

New Solutions for Today's Housing Affordability Challenges

Carol Galante, Turner Center for Housing Innovation
December 2018

The Turner Center's mission is to formulate bold strategies to house families from all walks of life in vibrant, sustainable, and affordable homes and communities.

Turner Center Areas of Focus

1. Increasing **supply** and **lowering the cost** of housing.

2. Expanding **access** to high quality homes and communities to achieve greater inclusion and shared prosperity.

3. Using housing as a tool to achieve **sustainability** goals.

4. Supporting the improvement of housing programs and policies through **impact evaluation**.



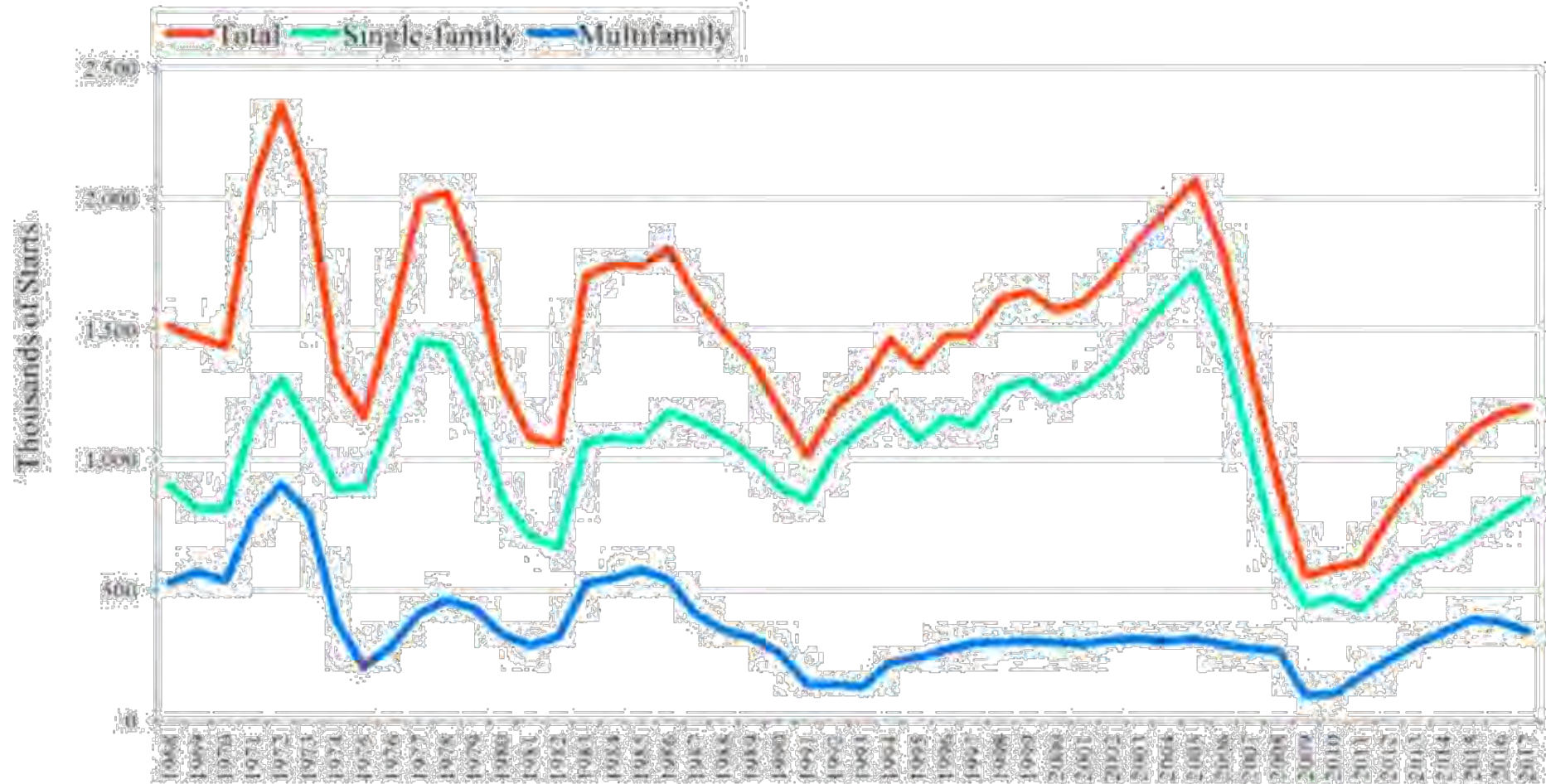
Framing the Challenge:

An affordability crisis and an industry and public policy landscape in need of transformation.

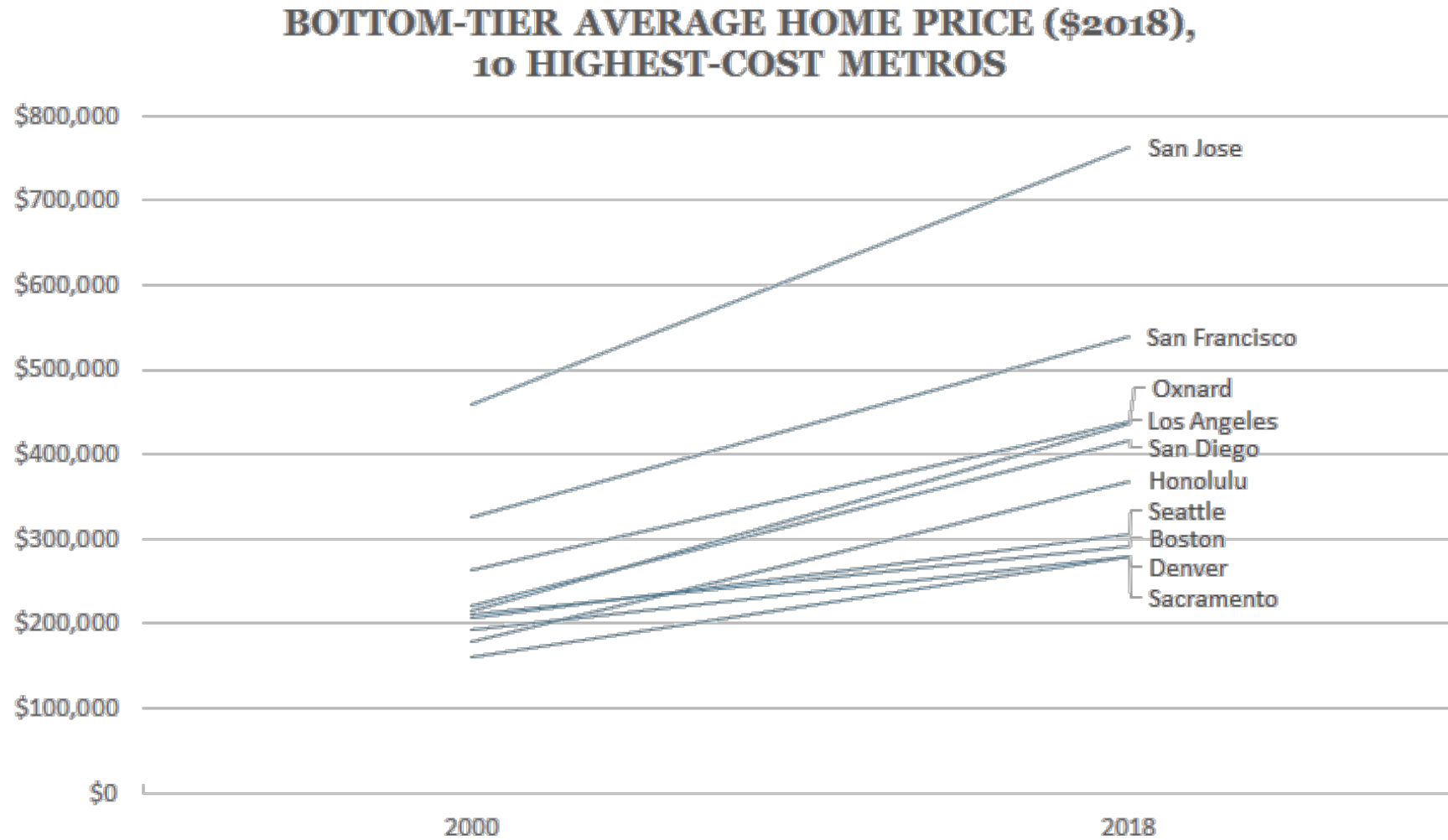
Underproduction of housing, particularly in regions with high job growth



U.S. Housing Starts, 1968 - 2017



New homes too expensive for new buyers



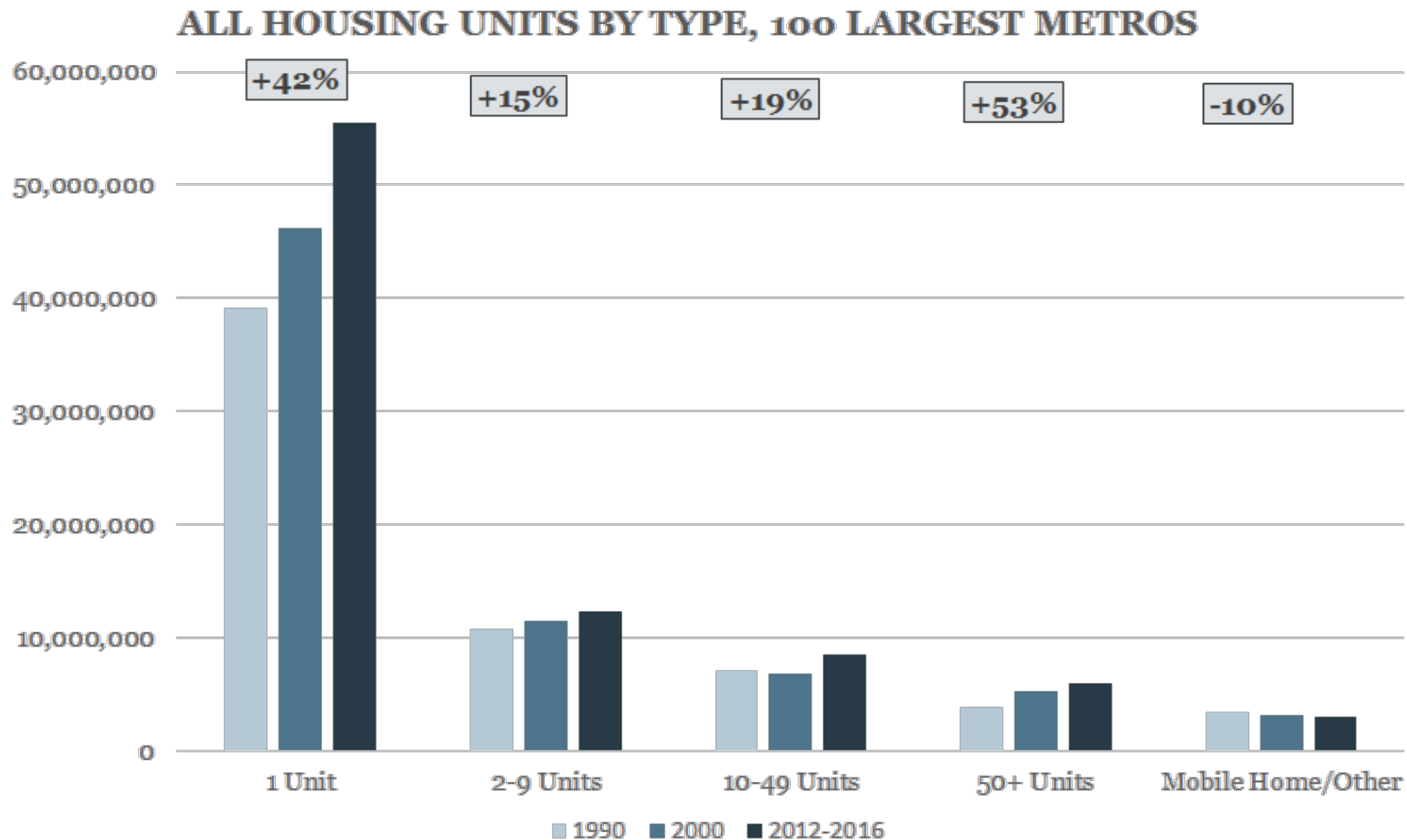


Changes in demographics + consumer demands

Aging population:
within the next two
decades, 1 in 3
households will be
headed by someone
aged 65 or older.

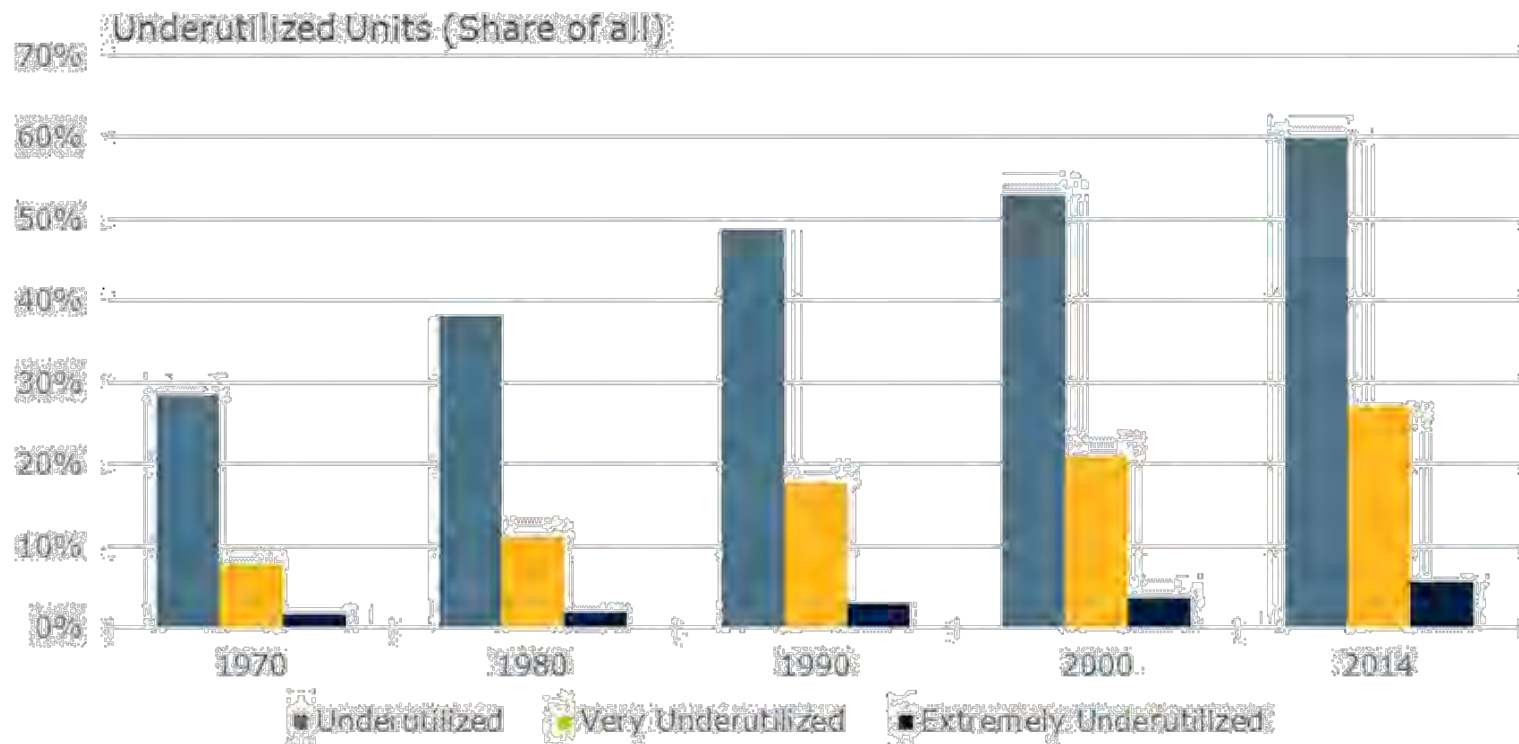
The top 20 U.S. zip codes
with the largest share of
millennials are mostly
urban downtowns; young
educated city-dwellers
expect walkable, transit-
accessible communities.

Meanwhile single family homes continue to dominate production...

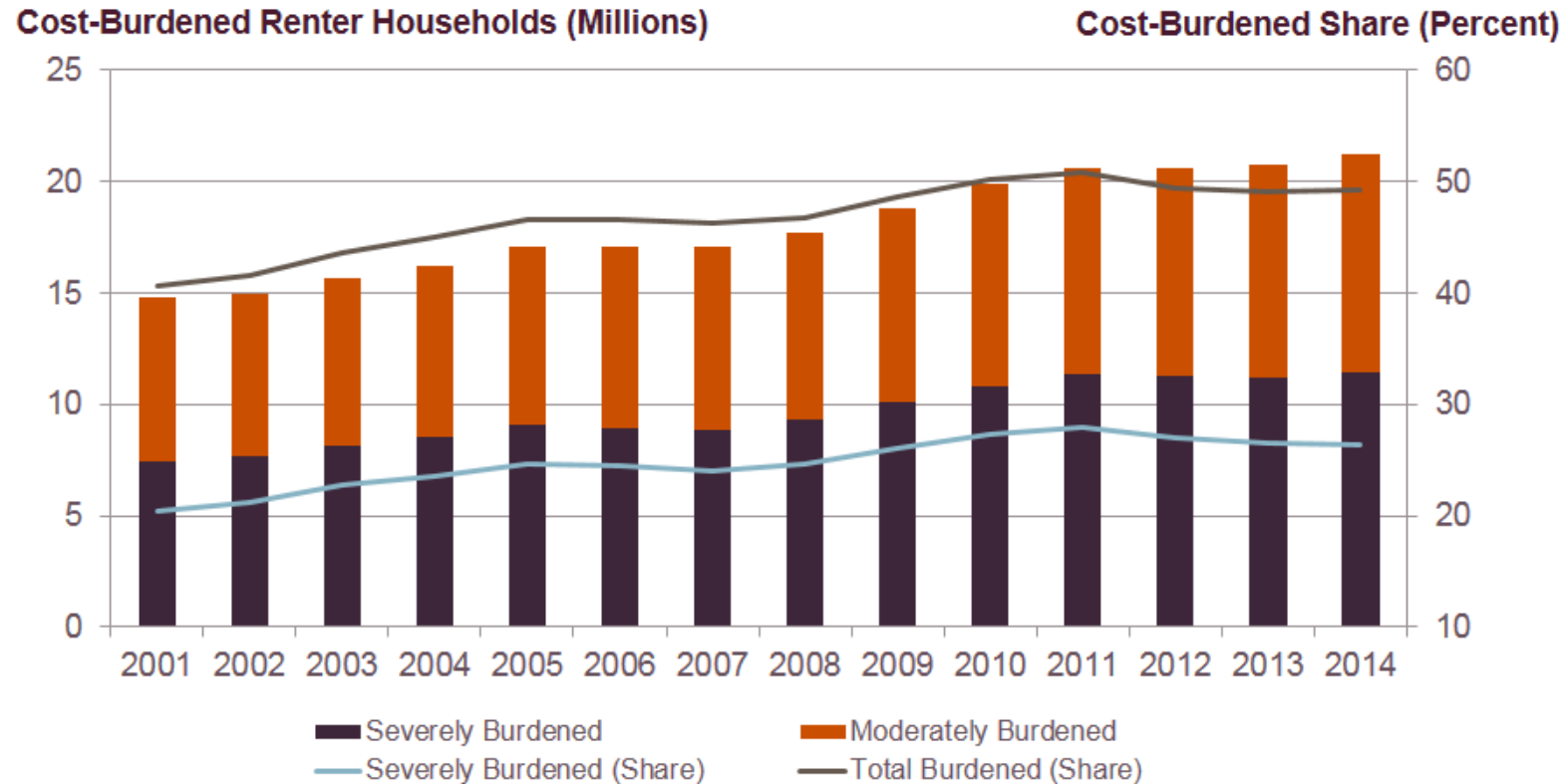


...and single family homes are bigger and more underutilized than ever before.

Large Shares of Homes have Excess Capacity



On the rental side, share of cost-burdened households continue to rise.



Notes: Moderately (severely) cost-burdened households pay more than 30% and up to 50% (more than 50%) of income for housing. Households with zero or negative income are assumed to have severe burdens, while households paying no cash rent are assumed to be without burdens.

There is a lack of productivity in construction of both for-sale and rental housing.

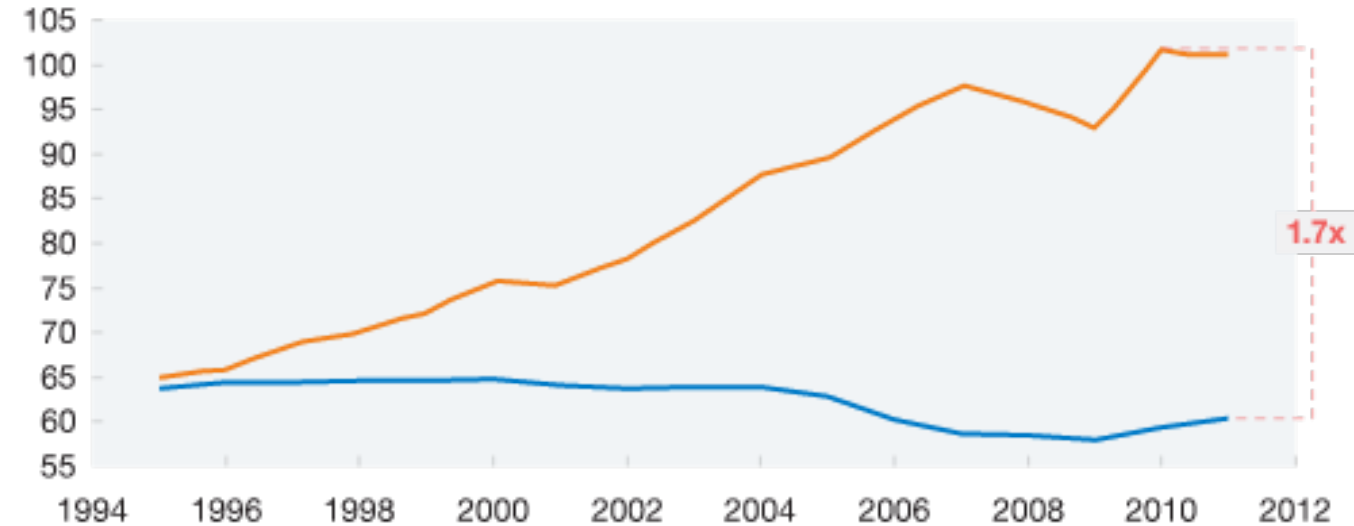
Productivity in manufacturing has nearly doubled, whereas in construction it has remained flat.

Overview of productivity improvement over time

Productivity (value added per worker), real, \$ 2005

— Manufacturing
— Construction

\$ thousand per worker



Source: Expert interviews; IHS Global Insight (Belgium, France, Germany, Italy, Spain, United Kingdom, United States); World Input-Output Database

McKinsey&Company

What are the solutions?

Policy Change *and* Private Sector Innovation

- Bold **policy change** needed at local, state, and national level
 - Re-prioritize public expenditures
 - Recalibrate carrot and sticks at local, state, regional level
 - Reimagine definitions of ownership and rental homes and how financed
 - Consider racial equity and climate change in every policy
- Industry- including non-profit, public agency, unions, philanthropy, private actors - need to embrace **major disruptions in practice**
 - New models for designing, financing, and delivering housing to build more homes for more people faster and at a lower cost.

Federal, State and Local Policy Changes

Federal Assistance in Rental (FAIR) Tax Credit: Three Structure Options

I. Rent Affordability Option

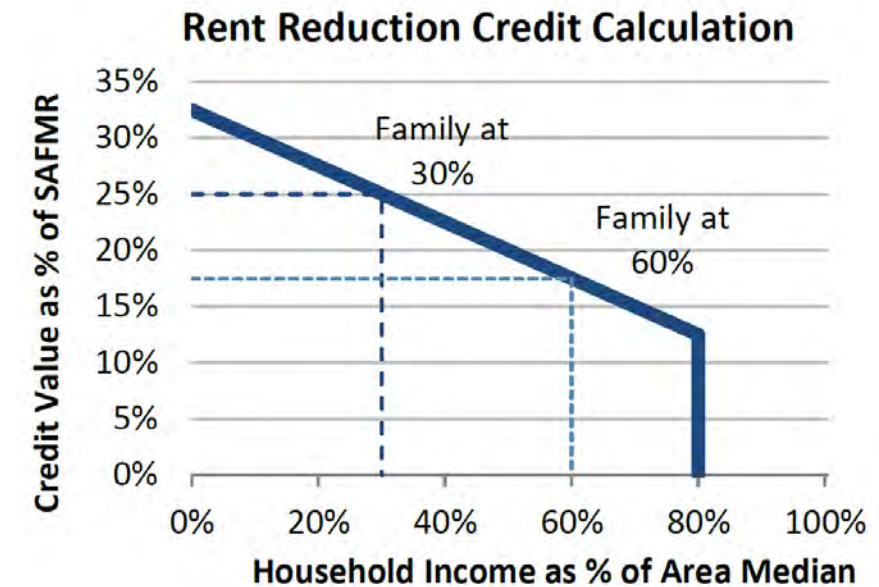
- I. **Eligibility:** $\leq 80\%$ AMI and cost burdened
- II. **Credit Calculation:** Difference between family income and rent or SAFMR
- III. **Families Assisted:** 13.3 million
- IV. **Average Monthly Credit:** \$457
- V. **Total Annual Cost:** \$76 billion

II. Rent Reduction Option

- I. **Eligibility:** $\leq 80\%$ AMI
- II. **Credit Calculation:** 33% to 12% of rent or SAFMR, scaled to income:
- III. **Families Assisted:** 15.1 million
- IV. **Average Monthly Credit:** \$227
- V. **Total Annual Cost:** \$41 billion

III. Composite Option

- I. **Eligibility:** $\leq 80\%$ AMI
- II. **Credit Calculation:** Rent Affordability for some ELI families, burden-reducing for other families
- III. **Families Assisted:** 15.1 million
- IV. **Average Monthly Credit:** \$237
- V. **Total Annual Cost:** \$43 billion



Hybrid Ownership Models

Lease Purchase: Lease Equitably and Purchase (LEAP) Mortgage

Components:

- Assumable in 1-5 years
 - 30-year, fixed rate
 - High loan-to-value
 - Initial mortgagor is Rental Entity, but tenant-purchaser already selected
 - FHA lenders originate
 - Property transfer or LEAP loan repayment required within 5 years
 - Standardized & consumer protections built in
 - Individual properties – no loan pools
 - No limit on number of loans held by Rental Entity
-
- Available to nonprofits & private actors (require approval)
 - FHA pilot, but GSEs could also operate

Homeownership for Disadvantaged

- Portland, Oregon: homeownership subsidies in gentrifying neighborhood
- Improving Access to Credit
 - Embed housing counseling/financial literacy (pre- and post-purchase counseling) and lower cost to consumer.
 - Ultra FICO
- First Time Homebuyer Tax Credit

Carrots and Sticks in Federal Policy

IN THE SENATE OF THE UNITED STATES

Mr. BOOKER introduced the following bill; which was read twice and referred to the Committee on _____

9 “(B) include, as appropriate, policies relat-
10 ing to inclusive land use, such as—

11 “(i) for the purpose of adding afford-
12 able units, increasing both the percentage
13 and absolute number of affordable units—

14 “(I) authorizing high-density and
15 multifamily zoning;

16 “(II) eliminating off-street park-
17 ing requirements;

18 “(III) establishing density bo-
19 nuses;

20 “(IV) streamlining or shortening
21 permitting processes and timelines;

Re-imagine Single Family Zoning

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Changes to Seattle's single-family zoning could improve housing picture, city report says

Originally published December 3, 2018 at 6:00 am | Updated December 4, 2018 at 9:23 pm



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This small house in San Francisco's Noe Valley sold for \$1.8 million in 2014. // Jeff Chiu/AP

Why Cities Must Tackle Single-Family Zoning

BENJAMIN SCHNEIDER NOV 14, 2018

As cities wake up to their housing crises, the problems with single-family-home residential zoning will become too egregious to ignore.

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More density, less parking and 'Freyplexes': What Minneapolis' comprehensive plan update says about the city

By Peter Callaghan | 03/23/2018

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After one element of a proposed update of Minneapolis' comprehensive plan led to an unscripted, hair-on-fire introduction to the public, city officials are looking for less drama with the official roll out of the plan.

Presented to the city planning commission Thursday afternoon, the update is meant to guide city policy making around development, zoning and infrastructure investments through 2040. Mandated to be completed every 10 years by state law and subject to Met Council oversight, the new comp plan will be open for public comment until July 22, with city council approval expected in November.

Lengthy, complex and, yes, comprehensive, the plan reflects directions by the council for the city to absorb a growing population as well as build denser neighborhoods with better access to transit, employment and services. An interactive website provides details of the plan and includes maps that allows parcel-by-parcel searches to reveal what is proposed.



Industry Innovations

Building for the Missing Middle

Forecourt Apartment

8 units
108' x 48'



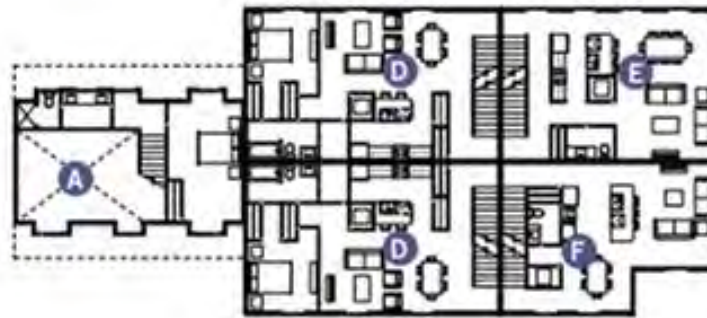
Mansion Apartment

8 units
116' x 48'



Fourplex

4 units
64' x 48'



Hybrid Ownership Models

Shared Equity:



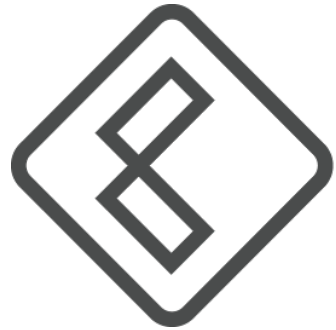
Landed

Fractional Ownership:



DIVVY

Shared Housing



common



Starcity

Off-Site Multifamily Construction



“Achieving...improvements to deliver affordable housing on a large scale will require, above all, a shift in mindsets”

-McKinsey Global Institute
