HOUSING DEVELOPMENT TOOLKIT

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THE WHITE HOUSE
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Contents

Executive Summary ……………,………………………………………………………………………………………… 2

I. Introduction …….. 4

II. Prevalence of Local Barriers to Housing Development ………………………………………………………. 5

III. Effects of Local Barriers to Housing Development ………………………………………………………….. 6

IV. Framework for Modern Housing Strategies ……………………………………………………………… 13

V. Toolkit – Taking Action ……………………………………………………………………………………… 14

Executive Summary

Over the past three decades, local barriers to housing development have intensified, particularly in the high-growth metropolitan areas increasingly fueling the national economy. The accumulation of such barriers – including zoning, other land use regulations, and lengthy development approval processes – has reduced the ability of many housing markets to respond to growing demand. The growing severity of undersupplied housing markets is jeopardizing housing affordability for working families, increasing income inequality by reducing less-skilled workers' access to high-wage labor markets, and stifling GDP growth by driving labor migration away from the most productive regions. By modernizing their approaches to housing development regulation, states and localities can restrain unchecked housing cost growth, protect homeowners, and strengthen their economies.

Locally-constructed barriers to new housing development include beneficial environmental protections, but also laws plainly designed to exclude multifamily or affordable housing. Local policies acting as barriers to housing supply include land use restrictions that make developable land much more costly than it is inherently, zoning restrictions, off-street parking requirements, arbitrary or antiquated preservation regulations, residential conversion restrictions, and unnecessarily slow permitting processes. The accumulation of these barriers has reduced the ability of many housing markets to respond to growing demand.

Accumulated barriers to housing development can result in significant costs to households, local economies, and the environment.

- Housing production has not been able to keep up with demand in many localities, impacting construction and other related jobs, limiting the requisite growth in population needed to sustain economic growth, and limiting potential tax revenue gains.

- Barriers to housing development are exacerbating the housing affordability crisis, particularly in regions with high job growth and few rental vacancies.

- Significant barriers to new housing development can cause working families to be pushed out of the job markets with the best opportunities for them, or prevent them from moving to regions with higher-paying jobs and stronger career tracks. Excessive barriers to housing development result in increasing drag on national economic growth and exacerbate income inequality.

- When new housing development is limited region-wide, and particularly precluded in neighborhoods with political capital to implement even stricter local barriers, the new housing that does get built tends to be disproportionally concentrated in low-income communities of color, causing displacement and concerns of gentrification in those neighborhoods. Rising rents region-wide can exacerbate that displacement.

- The long commutes that result from workers seeking out affordable housing far from job centers place a drain on their families, their physical and mental well-being, and negatively impact the environment through increased gas emissions.

- When rental and production costs go up, the cost of each unit of housing with public assistance increases, putting a strain on already-insufficient public resources for affordable housing, and causing existing programs to serve fewer households.

Modernized housing regulation comes with significant benefits.

- Housing regulation that allows supply to respond elastically to demand helps cities protect homeowners and home values while maintaining housing affordability.

- Regions are better able to compete in the modern economy when their housing development is allowed to meet local needs.

- Smart housing regulation optimizes transportation system use, reduces commute times, and increases use of public transit, biking and walking.

- Modern approaches to zoning can also reduce economic and racial segregation, as recent research shows that strict land use regulations drive income segregation of wealthy residents.

Cities and states across the country are interested in revising their often 1970s-era zoning codes and housing permitting processes, and increasingly recognize that updating local land use policies could lead to more new housing construction, better leveraging of limited financial resources, and increased connectivity between housing to transportation, jobs and amenities.

This toolkit highlights actions that states and local jurisdictions have taken to promote healthy, responsive, affordable, high-opportunity housing markets, including:

- Establishing by-right development
- Taxing vacant land or donate it to non-profit developers
- Streamlining or shortening permitting processes and timelines
- Eliminate off-street parking requirements
- Allowing accessory dwelling units
- Establishing density bonuses
- Enacting high-density and multifamily zoning
- Employing inclusionary zoning
- Establishing development tax or value capture incentives
- Using property tax abatements

"We can work together to break down rules that stand in the way of building new housing and that keep families from moving to growing, dynamic cities."
-- President Obama, remarks to the U.S. Conference of Mayors, January 21, 2016

A stable, functioning housing market is vital to our nation's economic strength and resilience. Businesses rely on responsive housing markets to facilitate growth and employee recruitment. Construction workers, contractors, and realtors depend on stable housing markets to fuel their careers. And the availability of quality, affordable housing is foundational for every family – it determines which jobs they can access, which schools their children can attend, and how much time they can spend together at the end of a day's commutes.

Our nation's housing market was in crisis when President Obama took office. In the first quarter of 2009, national home prices had fallen roughly 20 percent since mid-2005, leaving nearly 13 million households underwater. Today, the market nationwide has made tremendous strides, as the recovery helped households regain $6.3 trillion of the real estate equity lost during the recession and lifted 7.4 million households out of negative equity since 2011, more than cutting in half the number of homeowners underwater.

This national recovery, while central to our broader economic recovery, has occurred during a period of increasing awareness of underlying regional challenges in housing markets. The recovery has been measured in home and property values but new production starts have not kept pace with historic levels we saw before the recession. In a growing number of metropolitan areas, the returning health of the housing market and vibrant job growth haven't led to resurgent construction industries and expanding housing options for working families, due to state and local rules inhibiting new housing development that have proliferated in recent decades. In such regions, these rules have resulted in undersupplied markets, reducing options for working families and causing housing costs to grow much faster than wages and salaries. And as Matthew Desmond recently documented in *Evicted*, families facing extreme rent burden often suffer lasting trauma resulting from their housing insecurity, destabilizing their lives and marring their prospects for upward economic mobility.[1]

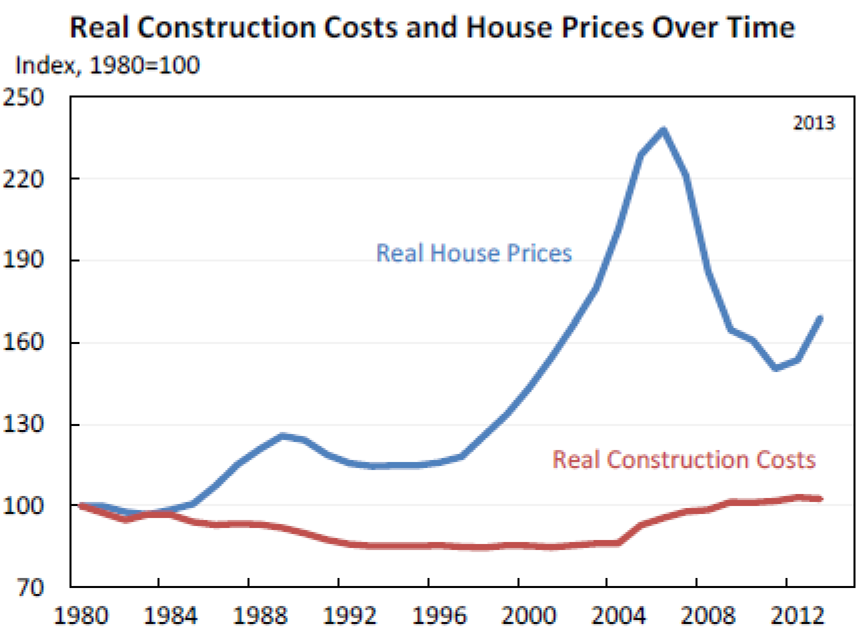
As fewer families have been able to find affordable housing in the regions with the best jobs for them, labor mobility has slowed, exacerbating income inequality and stifling our national economic growth. But this hasn't happened everywhere. In more and more regions across the country, local and neighborhood leaders have said yes, in our backyard, we need to break down the rules that stand in the way of building new housing – because we want new development to replace vacant lots and rundown zombie properties, we want our children to be able to afford their first home, we want hardworking families to be able to take the next job on their ladder of opportunity, and we want our community to be part of the solution in reducing income inequality and growing the economy nationwide.

This toolkit highlights the steps those communities have taken to modernize their housing strategies and expand options and opportunities for hardworking families.

Prevalence of Local Barriers to Housing Development

Over the past three decades, local barriers to housing development have intensified, particularly in the high-growth metropolitan areas increasingly fueling the national economy. Locally-constructed barriers to new housing development include beneficial environmental protections or well-intentioned permitting processes or historic preservation rules, but also laws plainly designed to exclude multifamily or affordable housing. Local policies acting as barriers to housing supply include land use restrictions that make developable land much more costly than it is inherently, zoning restrictions, off-street parking requirements, arbitrary or antiquated preservation regulations, residential conversion restrictions, and unnecessarily slow permitting processes.

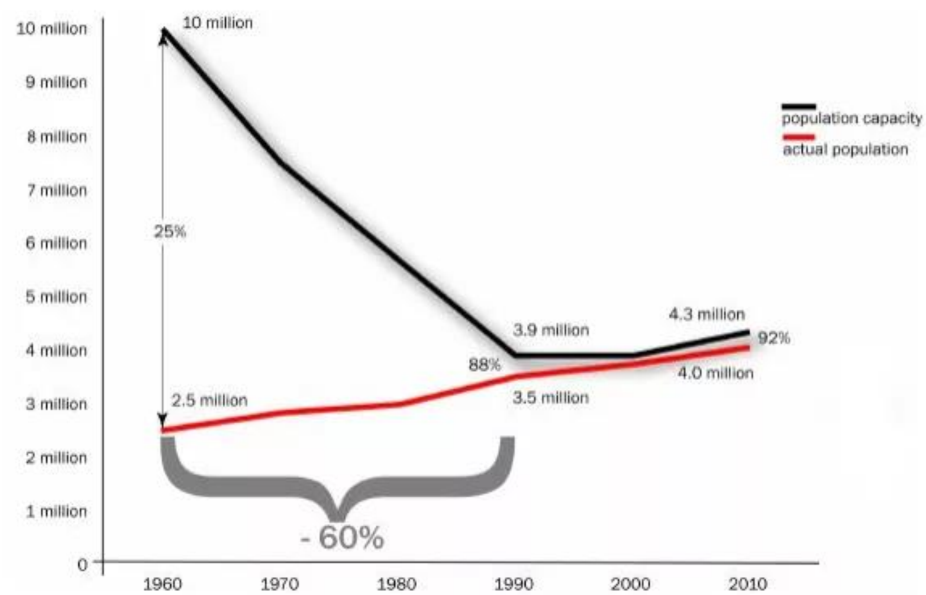
Though no comprehensive and uniform measure for such barriers exists, given the wide range of local regulations and processes affecting housing development volumes and timelines, several national and local indicators support the observations of housing researchers and practitioners that such barriers have tightened. Researchers examining proxy measures – including the prevalence of zoning and land use cases in state courts, which correlate strongly with static indices of housing barriers and supply constraint surveys – have found that barriers to housing development increased rapidly from 1970 to 1990, and continue to increase through the present day.[2] Researchers have also documented a sharp increase in the gap between home prices and construction costs, with stringent housing regulations now driving cost increases previously shaped by construction costs and quality improvements.[3,4] Localized studies have supported these national conclusions – documenting sharp increases in zoning and other land use restrictions in metropolitan Boston,[5] New York City,[6] Los Angeles,[7] and San Francisco.[8]



Source: Gyourko, Malloy (2015)

Barriers to housing development are erected largely at the local level, and vary widely across states and metropolitan areas as a result. But the intensity and impact of such barriers are most evident in the vibrant job-generating regions where fervent demand far outstrips supply. Though popular coverage of these challenges has been most focused on the Bay Area, Seattle, and major East Coast cities, Los Angeles provides a clear illustration of the impact of the primary barrier to development – restrictive zoning. In 1960, Los Angeles was zoned to accommodate 10 million people; after decades of population growth and increased demand, the city is today zoned for only 4.3 million people.[9] As Los Angeles leaders face a housing affordability and homelessness crisis, Mayor Garcetti and members of the City Council have tackled this problem by endorsing state plans to increase development and pushing for updated city plans and approval processes to facilitate new housing construction, in addition to committing new city funds toward affordable housing.

Los Angeles – Zoned Residential Capacity Over Time



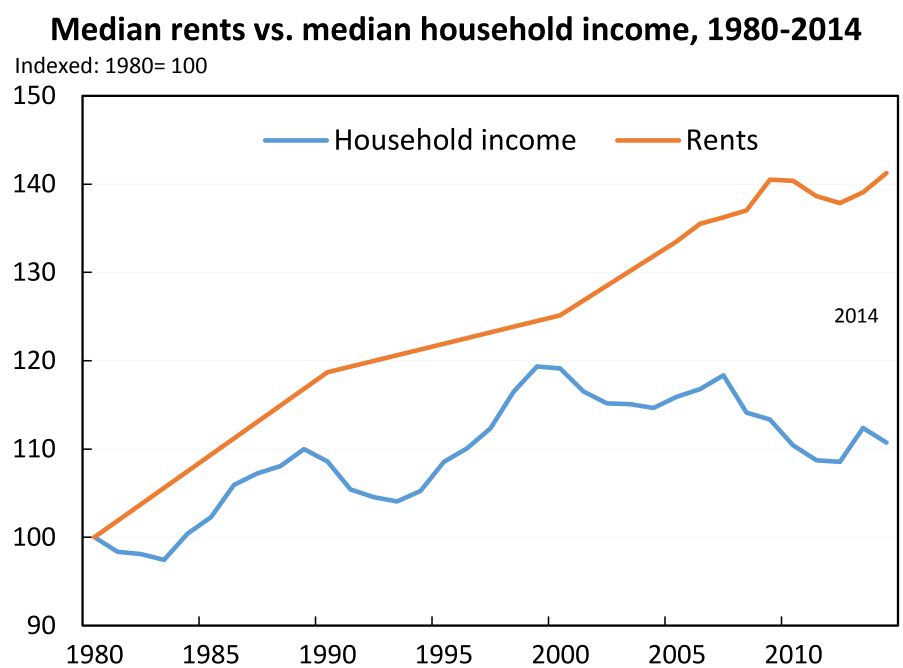
Source: Morrow (2016)

The vast majority of the nation's largest cities are feeling the crush of sharply increased housing costs outpacing wages, with 9 of the largest 11 cities seeing rising rents and tightening vacancy rates, but this problem is now being felt in smaller cities and non-coastal locations that have historically enjoyed the benefits that come with an adequate supply of housing affordable to low- and moderate-income families. Growing, dynamic cities like Atlanta, Denver, and Nashville used to be able to tout housing affordability as a key asset – but now see rents rising above the reach of many working families.[10] Inland cities have experienced some of the largest increases in rent in recent years, despite lacking the topological space constraints faced by coastal cities.

Effects of Local Barriers to Housing Development

The accumulation of state and local barriers to housing development – including zoning, other land use regulations, and unnecessarily lengthy development approval processes – has reduced the ability of many housing markets to respond to growing demand. The increasing severity of undersupplied housing markets is jeopardizing housing affordability for working families, exacerbating income inequality by reducing workers' access to higher-wage labor markets, and stifling GDP growth by driving labor migration away from the most productive regions.

These effects are increasingly visible in communities nationwide. In just the last 10 years, the number of very low-income renters paying more than half their income for rent has increased by almost 2.5 million households, to 7.7 million nationwide, in part because barriers to housing development are limiting housing supply.[11] Since 1960, the share of renters paying more than 30 percent of their income for rent has more than doubled from 24 percent to 49 percent.[12] And over that time, real household income increased by 18 percent, but inflation adjusted rents rose by 64 percent.



Source: Census Bureau; BLS; Haver; CEA calculations

Emerging research has shown that in areas with high-cost housing such as California, zoning and other land-use controls contribute significantly to recent sharp cost increases, reflecting the increasing difficulty of obtaining regulatory approval for building new homes.[13]

Not all barriers to housing development have negative impacts – local land use policies and regulations can increase the supply of well-located affordable housing, address externalities such as environmental impacts associated with development, create better connections between housing options accessible to transit, and support the fiscal health of states and localities. But the accumulation of even well-intentioned land-use policies can restrict housing availability; create uncertainty for developers and limit private investment; exacerbate the imbalance between jobs and housing; and induce urban sprawl.

Costs and negative impacts of excessive barriers to housing development

Housing production has failed to expand in too many regions with strong demand, artificially depressing the availability of construction and related jobs, limiting the ability for local populations to expand in response to job growth, and reducing the potential for increased local tax revenue. In these regions, new market-rate construction shifts toward predominantly, and sometimes exclusively, larger or higher-end units as a manifestation of supply constraints, because when there are large fixed costs to building, as is the case when land use policies are onerous, even developers that aren't profit-maximizing find it difficult to make profits from smaller or more affordable units.

Barriers to housing development are exacerbating the **housing affordability** crisis, particularly in vibrant regions with high job growth and few rental vacancies.[14,15,16] The most recent data shows that half of renters pay more than 30 percent of their income in rent,[17] and more than 1 in 4 are severely rent-burdened, paying more than 50 percent of their income in rent. [18] For families working to buy their first home, rent burdens delay their plans, making it more difficult to save for a down payment. While the housing market recovery has meant growing home values for existing homeowners, barriers to development concentrate those gains among existing homeowners, pushing the costs of ownership out of reach for too many first-time buyers. This has contributed to a lower homeownership rate in the US, which has fallen to its lowest level in 50 years.[19] Homelessness is on the rise in some of our nation's most rent-burdened cities despite continued decreases in homelessness nationwide – for example, according to figures released by local homelessness coalitions, Washington, D.C. saw a 31 percent increase in family homelessness last year amid a 14 percent increase in homelessness overall, and homelessness grew by 6 percent in Seattle and Los Angeles.

Increasingly, working families are pushed out of the job markets with the best opportunities for them, or can't afford to move to regions with higher-paying jobs and stronger career tracks. As Jason Furman recently discussed in a National Press Club speech, this phenomenon exacerbates **income inequality**. For the first time in over 100 years, income convergence across states has stopped, as population flows to wealthier regions has decreased – which researchers attribute to increased housing prices as a result of high local barriers to housing development.[20] Where housing markets are able to respond more elastically, workers can shift to meet job and wage growth through relocation, reducing income inequality.

When large flows of workers are unable to move to the jobs where they would be most productive, local barriers result in increasing **drag on national economic growth**. A recent study noted that in theoretical models of mobility, economic research suggests our Gross Domestic Product would have been more than 10 percent higher in 2009 if workers and capital had freely moved so that the relative wage distribution remained at its 1964 level.[21] Most of this loss in wages and productivity is caused by increased constraints to housing supply in high-productivity regions, including zoning regulations and other local rules. This estimate is tentative, and would imply that some cities would see counterfactual employment increases of a significant magnitude resulting from reduced housing restrictions, but the underlying point is clear: output is lost when the supply of workers to high-productivity regions is restrained. Over time, this effect can be large enough to meaningfully reduce the nation's overall economic output.

When new housing development is limited region-wide, and particularly precluded in neighborhoods with political capital to implement even stricter local barriers, any new development tends to be disproportionally concentrated in low-income communities of color, causing displacement and concerns of **gentrification** in those neighborhoods, raising market rents within neighborhoods experiencing rapid changes while failing to reduce housing cost growth region-wide.[22] As rents rise region-wide in response to insufficient housing supply, this displacement is exacerbated. Lowered region-wide barriers to new housing development would lead to more equitable distribution, allowing neighborhoods to retain character and resources as they evolve, while facilitating effective affordable housing preservation options by preventing excessively rapid change that generates displacement and dislocation.

As workers get pushed further and further from job centers – driving from Modesto to San Francisco, for example, often two hours each way – excessively **long commutes** pull them away from time with their families, increase strains on mental health and happiness, and contributing to further greenhouse gas emissions.[23,24,25,26] The impact of these strains is being felt throughout the middle class, hurting workers that provide critical services like teachers, police officers and firefighters. For example, recent reports highlighted at least a dozen San Jose police officers living in RVs in a parking lot near Police Department headquarters to cope with the long commutes required by the lack of affordable housing nearby.[27]

When barriers to housing development drive up rental and production costs, they constitute a countervailing force on housing assistance programs, reducing the impact of already-insufficient government resources for affordable housing. This **strain on public resources** occurs at all levels – federal, state and local. While President Obama's budget calls for increasing investments to provide affordable housing and end family homelessness, HUD's existing project-based and housing choice vouchers could serve more families if the per-unit cost wasn't pushed higher and higher by rents rising in the face of barriers to new development. In order to build affordable housing, developers are often forced to supplement funding sources like tax credits with additional equities and loans, drawing down on state-allocated housing finance agency resources and city-held CDBG dollars. As each of these sources is piled onto a critical affordable housing resource, it is not available for preservation or additional new affordable housing elsewhere in the region.

Benefits of smart housing regulation

Housing regulation that allow supply to **respond elastically to demand** helps cities protect homeowners and home values while maintaining housing affordability. As cities make investments to attract residents and businesses, vibrant hubs of jobs and culture have attracted far more potential residents than many cities' current zoning practices can accommodate. Without building adequate housing to meet the increased demand, cities that have invested in services for their residents see rents soar, making those benefits inaccessible to those they were intended to help. By allowing housing development to respond to demand, cities would capture the increased tax revenue they hope to draw by attracting more residents, and relieve pressure on existing working families that would otherwise be priced out of their communities and forced to move.

Regions are better able to **compete in the contemporary economy** when their housing development is allowed to meet local needs. When jobs and people move freely, local economies flourish, as adequate housing development reduces mismatches between housing and infrastructure, or housing and jobs. For decades, Sunbelt cities with more permeable boundaries have enjoyed outsized growth by allowing sprawl to meet their need for adequate housing supply. Space constrained cities can achieve similar gains, however, by building up with infill, reducing the eyesores of vacant lots and vacant or rundown buildings that go undeveloped in highly constrained regulatory environments. This approach facilitates cities expanding their economies across all sectors, including the essential service sector jobs that allow cities to remain attractive, rather than concentrating growth at the high end of the economy.

Smart housing regulation **optimizes transportation system use, reduces commute times, and increases use of public transit, biking and walking**. A preponderance of a metro area's commuters living far from work in pursuit of affordable housing prevents infrastructure, including public transit, from being used efficiently and effectively. Smart housing regulation would close the gap between proximity and affordability. More residents with access to walking, biking and public transit options also means less congestion on the roads and overall reductions in traffic congestion, greenhouse gas emissions, and commute times.

Modern approaches to zoning can also **reduce economic and racial segregation**, as recent research shows that strict land use regulations drive income segregation of wealthy residents.[28] Inclusionary zoning laws that facilitate working families accessing high-opportunity neighborhoods are effective in reducing segregation and improving educational outcomes for students in low-income families.[29] Research also finds that more localized pressure to regulate land use is linked to higher rates of income segregation, while more state involvement in setting standards and baselines for land use is connected to lower income segregation, reinforcing to the key role that states can play in ensuring access to affordable housing is an even playing field for all residents.[30]

Spotlight: Local Barriers and Housing Discrimination

In tight rental markets, renters flood landlords advertising quality, affordable housing. The stronger the local barriers to development, and the tighter the market, the higher the demand for units. High demand often reflects quality housing options; however, when rental supply is unresponsive to demand, competition can be high for even low-quality units. In such situations, it can be extremely difficult for low-income families to find the quality affordable housing they need, even when they receive a HUD Housing Choice Voucher to aid them with their rent – because some landlords simply refuse to rent to voucher-holders, a practice particularly jarring to the thousands of families struggling to escape homelessness through use of a housing voucher.

Federal fair housing law explicitly prohibits landlords from discriminating against renters on the basis of race, religion, familial status or other protected classes. But many states and localities consider discrimination on the basis of voucher payment for rent to be legal in the absence of explicit source-of-income protections. Available evidence indicates that renter discrimination is widespread, and most harmful in high-barrier rental markets with limited housing options for families receiving rental assistance, hindering efforts to enable more low-income families to access affordable housing in opportunity-rich neighborhoods.

Discrimination against voucher holders is prevalent nationwide, especially in high-cost markets, and remains prevalent even in the 13 states and dozens of localities that have made such discrimination explicitly illegal. Though cities like Chicago, Philadelphia, and Pittsburgh have these laws in place, local investigative reporting has documented high rates of ongoing, illegal renter discrimination. For example, landlords post "no Section 8" tags on sites like Craigslist.org, especially for units in relatively low-poverty areas where constraints to housing development are often highest. The rarely-enforced fine for this violation in Chicago is $500.

Renter discrimination reduces voucher success rates, limiting low-income households' housing options in general, and particularly their ability to move to high-opportunity neighborhoods. The Administration's actions to increase economic mobility, reduce local barriers to housing development, advance fair housing, end homelessness, and expand access to opportunity depend in part on the ability of low-income families to lease units in neighborhoods of their choosing.

Barriers to housing development that prevent supply from responding elastically to demand put additional pressure on landlords and the rental market. Discrimination, even inadvertent discrimination, increases when market conditions increase competition among renters. Unsurprisingly, many cities with the highest local barriers have seen increases in homelessness in recent years, while nationwide homelessness has been sharply in decline.

Vouchers are a critical tool for meeting the Administration's goals of ending veteran, chronic, and family homelessness. The President's historic FY 2017 budget proposal to end homelessness by 2020 for every family with children nationwide would invest $11 billion over 10 years, primarily in vouchers, to end families' homelessness, stabilize their housing, and give them a foundation to succeed economically. These goals will be easier to achieve if local leaders reduce barriers to housing development and end renter discrimination in their jurisdictions.

Framework for Modern Housing Strategies

Cities across the country are interested in revising their often 1950s-era zoning codes and housing permitting processes, and increasingly recognize that updating local land use policies could lead to more new housing construction, better leveraging of limited financial resources, and increased connectivity between housing to transportation, jobs and amenities. The President's FY 2017 HUD budget includes a $300 million proposal for Local Housing Policy Grants to help facilitate those cities' success in modernizing their housing regulatory approaches.

In markets with high demand but currently inelastic supply, these modern housing approaches are likely to lead to more new housing construction, including multifamily rental construction. Though much of that housing would likely be market-rate housing, its introduction into the marketplace would help slow cost growth in existing and otherwise affordable housing. In markets that have not yet but are poised to experience rapid economic growth in the near to mid-term (e.g., as result of their advantageous location, emerging industrial growth, or surge in resource extraction), promising practices can be embedded into local action as they develop their economic growth strategy to ensure that sustained economic growth is achieved.

The Administration has also taken action to reinforce these practices, as the Department of Transportation now examines cities' housing regulatory approaches, and their ability to respond elastically to new demand generated by transit projects, as part of their Small Starts and New Starts project reviews.

Cities like Chicago, Seattle, Sacramento, and Tacoma and states like California and Massachusetts have already begun to foster more affordable housing opportunities by removing restrictions, implementing transit-oriented zoning ordinances, and speeding up permitting and construction processes.

Role of states and localities

Both states and cities have proven they can break free of the constraints that have stifled responsive supply and driven up housing costs across the country. While most states have devolved land use control to localities and remain relatively hands-off when it comes to land use planning, a number of states have begun to take a more active role in reducing regulatory barriers. A strong baseline at the state level creates an even playing field for local land use decisions.

Cities and other localities have the greatest opportunity to innovate in efforts to reduce barriers to housing supply, given their proximity to the effects of either a constrained or flexible supply. Without action, excessive local barriers drive up housing costs, undermining affordable housing at most income levels, and resulting in declines in homeownership. Demonstrated success in addressing these challenges can help overcome apprehension about neighborhoods evolving and growing through new development.

Spotlight: Impacts on the Ground

"As the head of EMPath, a Boston-based non-profit, that helps low-income families move out of poverty, one of the greatest hurdles my staff and participants face is finding affordable housing. When we first start working with our participants, many of them are homeless and trying to make their way from emergency shelters into permanent housing. Affordable housing in Greater Boston is in such short supply, and the costs are so high that, at their average wages ($10/hr), participants have to work 97 hours a week in order to afford the Fair Market rent on a one-bedroom apartment. If they seek lower cost housing outside of Boston, moving often rips apart the work, childcare, and support systems they count on to maintain their precarious family and financial stability.

And my staff experience similar problems. Pay at my organization is far from minimum wage. The average employee at EMPath has a Bachelor's degree and makes about $26/hour. But even at this level, it is hard for staff to find affordable housing in the city and many of them move as much as 25+ miles away in order lower housing costs. When they do this, they add hours of commuting to their work week and easily spend $360+/month for their monthly transit passes. We routinely have to alter work schedules and the offices where our staff work in order to accommodate their commuting needs.

As can be seen from all of this, high housing costs create a drag on everything we are trying to do: stabilize people's lives, decrease their dependence on public supports, get them into the workforce, and run our non-profit business. It is fundamentally important to address this issue if we are going to succeed in improving our economy and opportunity for low and middle income workers."

Elisabeth Babcock
President and CEO
EMPath – Economic Mobility Pathways
Boston, MA

Toolkit – Taking Action

This toolkit highlights actions taken by states and local jurisdictions to promote healthy, responsive, high-opportunity housing markets, despite the common and sometimes challenging political barriers to reform and improvement. This list is not exhaustive – there is a substantial amount of good work being done all around the country – but provides several potential starting points for local efforts to modernize housing planning and development.

1. Establish by-right development

Most development today goes through a discretionary review process prior to approval, such as public hearings or local legislative actions. These processes predispose development decisions to become centers of controversy, and can add significant costs to the overall development budget due to the delay and uncertainty they engender. The tradeoffs that developers make to account for those additional costs can result in lost affordability, quality, or quantity of units developed. "As-of-right" or "by-right" development allows projects to be approved administratively when proposals meet local zoning requirements.[31] Such streamlining allows for greater certainty and more efficient development and, depending on a locality's regulatory approach, supports lessening of barriers from density limits and other zoning requirements. It can also be targeted to achieve public goals by making "by-right" approval contingent on increased affordable housing, transit-oriented development, or energy efficiency.

A 2014 report by the Urban Land Institute concludes that "municipalities can facilitate more efficient development time frames and reduce costs by enabling more by-right development. This can be accomplished by relaxing restrictions related to density, building height, unit size, and parking minimums, thereby freeing developers from the need to seek waivers, variances, or rezoning."[32]

Some states have enacted or pursued these approaches in efforts to facilitate affordable housing development. In California, Gov. Jerry Brown recently proposed a policy that would ensure that new developments that conform with existing local zoning rules and include set-asides for affordable housing would be approved "by right" – as long as the project is not located on sensitive sites, such as wetlands, farmland, flood plains, and earthquake fault zones, additional discretionary review requirements would be no longer be required, facilitating more rapid development of affordable housing at lower costs.

States can also encourage localities to allow by-right development. For instance, Massachusetts allows communities to designate areas as Priority Development Sites, a designation that provides an incentive for municipalities to allow by-right development in localities where they seek to encourage economic growth.[33]

Fairfax County, VA, has implemented by-right development in seven districts, with the goal of encouraging economic development through flexibility in zoning regulations and administrative processes in older commercial areas. These more flexible zoning regulations include 40-50 foot increases in building height, parking requirement reductions, and abbreviated fees and approval processes for development changes.[34]

2. Tax vacant land or donate it to non-profit developers

Nationwide, the number of vacant residential units increased from 7 million in 2000 to 10 million in 2014.[35] Vacant and abandoned properties not only represent lost housing opportunities, but can cause significant harm to the surrounding neighborhood. Strategies to address these properties can reduce blight and place them back into productive use. In-fill development can have significant environmental benefits, as well-resourced urban land can be accessed by more people and can also result in larger ridership for public transit when in proximity to city centers. A 2014 study found that in the Cleveland area, the sale price of homes within 500 feet of a vacant property depreciated by 1.7 percent in low-poverty areas and 2.1 percent in medium-poverty areas,[36] while a 2010 University of Pittsburgh study concluded that the rate of violent crime within 250 feet of a vacant property is 15% higher than that within 250 and 353 feet from the property.[37] Local governments bear the costs of these vacant properties. A 2010 study found that Philadelphia spends more than $20 million annually to maintain 40,000 vacant properties, which cost the city over $5 million per year in lost tax revenue[38].

Localities often face challenges in identifying vacant properties,[39] but many jurisdictions have enacted vacant property registration ordinances that require individuals to register vacant land and often pay a fee, with cities in Florida, California, Illinois and Michigan leading the way in implementation. Many localities in these states increase the fees the longer a property remains vacant, which encourages lot owners to put their properties to more productive use, such as redevelopment.[40] Once vacant property has been identified, jurisdictions are able to take action to combat the lost revenue and blight that come with vacant property by taxing vacant land or donating to non-profit developers.

At the city level, Dallas has addressed vacant property through a land bank, a "government-created nonprofit corporation designed to convert tax-delinquent and vacant properties into affordable housing or other productive uses,"[41] which provides "a tool to enable cities to more effectively…pursue tax foreclosure on unproductive vacant properties in return for…placement into productive use in the development of affordable housing."[42] Dallas also acquires vacant lots for affordable single-family housing development, and allows nonprofit groups to develop affordable housing by purchasing foreclosed vacant lots or surplus vacant lots from the city's inventory at below market price, enabling Dallas to reduce the blight of vacant lots and foster more affordable housing development.[43]

3. **Streamline or shorten permitting processes and timelines**

Permitting processes can introduce yet another source of cost and uncertainty in the effort to increase housing supply through production. Unnecessarily lengthy permitting processes restrict long-run housing supply responsiveness to demand, and also present an inefficiency for city planners and reviewers whose time could be more effectively spent on essential tasks. Most localities' permitting processes do not fully leverage new technology to achieve greater speed, reliability and efficiency.

San Diego and Austin are two of many cities that have tackled these challenges, streamlining and shortening their permitting processes. San Diego's Expedite Program allows for expedited permit processing for eligible affordable/in-fill housing and sustainable building projects, with a 5 business day initial review.[44] In 2000, the Austin City Council created the S.M.A.R.T. Housing program which offers developers of housing that serves low-income families waivers for development fees and expedited development review; since 2005, more than 4,900 housing units have been completed through this approach.

States have also taken action, with both Rhode Island and Massachusetts driving localities toward more streamlined processes. The Rhode Island 2009 Expedited Permitting for Affordable Housing Act provides state permitting agencies with strict deadlines for making their decisions, for transit-oriented, dense, or historic preservation projects that are large enough to meaningfully increase availability of affordable housing in their communities. Massachusetts developed a model set of local permitting practices, with guidelines including predictable impact fees, use of objective criteria for by-right zoning, and uniform timelines. By incentivizing efficient permit processing at the state and local level, communities are better positioned to accelerate development, resulting in increased housing production, more stability for contractors and construction workers, and less risk for investors.

4. **Eliminate off-street parking requirements**

Parking requirements generally impose an undue burden on housing development, particularly for transit-oriented or affordable housing. When transit-oriented developments are intended to help reduce automobile dependence, parking requirements can undermine that goal by inducing new residents to drive, thereby counteracting city goals for increased use of public transit, walking and biking. Such requirements can also waste developable land, and reduce the potential for other amenities to be included; a recent Urban Land Institute study found that minimum parking requirements were the most noted barrier to housing development in the course of their research.[45] By reducing parking and designing more connected, walkable developments, cities can reduce pollution, traffic congestion and improve economic development. Businesses that can be accessed without a car can see increased revenue, increased use of alternative modes of transportation, and improved health outcomes for residents.

These requirements have a disproportionate impact on housing for low-income households because these families tend to own fewer vehicles but are nonetheless burdened by the extra cost of parking's inclusion in the development. The significant cost of developing parking – from $5,000 per surface parking spot to $60,000 underground – is incorporated at the start of the project, which can impede the viability and affordability of the construction.[46]

In 2012, Seattle's city council voted to relax parking requirements, eliminating requirements in center-city areas with frequent transit services within ¼ mile, and reducing them by 50 percent in neighborhoods outside of those centers given the same minimum level of transit service – sparking a wave of new development, including hundreds of units with no associated parking spaces. The study that accompanied this legislative change found that parking reduced the potential number of units at a site and increased the expected rental costs by 50 percent for a building without parking as compared to that with the mandated level of surface parking.[47]

Cities such as Denver, Minneapolis and New York City have also demonstrated success in taking on minimum parking requirements – Denver lowered parking minimums for low-income housing, Minneapolis reduced requirements near transit stops, and New York City eliminated parking requirements for affordable housing located within ½ mile of a subway entrance. The Association of Bay Area Governments also published a rubric guiding parking requirement reform across the region, which accompanies the Metropolitan Transportation Commission's Smart Parking Toolbox and funds parking plans for transit station areas. And in 2015, the State of California enacted a statewide override of local parking requirements for all residential projects near transit that incorporated affordable units.

5. Enact high-density and multifamily zoning

Local zoning code changes that allow for the development of higher-density and multifamily housing, especially in transit zones, can help to alleviate some of the pressure of the growing population in many city centers. In Massachusetts, the Smart Growth Zoning act provides incentives to local governments that make zoning changes and establish smart growth zoning districts, to foster, near transit nodes and city/town centers, denser residential or mixed-use zoning districts, including affordable units.[48] More recently, in June, the Fairfax, VA County Board of Supervisors approved changes to zoning codes to allow for taller buildings near Metro stations.[49] In Seattle, the city has nearly 800 micro-units with another 1,500 or so in the pipeline – more than any other city – yet, changes to the zoning code will disallow future approvals of such housing.[50]

6. Allow accessory dwelling units

Accessory dwelling units can expand the available rental housing stock in areas zoned largely for single-family housing and can address the needs of families pulled between caring for their children and their aging parents, a demographic that has been growing rapidly in recent years. As a result of the recent recession, young adults have achieved financial independence at a slower rate than prior generations. While the number of Americans caring for both an aging parent and a child has increased only marginally, the costs associated with caring for multiple generations has increased significantly as a greater share of parents support their children beyond age 18.[51] Accessory dwelling units offer one solution to this challenge by facilitating intergenerational living arrangements and allowing more seniors to age in place, something that nearly 90% of older Americans desire for themselves and their families.[52] In addressing the temporary needs of families that are stretched thin, accessory dwelling units can create a permanent increase in affordable housing stock. Cities like Portland and Santa Cruz had explicitly encouraged this action, while others like San Diego have called for changes to allow more such units. The State of California moved earlier this month to streamline state regulations to promote construction of accessory dwelling units.

7. Establish density bonuses

Density bonuses encourage housing development and incentivize the addition of affordable housing units by granting projects in which the developer includes a certain number of affordable housing units the ability to construct a greater number of market rate units than would otherwise be allowed. Density bonuses are frequently tied to community goals of increased affordable housing and can be effective in driving larger quantities of units supplied through new construction. The State of California requires its local governments to grant a density bonus and concession or development incentive, if requested, for developments of five or more units including minimum portions of affordable housing or for senior housing.

8. Employ inclusionary zoning

Inclusionary zoning requires or encourages the inclusion of affordable units in new residential development projects. As of 2014, such policies had been implemented by nearly 500 local jurisdictions in 27 states and the District of Columbia.[53] Not only have such policies expanded the availability of affordable housing while allowing for new development that otherwise might have been locally opposed, they have also been shown to improve educational outcomes for low-income children gaining access to higher-performing schools.[54]

As the Lincoln Institute of Land Policy has noted, inclusionary zoning policies require upfront commitment to long-term affordability, and perform best when both producing and preserving affordable housing.[55] While enforcement is a frequently cited obstacle to successful inclusionary housing requirements, Massachusetts' Chapter 40B provisions enables the local Zoning Boards of Appeals to approve affordable housing developments under flexible rules if at least 20-25% of the units have long-term affordability restrictions. This flexibility reduces barriers created by local approval processes and zoning.[56]

9. Establish development tax or value capture incentives

Tax incentives for developers who construct affordable housing offer another avenue to incentivize development; such incentives have been demonstrated to spur development, and have recently been adopted in Seattle and New York City. The Seattle Multifamily Tax Exemption program, which was modified and renewed in 2015, provides property owners and developers a tax exemption on new multifamily buildings that set aside 20-25% of the homes as income- and rent-restricted for 12 years; currently approximately 130 properties in Seattle are participating in the program and an additional 90 are expected to begin leasing MFTE units between 2016 and 2018. Adopted in 2015, The New York 420-c Tax Incentive program provides complete or partial exemption from real estate taxes for low-income housing up to a maximum of 60 years.

10. Use property tax abatements

Like tax incentives, property tax abatements or exemptions can encourage the construction of affordable housing and spur development more generally, including by providing abatements to affordable housing production during the development phase. In 1985, Oregon adopted an approach to provide property tax abatements to properties in which units will be exclusively available to eligible low-income individuals or to vacant land intended to be developed as low-income housing. Philadelphia offers a tax abatement from real estate tax for up to 30 months during the construction of residential housing.[57]

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