IN DENSITY

ULI Institute

COALITION FOR URBAN TRANSITIONS
A New Climate Economy Special Initiative



The Density Dividend: solutions
for growing and shrinking cities

October 2015

Authors:
Prof Greg Clark
Senior Fellow, ULI Europe

Dr Tim Moonen
Director of Intelligence at The Business of Cities Ltd

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*



Impact Fees





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
- Crowdsource 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

Combating NIMBYism



Combating 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

- ~~Federal programs~~



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
-
- Urban Institute: <https://www.urban.org/policy-centers/metropolitan-housing-and-communities-policy-center/projects/opportunity-zones> (includes impact assessment tool)

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