

REALTORS® & Smart Growth

# on common ground

FALL 2021

## addressing the **HOUSING SHORTAGE**

**Affordability  
Updating  
Zoning Codes  
Adaptive Reuse**



**NATIONAL  
ASSOCIATION OF  
REALTORS®**

# Finding Solutions

For a myriad of reasons, our country has under-produced housing over the last decade to the tune of, at least, five million units. That underproduction has reached a boiling point over the past year, or so, as housing prices have significantly outpaced other costs of living.

Construction labor shortages, which are remnants of the housing bust from a decade ago, contributed to the cumulative shortfall of housing production, as well as zoning that makes it difficult and costly to build; the cost of materials that has been driven up due to import tariffs; and COVID-19-induced, supply-chain shocks.

This edition of *On Common Ground* explores housing production from all angles and discusses a range of approaches we can take at all levels of government and the private sector, that show promise to produce the housing we need more quickly and cost effectively, such as local zoning fixes; niche strategies to provide housing for those who wish to age-in-place; adaptive reuse of office space and parking structures; and technological advances in building construction.

All the while, there are aspects of housing production that we need to ensure are addressed at the beginning of the building cycle — not as an afterthought. This includes the need to have housing at all price points so that everyone who serves our communities can afford to live where they work.



Courtesy of USDA; Photo by Lance Cheung

To explore this aspect, we are featuring an interview with Dr. Tiffany Manuel who has expertise in communicating the need and rationale for housing that is affordable.

Additionally, as we enter this period of evolution into how we produce the housing we need at a scale and speed that can make up for lost time, it is important to think through the long-term impacts of what type of housing we choose to build, and where we choose to build it, to ensure the operational efficiency and fiscal soundness of communities for the next several generations. Articles on building for an aging population and the fiscal impact of land use address these concerns.

Creating the housing we need will take time, but we hope that this edition of *On Common Ground* supplies some tactics to move us in the right direction as quickly and thoughtfully as possible.

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# On Common Ground

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Making smart growth happen



Courtesy of The Architectural Team

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# The Housing Crunch Is Real



Courtesy of Alliance for Housing Solutions

How we got here, how we address it and the demographic shifts that will impact what and where we call home.

By Steve Wright

When cash bidding wars take place across the nation — not for unique designer houses, but for everyday fixer uppers in humdrum neighborhoods — there's a housing shortage. By any measure, for more than a decade, there has been an underproduction of housing — largely in single-family but also multifamily.

The housing shortage drives up prices. It impacts everyone from the millennials finally ready to settle down, start a family and invest their savings — to working poor and impoverished people unable to afford rent for even the most modest of housing units in dozens of major cities.

Experts also say there's a shortage of rental housing — which serves a strong purpose of giving people a detached unit, backyard, work-from-home space and flexibility in a 21st century workforce that is more transient for job opportunities.

There is no one culprit. But most economists and expert researchers agree that material costs are high, labor pools are thin and land-use policy has made it increasingly difficult and expensive to bring housing to market.

While home builders, real estate professionals and public-policy experts all wrestle with issues of housing shortage, high cost of entry and skyrocketing rent burdens (when people are spending, 40 percent, even 50 percent of their entire incomes on shelter alone) — there are other seismic changes.

Material costs are high, labor pools are thin and land-use policy has made it increasingly difficult and expensive to bring housing to market.

The high cost of city living, along with the desire for bigger housing units on larger lots (fueled by both pandemic fears and the ability to work more from home) is shifting some demographics toward a segment that is willing to live farther out with fewer amenities in return for cheaper housing with more space.

The shortage of housing in America is critical, according to a NATIONAL ASSOCIATION OF REALTORS® (NAR) report — “Housing is Critical Infrastructure: Social and Economic Benefits of Building More Housing.” The report, authored by the Rosen Consulting Group, found that over the past 20 years, growth in America’s housing inventory slowed significantly across the nation. The NAR report states the “underbuilding gap” at 5.5 to 6.8 million housing units since 2001.

“There is a strong desire for homeownership across this country, but the lack of supply is preventing too many Americans from achieving that dream,” said Lawrence Yun, NAR’s chief economist. “We have a housing shortage in single-family housing, apartments, rental housing — it’s across the board. This is a problem, not only because homeownership is beneficial as far as long-term wealth building, but also because Americans are forking over a great share of their paycheck for housing costs.”

### **Boost the Supply**

Yun said the only way to solve the issue is to boost supply. There are many challenges and solutions.

The first issue Yun underscored is overly restrictive zoning regulations. He supports the right to determine the character of a neighborhood, but said far too many cities have overly restrictive zoning and that creates obstacles to building even slightly denser housing.

While the COVID pandemic has created many issues, Yun said it may present an affordable multifamily housing silver lining.

“The economy is recovering, but the office sector is sluggish and with the new trend of work-from-home flexibility, we are saying ‘what can we do with the empty office space?’” he said. “Maybe it can become rental apartments. For many developers, the numbers aren’t there — but government funding could fill the gap and create safe, clean, affordable housing in buildings that already exist.

“Highways and broadband are good, but can’t some of the infrastructure dollars be used to create habitable homes?



Many cities have vacant properties, abandoned shopping malls, largely empty or emptying office buildings. Government funding could support the effort to provide housing.”

Yun supports funding for more rail transportation. He said more frequent, more dependable commuter rail could help people live without a car or with fewer cars per household. Easier commuting can give people more flexibility in choosing where to live.

“The next round of federal legislation should have a homebuyer tax credit to address equity issues,” he said, noting that many people struggle to save for a down payment and that disparity often hurts people of color. “A program of down-payment assistance could help close the gap. Naturally it will disproportionately help those who have been left out of wealth building via homeownership and the entire nation benefits from having more accessible, affordable units.”

## Why the Shortage?

Yun said the labor shortage must be addressed. He said some communities are offering free or reduced community college courses that groom people for construction trade skills. “The labor shortage doesn’t just drive up the cost of building a home — it also makes appliances and everything that comes from a factory to the inside of a home more expensive,” he observed.

Yun said the federal government should intervene with support for training in a cost-effective way.

Robert Dietz, chief economist for the National Association of Home Builders (NAHB), said the housing shortage — which leads to an across-the-board affordability crisis — can be linked to five limiting factors, dubbed the five Ls:

- 1) **Labor.** There is a lack of skilled labor — the workforce has aged and the industry is short at least 350,000 construction workers. The silver lining is that residential construction gained jobs while unemployment rose during the first year of COVID. Because one single-family home construction employs the equivalent of three full-time workers for a year, it boosts the economy to train more workers.
- 2) **Lots.** Whether it is a single-family subdivision, an apartment block or urban infill residential, land must be available for housing and difficult zoning rules make it prohibitive to build even when land is assembled. Dietz said land-use rules have been so restrictive, that the land development sector shrunk by 50 percent coming out of the Great Recession of more than a decade ago.
- 3) **Lending.** Dietz said there are issues with access to mortgages, but his lending issue is with policy and market conditions that impact home builders and land developers. Seventy percent of homes are dependent on loans from community banks. Since the Great Recession, lending is much more difficult to get for land acquisition and development.
- 4) **Laws** (and regulations). Dietz points to exclusionary zoning practices that require more land than the market demands. He said when NIMBYs (Not in My Back Yard) block small and diverse units — it crowds out the entry level buyer, the new home buyer. He said the choice for the developer is to build on bigger lots



with more expensive homes or to build nothing at all. He said regulatory costs and, well-intended but onerous impact fees, drive up costs and add delays. Dietz said research shows that regulatory costs account for a quarter of the final price of single-family housing and a third of the cost of multifamily housing.

- 5) **Lumber.** Ninety percent of single-family homes are wood construction. The Trump administration raised tariffs on lumber coming from Canada to 20 percent, later cutting it back to nine percent. But the steep tariffs and sharp demand for materials saw the cost of lumber shoot up more than 300 percent from spring 2020 to spring 2021 — climbing to a record of more than \$1,500 per thousand board feet. Dietz said that stratospheric leap in cost can add \$30,000 to \$40,000 to the price of a single-family house.

## Advocate for the Missing Middle

“Each community has to look at reforming zoning laws to address the housing deficit. We have an increase in NIMBY and now there is BANANA (build absolutely nothing in my back yard),” Dietz said, noting that opposition to any growth at all only widens the gap between haves and have nots and increases the number of people spending most of their paycheck on shelter. “We have to convince the NIMBYs to be YIMBYs (yes in my back yard) that support some density.”

Dietz predicts an increase of building the so-called missing middle a way of adding density that is not high rise or out of scale. The term describes duplexes, rowhouses and



Courtesy of Alliance for Housing Solutions



courtyard apartments that provide housing at different price points that is compatible in scale with single-family neighborhoods. It supports diverse and walkable communities. It is “missing” because such housing was common in pre-WWII United States, but often is outlawed by zoning.

“It is a complex story; I push back on the idea that there is a single solution. We need to add density, reform zoning, reduce regulations, recruit more diversity in the construction workforce and address impact fees,” he said, noting that roughly 30 percent of construction workers are women and that the industry needs to recruit a more diverse workforce to address both the labor shortage and equity.

Dietz said the profit margins for smaller scale builders and developers — the vast majority of the industry — are “not extremely high.” He said many of the same people advocating for more affordable and attainable housing are the same ones in favor of permit fees, taxes and impact fees that drive up the price of housing.

“Housing is a capital asset — the typical single-family home lasts 80 to 100 years. Rather than a high-up-front fee, finance infrastructure needed to support residential development with low-cost [municipal] bond debt,” he said. “This would make the entry point for homeownership lower.”

Each community has to look at reforming zoning laws to address the housing deficit.



### The Pandemic-Induced Growth Shift

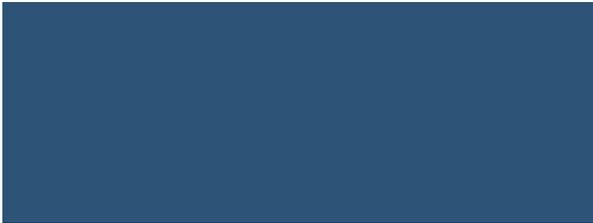
Dietz said the high cost of living in or near major cities plus the concern over the pandemic and the need for more space in a home and a bigger lot — has moved growth to more outer suburban and small-town areas.

“It’s the COVID effect. The permit data from the second half of 2020 and the first half of 2021 shows strong growth rates for both single-family houses and apartments in lower density, lower cost areas,” he said. “Young families have to live somewhere and they are looking farther out, for better prices — COVID accelerated those trends.

“Rather than thinking about a long daily commute, it might be work mostly from home and a weekly commute. Some trends predict that 30 percent to 40 percent of the American workforce will work two days at the office and three from home — or some kind of hybrid — that reduces daily long commutes. The exurbs are growing.”



Courtesy of Alliance for Housing Solutions



Ken Rosen, chairman of real estate market research firm Rosen Consulting, was the lead author of the NAR “Housing is Critical Infrastructure” report.

Rosen also is seeing people leave high-cost, high-tax markets for lower cost areas, though the cost of living in a particular area is more than just the house. It also involves the cost of transportation. Houses in rural locations may cost less, but you need a car for each licensed driver. Yet, he sees a shift from large population coastal areas (east and west) to Sun Belt and Mountain States. He noted that San Francisco lost 10 percent of its population between March and November 2020.

“In a lot of metro areas, the supply of new housing is constrained by very tough local-zoning requirements,” he said. “When it is harder to build things, it becomes more costly. The affordability gap widens.”

Rosen said low interest rates and stimulus checks in 2020 fueled a strong desire for homeownership, but noted that it is increasingly difficult to supply housing to meet the demand.

“Housing is very hard to put in place in a number of areas. The NIMBY phenomenon has really taken hold in California and many other metro areas. You think

it’s protecting your area, your value — but it’s denying housing to the next generation. It makes it increasingly difficult for working people, even middle-income earners to buy any kind of housing.”

Rosen said real earnings are a lot higher in secondary cities. He said a family may spend 25 percent of its income on housing in a smaller market, but more than 40 percent of it on housing in a major city.

“The expensive areas — and that has increased from a few big cities a few decades ago to dozens of metros — must create more housing and different prices. We must convert underused commercial to residential. We must allow more dense housing. We need special programs to support affordable housing,” he said.

### **Infrastructure Investment**

The NAR report that Rosen led bluntly states: “Large-scale investment in infrastructure for the 21st century provides a once-in-a-generation opportunity to avoid the mistakes of the past and instead build infrastructure and housing together in a way that plans for inclusive and sustainable growth that binds communities together instead of dividing them along racial lines.”



Rosen said cities and regions would be wise to use a good portion of their share of previous stimulus bill funding for government, plus the \$1.2-trillion infrastructure funding, to improve diverse housing and transit opportunities where people live and work.

“Address congestion with efficient transit. Allow more density near transit. Relax costly parking requirements for residential next to transit,” he said. Density can work well. People want more open space and concentrating density can create a balance that allows open space.

The NAR/Rosen report explains that hurrying for solutions to the housing shortage will not only benefit families, but it also will create sustained fiscal success at all levels of government.

“This additional new residential construction would also be expected to generate more than \$53 billion dollars in new annual tax revenue, including \$18 billion in state and local taxes and \$35 billion in federal taxes, reflecting a wide range of activity, including considerable new federal income taxes related to the new job creation,” the report states. (See article on page 34 about the fiscal impacts of where, how and the mix of what is built.)

### **Housing Policies**

At the local level, the NAR/Rosen report urges incentivizing shifts in local zoning and regulatory environments to substantially increase the quantity and density of developable residential space.

“Housing policy is very complicated. We haven’t had much policy at the federal level. I’m confident that this administration will see this is a major issue, that housing policy should be a center focus,” Rosen said.

Lisa Sturtevant, chief economist for Virginia REALTORS®, agrees that swift action must be taken at all levels of government to supply more housing — especially the missing middle.

“Where housing is most needed is where the strongest community opposition is. And elected officials put their foot down on housing,” she said. “Arlington is joining Minneapolis in moving to allow duplexes and triplexes by right in single-family zoning. But sometimes the most progressive places are where road blocks come up in the way of housing for different populations.”

Sturtevant said NIMBYism must be resolved in the suburbs. She said people feel it will hurt their property values, but that isn’t an automatic.

# NAR Resources

The Rosen Group report “State and Local Policy Strategies to Advance Housing Affordability” highlights policy pathways that communities should consider pursuing in order to support local affordability, such as:

- Inclusionary zoning is a direct approach, by which localities or states can require developments to include affordable housing, often in areas where it is undersupplied or would provide a large public good. It is important for inclusionary housing policies to align with local market conditions to ensure that these policies remain economically and socially viable and do not turn into a barrier to development.
- Up-zoning and rezoning policies involve converting low-density, or commercial parcels, to higher density housing lots. Broadly, these policies should focus more specifically on underlying zoning regulations that can be modified to support the development of new housing over time.
- Municipalities and public agencies should assess their landholdings to identify underutilized land or find vacant or blighted lots and rezone these lots for housing, especially in areas in which increased housing would benefit nearby businesses and residents.
- Expedited permitting processes should be a major facet of regulatory reform at the municipal level. With faster approval times, developers could produce housing more consistently, which has the potential to lower construction costs and allow for lower housing costs over time.
- The use of accessory dwelling units (ADUs) is not new but provides a relatively immediate way to relieve pressure on the housing market in a region. These units provide a benefit for municipalities in that they can increase density, often without the need for major zoning changes and with a more limited amount of construction activity in residential areas.

The full report is available at: <https://realtorparty.realtor/wp-content/uploads/2021/02/State-and-Local-Policy-Strategies-to-Advance-Housing-Affordability-February-2021.pdf>

“They are designing attractive housing for lower incomes. I lived in workforce townhomes and you couldn’t tell it from the outside. They have built public housing next to million-dollar townhomes and it hasn’t made them less desirable,” she said.

Sturtevant has hope for new building methods that can create more affordable housing that is accessible to all in terms of price and mobility accessibility. She points to a demonstration house created via 3D printer. She noted advances in modular housing produce a more durable, flexible and sustainable product — not the modular housing that people picture from 1970s trailer-home styles.

Sturtevant endorses efforts by advocates such as the Alliance for Housing Solutions (AHS), a nonprofit working to increase the supply of affordable housing in Arlington County and Northern Virginia.

Alice Hogan, a consultant to AHS, said missing middle housing is an important tool for communities to have in their toolbox when seeking to increase housing supply and create greater housing diversity and opportunity.

“When it comes to the issue of affordability, we like to think of missing middle as attainable housing instead of affordable housing, which is restricted to people making a certain percentage of the area median income. Missing middle housing is ‘affordable-by-design,’ meaning it is priced at a financial level that many middle-income earners can achieve, including young professionals, essential workers, and seniors,” she said.



Though missing middle housing isn’t the solution to all affordability challenges, AHS sees it as a way to re-introduce more housing types into the local housing market.

“Zoning laws that were enacted many decades ago in Arlington — and in many other places across the United States — can make it a challenge to build missing middle housing today. But we’re starting to see a shift: cities like Berkeley, Calif., have committed to ending restrictive zoning laws by the end of 2022. And in August 2020, the city of Portland, Ore., approved a policy legalizing up to four homes on most lots and significantly reduced maximum building sizes,” Hogan said. “In Arlington, AHS is pleased that the county is exploring zoning changes to allow for more missing middle housing types through a multi-year study.”

AHS advocates for housing types that support transit-centered, walkable communities that are inclusive and equitable for people of all incomes, backgrounds, ages and stages of life. The group is well-aware that when people hear about zoning changes, they worry how it will impact their homes, neighborhoods and environment.

“Updating zoning laws allows for more types of housing and does not mean an end to single-family zoning or allowing large apartment buildings next to single-family homes,” she said. “AHS advocates for mindful growth so that added density — or gentle density can be easily incorporated into the fabric of a community. Missing middle housing is well-suited to fit into existing neighborhoods because it is efficiently sized and designed with a lower perceived density.”

### Walkability Is Important

Multiple surveys show roughly half the nation would opt to move to a walkable community — where they could walk to most of their daily needs — even if it meant they would live in an attached dwelling such as a townhouse, condo or apartment.

However, the impact of the pandemic plus trends towards millennials starting families and settling down as they age, indicate a shift in the opposite direction for some. Results from NAR’s Coronavirus Update to the 2020 Community and Transportation Preferences Survey show younger respondents — especially those with children at home — reported a reduced need to be near highways and public transit or to have a home with a short commute to work. Results, released after surveying at the height of COVID



*Affordable housing in Arlington, Va., fits in with the historic neighborhood aesthetic.*



Courtesy of Arlington County

## Cities need to do more to make their current housing stock nimbler.

in 2020, indicated an increased desire for more outdoor space and larger homes, most particularly among millennials and those with kids at home.

### Demographic Trends

Arthur C. Nelson, professor of Planning & Real Estate Development at the University of Arizona, focuses on long-term demographic trends. He said the big rush to buy houses soon after the pandemic hit hard was a surprise to many.

“The younger generations were accumulating some money [because] the pandemic shut things down so there was nothing to spend money on and with two percent interest rates — the market came together nicely for millennials and they moved to the suburbs,” he said.

“Many suburbs were poised to meet that demand. I think a part of that sudden demand for homebuying by millennials was, in part, a failure for cities to expand housing supply for young families. They did a good job of attracting young singles, young couples — but cities missed the opportunity to build the missing middle,” Nelson continued. “Cities need to do more to make their current housing stock nimbler.”

Nelson said a trend linked to the pandemic is that new homebuyers want more out of their communities — such as walkability, convenient transit and places for social interaction. He said many suburbs have done a good job of putting in sidewalks and creating complete streets, so

they are competitive with urban areas. This means people can stay in the same metro area, but trade a smaller expensive attached unit in the center for more room at a lower cost on the fringe of the core city.

Nelson said despite the desire to age-in-place, many baby boomers will want to unload large houses that they can no longer maintain — to become renters in smaller, more efficient units.

He said there are houses “with more rooms than people because over the years, the average number of people in a home has shrunk from 3.5 to 2.5.” These are the aging baby boomers’ houses on large lots that will not match the needs of young buyers. Nelson believes in many regions, including the Great Lakes, there will be more senior citizens trying to unload their homes than people who want that type of housing on large lots.

This will become very evident by 2030,” he said. “Seniors, whose biggest asset is the home they own, will sell their home for much less than they hoped — or not be able to sell at all. Public policy must address this mismatch of housing needs.” ●

Miami-based Steve Wright is an award-winning writer, public policy expert and marketing storyteller. He has contributed to On Common Ground for more than a decade. Visit his daily blog at <http://urbantravelandaccessibility.blogspot.com> Follow his 16,000 urban policy tweets @stevewright64



Photo by Opticos Design, Inc.



# STRATEGIES FOR PRODUCING MORE HOUSING

FEDERAL ENCOURAGEMENT AND LOCAL ACTION ARE NEEDED TO INCREASE THE HOUSING STOCK

*By David Goldberg*

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In the years ahead, this pandemic era will no doubt come to be seen as an inflection point for life in American cities and towns in everything from commuting, to schooling to shopping and more. If recent activity is any indication, it might also be the period when localities, states and the federal government finally began to get serious about strategies to address the housing crisis facing working- and middle-class households.

The need for action, though previously glaring, has become blindingly clear since the pandemic exacerbated underlying trends: Housing prices, already astronomical, ballooned with shrinking inventory, shutting millions of young families and others out of homeownership. Fully half of renting American households are “cost burdened” where housing is concerned, meaning they are shelling out a share of their income that makes them economically vulnerable.

“It’s most problematic for groups that have historically had less access to homeownership and to safe affordable housing, generally,” said David Bank, senior vice president for Rosen Consulting Group and a co-author of “State and Local Policy Strategies to Advance Housing Affordability,” a 2021 report prepared for the NATIONAL

Photo by Opticos Design, Inc.



Photo by Opticos Design, Inc.



*Photos on pages 12 and 13 illustrate various missing middle housing types, such as duplexes, fourplexes and multifamily.*

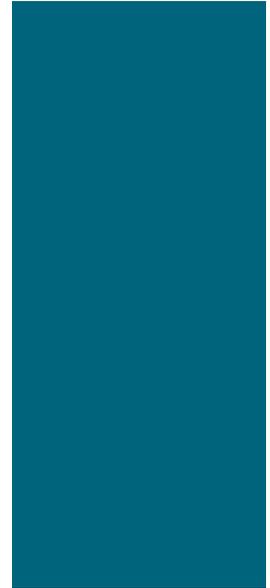
ASSOCIATION OF REALTORS®. “The affordability challenge is most severe for Black and Latinx people, and to those without college degrees. It has gotten much more extreme over the past decade because we’ve built so little housing in this country.”

Bank’s report estimated the United States is 5.5-6.8 million short of necessary housing units. “You need a federal role, a state role and a local role,” Bank said. “You’re not going to tackle that kind of problem without building all types: market-rate and affordable, smaller housing on smaller lots, small multifamily and a full range of larger multifamily.”

But how to spur production of more — and more attainable — housing options? It’s a gargantuan apple, but over the last couple of years some states and municipalities have begun taking bites of it. This August, California, facing a severe shortage of land for new homes, adopted a law allowing duplexes on nearly all lots, with streamlined ability within city limits to create two separate lots. That followed a similar move in Oregon in 2019, when the legislature directed the state’s largest cities to begin to remove obstacles to creating the smaller multifamily homes that some call the “missing middle”: duplexes, triplexes, fourplexes, townhomes, and cottage clusters. With new rules that took effect August 1, Portland, Ore., went farther still, legalizing up to four units on most residential lots — with up to six if affordable units are included — for the first time since one-unit-per-lot restrictions were imposed in 1959. Hot-market cities such as Minneapolis, Seattle and Austin, Texas, are making similar moves, while at least a dozen other cities of varying sizes were debating them as of this writing.

Now the federal government is beginning to act: In early September, the Biden Administration announced a set of initiatives to increase the supply of homes available and affordable to Americans in need of housing options. Some measures are aimed at increasing financing for a wider range of housing types and addressing construction labor

In early September, the Administration announced a set of initiatives to increase the supply of homes available and affordable to Americans in need of housing options.



## The Residential Infill Project idea is to keep the scale of a neighborhood while allowing more people to live there.

shortages. But perhaps the largest number of the federal actions to address a nationwide crisis are aimed at encouraging local jurisdictions to legalize more housing in more places, and to address regulatory snags that add delays and costs. “There are many strategies for increasing affordability, and our membership recognizes that increasing housing supply and building a greater mix of housing types will help with this effort,” said Devala Janardan, senior counsel at the National Association of Home Builders (NAHB). However, he added, “Many local zoning ordinances don’t allow for variety in housing types ... Costly, lengthy and unpredictable development processes add huge costs to housing development and hurt affordability.”

In searching for ways to produce that “greater mix,” NAHB commissioned a research report called “Diversifying Housing Options with Smaller Lots and Smaller Homes” from Opticos Design. That firm’s principal and CEO, Daniel Parolek, coined the term “missing middle” a decade ago to refer to multifamily buildings that are the size of houses, ranging from duplexes to triplexes and fourplexes, and mansion apartment houses and courtyard apartments with 5 to 10 units. The idea arose from an examination that he and others in the new urbanist movement had been making of traditional, pre-auto-oriented

neighborhoods, he said. Prior to the 1940s, these street-car-era neighborhoods — considered highly desirable in most cities today — all had smaller multifamily buildings mixed in with single-house lots. “Starting in the 1920s when cities began rapidly adopting modern, Euclidean zoning, it made it harder and harder and even impossible to build these neighborhoods anymore,” Parolek said. Accompanying regulations such as specifying a minimum lot size per housing unit, requiring space to park a car and restricting the portion of a lot available for building made such housing infeasible even when zoning might allow it, he added.

### **Making the missing middle legal again**

Housing advocates have no shortage of arguments for adding missing middle options in urban areas currently restricted to one house per lot. Single-family houses in city neighborhoods are increasingly out of reach for all but the highest incomes, with the land cost alone accounting for a huge share of that price. Multiple, smaller units spread the cost of the underlying land and require less in materials per unit, allowing for a lower price point, whether for sale or rent. Increasing supply of available units reduces the scarcity that drives up prices. At the same time, many cities have policy goals of making it possible

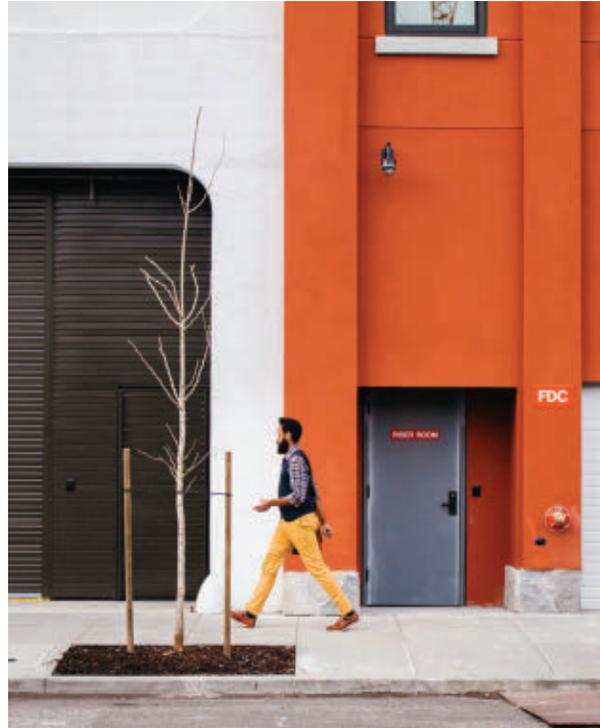
for the teachers, firefighters and others who work in the city to actually live there. In some cities, there is a desire to take active steps to counter the legacy of a zoning regime that too often was employed as a means of excluding families of color. Many also have climate-friendly intentions of reducing the need for vehicle travel and creating walkable, “15-minute” neighborhoods. Having more customers in a smaller footprint can allow for more local-serving business and better transit service in city neighborhoods that today depend on driving for daily needs.

The homeowners in areas that have been zoned only for stand-alone houses for several decades don't always recognize those advantages, however, said Lynn Richards, former president and CEO of the Congress for the New Urbanism. “Everything is so politicized now,” she added. “In my neighborhood, we are all tied up in conflict about replacing a single-family house with a building the same size that houses more people. But no one blinks when a smaller house is replaced with a McMansion housing fewer people.”

Thanks to those tricky politics, it took Portland six years to work through the adoption of its rules to legalize missing middle housing, two years after Minneapolis became the first big city to allow duplexes and triplexes in every neighborhood. But Portland went one better. The package of reforms, dubbed the Residential Infill Project (RIP), began as a proposal from affordable- and small-housing advocates including Eli Spevak, who now chairs Portland's Planning and Sustainability Commission. In addition to allowing up to fourplexes on most lots, the proposal sought to address homeowners' concerns about the proliferation of extra-large houses on lots previously occupied by more modest-sized homes by capping allowable square footage. “The idea is to keep the scale of a neighborhood while allowing more people to live there,” Spevak said. “A few angry residents can foil these efforts at the local level, so you have to organize the groups and individuals who support them.”

The coalition that came together and supported the initiative in public meetings and myriad other forums — often outnumbering opponents in attendance — included

Increasing supply of available units reduces the scarcity that drives up prices.



affordable- and small-housing developers, homeless service providers and stable-housing advocates, the AARP, environmental and transportation reform organizations, supportive neighborhood groups and others.

As adopted, the RIP caps interior square footage of a one-unit house at half the square footage of the lot (a floor-area ratio of .5), while allowing duplexes to go up to three-fifths of the lot area and triplexes and fourplexes to more than two-thirds (.7 floor-area ratio). It also allows up to six homes on a lot if at least half are maintained at regulated, affordable prices for low-income residents. The sliding scale is intended to tilt the playing field away from high-end remodels and trophy houses toward more affordable units. RIP also removed requirements for providing on-site parking for residential units.

The effects are likely to materialize slowly over time; no one expects a sudden, rapid transformation of current low-density neighborhoods. Outside economists estimated that annual housing production could rise by up to 1,200 additional units per year, amounting to



*ADUs provide opportunities for increased missing middle, affordable housing options.*

perhaps a 20-percent increase over what would otherwise be expected. Another analysis projected that rents would be about 12 percent lower, saving the typical tenant an average of \$260 a month.

While Portland's reforms go farther to promote the missing middle than other big cities, it is getting company from mid-sized cities in the region. Olympia, Wash., adopted similar rules in 2020 and Tacoma, Wash., — where house prices rose 26 percent in the last year — is holding hearings on a plan to make multi-unit buildings legal on the 75 percent of residential land now zoned exclusive for one-unit houses.

### **A starter kit: The accessory dwelling unit**

Not every city is ready to have the conversation about moving away from one-unit-per-lot zoning. But a number are moving ahead on liberalizing restrictions on so-called accessory dwelling units, or ADUs for short. ADUs are independent units on the same lot as a single-family house. They can be garage apartments, converted or add-on portions of the original building — sometimes called granny flats or in-law suites — or stand-alone backyard cottages, sometimes called detached ADUs, or DADUs.

Facing one of the most intense housing shortages in the country, California in 2019 adopted a suite of new rules requiring localities to lift restrictions that have stifled the creation of ADUs and to accelerate the approval process. Key provisions prohibit municipalities from restrictions on lot coverage or minimum lot size that are stricter than statewide standards. "I've always believed in the potential of ADUs, but I didn't expect it to spread as much as it has in the Bay Area," said Parolek, who lives in a small-lot bungalow in Berkeley, Calif. "There are five going up right around me."

Homeowners are using the new flexibility to make creative use of their property according to their needs. "A family with young kids near me lives in a 900-square-foot house and was planning an addition. But instead of building a second story, they built an ADU so that when the kids move away, they'll have an appropriately sized house for them to live in and a place to rent," Parolek added.

Not all states have the purview over local land-use regulation that California does, and some municipalities aren't waiting on state action. Among them is Seattle, which in 2019 adopted the most liberal ADU rules among big U.S. cities as one action to help ease a tech-fueled leap



Photos courtesy of Accessorydwellings.org

in housing prices over the last several years. Like Tacoma, Seattle has 75 percent of its residential zoned as “single-family.” The new rules now allow property owners in those zones to add up to two ADUs, whether attached or stand-alone. At the same time, the legislation sets a limit for new houses of 2,500 square feet, hoping to make it more attractive to add ADUs to existing houses instead of continuing the trend of tearing down those houses for much larger ones. Seattle also got rid of the two most prohibitive ADU strictures: mandated on-site parking for each unit and a requirement that property owners must live there. For detached ADUs, the new rules bumped up limits on size, height, and backyard coverage, while lowering the required minimum lot size for a DADU to 3,200 square feet. The legislation also raised the limit on unrelated residents per lot from eight to 12. To make it easier for property owners of all incomes to take advantage of the changes, the city has since created a web portal just for ADU information and is developing a program of financial assistance. On the web site, dubbed ADUUniverse, property owners can find a step-by-step guide, learn what they can build on their property, get pre-approved cottage plans, and see what others are doing. Early indications are that the changes are helping: In 2018-19, the two years before the new rules took effect, Seattle issued permits for 531 units, while 931 had been issued from the start of 2020 through August, 2021.

“It’s not a panacea, but it’s an important step toward freeing up the potential for more housing,” said Rick Mohler, an architecture professor and member of the Seattle

## New ADU zoning rules in Seattle are an important step toward freeing up the potential for more housing.

Planning Commission, who helped the city with creating the web resource. “And we now have more examples of what can reasonably fit into neighborhoods without dramatically changing their appearance. We were seeing big houses being built anyway. Now it’s one house but three living units.” In an interesting twist, a number of the new detached cottages can be found in the for-sale listings on real estate web sites; some owners are creating condominium associations on their lots in order to sell the units, at prices well below those of surrounding houses, if still not exactly cheap by the standards of most markets.

### Reducing off-street parking to reduce land and other costs

While it’s still unusual, a growing number of cities are reducing or eliminating the minimum amount of off-street parking required for housing — and sometimes for businesses as well — to reduce land and other costs. In August 2021, St. Paul, Minn., joined the short list of cities that have struck parking minimums from their code, citing the move not only as a way to help make new housing affordable but also to support their goals of reducing climate-harming emissions.

Many other cities had cut or eliminated parking minimums in their downtowns or other dense areas, or relaxed them for affordable housing, but only a few had preceded St. Paul in lifting them entirely: Buffalo, N.Y., in 2017; San Francisco in 2018; and Minneapolis, Sacramento and Berkeley in 2021.

In a statement supporting the move, St. Paul Mayor Melvin Carter noted that roughly 36 percent of the city's land mass was dedicated to moving or storing cars. "This simple step will help add much needed housing and jobs as we seek to maximize this period of historic economic expansion in St. Paul," he said.

### **Beyond market-rate: Boosting affordable housing**

As Bank noted, increasing the diversity of market-rate housing alone won't be enough to address the affordability crisis for those making the median income or less — and in some hot-market cities even for those making 20 percent or more above median. "In terms of below market-rate, it's obviously more complicated because those deals typically require a range of funding sources," Bank said.

At the local level, efforts to boost the creation of below-market housing usually take the form of fees assessed on development and "inclusionary housing" approaches that incentivize or require a certain share of affordable units for projects over a certain size. "One of the best opportunities we identified was the ability to use density bonuses to increase the number of affordable units that are built," Bank said. The idea is that developers can get an increase in allowed development capacity — and often, reduced fees — when they meet or exceed targets for units at a regulated, affordable price for low-income residents.

Austin, Texas, allows developers to earn incentives — such as fee waivers, density bonuses, tax incentives, and development agreements — to create long-term, affordable apartments and for-sale housing for low- and moderate-income households. The city ups the ante for developers within a half mile of rail and bus routes in order to ensure that the people most likely to rely on transit can live in

**A growing number of cities are reducing or eliminating the minimum amount of off-street parking required for housing.**

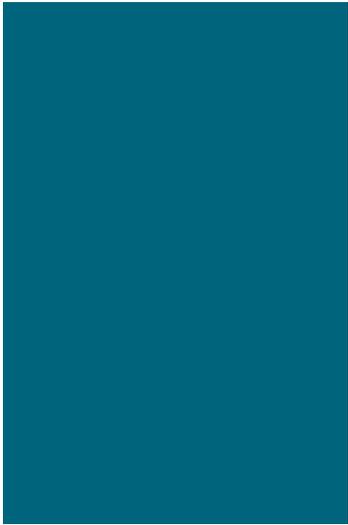
those high-demand areas. That program, dubbed SMART — for Safe, Mixed-Income, Accessible, Reasonably Priced, and Transit-Oriented — grants special density bonuses and waives some development, permitting and impact fees if at least 10 percent of units in the project are set aside for those with 80 percent or less of the area median family income.

Seattle, too, has used voluntary measures to encourage contributions toward affordable housing. However, in the face of soaring rents and home prices and the rapid displacement of less-than-affluent families, the city in 2019 shifted to a mandatory program. Seattle continues to offer a substantial property tax credit as incentive for multi-family developments offering 20-25 percent of units as rent- or income-restricted, a program known as MFTE. But the city's voluntary Incentive Zoning program has transitioned to an approach known as Mandatory Housing Affordability, or MHA.

MHA is based on what the previous mayor referred to as a "grand bargain:" The city requires new multifamily and commercial development to include affordable homes or contribute to a city fund used for the preservation and production of low-income housing. In exchange for that mandatory requirement, the city increased allowable development — typically by a story or two — in all areas zoned for multifamily, and in some cases, expanded those areas. Developers contribute the equivalent of 5 to 11 percent of units, depending on the intensity of the upzone.

While getting the plan adopted was a four-year political slog, initial results are impressive, Mohler said. A report earlier this year showed that since the last of the upzones went into place in April 2019, the program has brought in payments of more than \$96 million and has yielded 7,088 units either open or in the pipeline, significantly higher than the city had projected. The vast majority of developers have opted to pay into the housing fund. "A lot of people were wary of allowing developers to pay a fee versus requiring units to be on-site," Mohler said. "But the city can leverage those dollars with other programs to build more housing, and so far, appear to be locating or preserving their low-income units in high-opportunity areas with good transit."

In terms of producing more housing, MHA is a qualified success so far, Mohler said. "Some for-profit developers fought it because it's mandatory, and some homeowners were concerned about too much development. But it is producing more housing, both because there is more



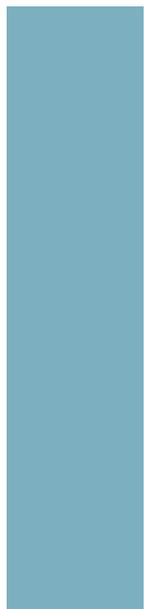
## Homeowners are using the new flexibility to make creative use of their property according to their needs.

development capacity by virtue of the upzones and because it is funding additional affordable housing.”

Bank said he finds the Seattle approach “interesting because it provides value through the upzoning and helps offset the added cost.” He cautioned that other, less-overheated markets might not be able to require a meaningful contribution without shutting down development. “The real trick is finding the balance where the deals are still profitable,” Bank added.

“If you set the requirement too high, you get to where deals no longer pencil.” Mohler agreed. “There’s no question that MHA is leveraging the strength of our real estate market. The city revisits the contribution rates on an annual basis. If it starts to slow production, you have to drop the fees, and quickly. There are limits to what you can extract, and it does make privately produced units more expensive.” ●

David A. Goldberg is a nationally recognized journalist and founding communications director of two national nonprofits, Smart Growth America and Transportation for America. In 2002, Mr. Goldberg was awarded a Loeb Fellowship at Harvard University, where he studied urban policy.



Photos courtesy of USDA; Photos by Lance Cheung



## THE SILVER TSUNAMI

*Older Americans are driving the need for housing to age in place*

By Steve Wright

The concepts of aging in place and universal design — that is flexible, durable design that is comfortable and accessible to all, including people with disabilities — are not some fancy flavor-of-the-month. They are essential needs backed by countless demographic studies by respected institutions.

By 2030, all baby boomers will be older than age 65 — meaning one in five U.S. residents will be retirement age. U.S. Census numbers show that by 2034, there will be 77 million people over 65, compared to 76.5 million under 18 — a first in history that there are more elderly

More than 80 percent of people over 50 want to stay in their homes and age in place.

than youth. Centers for Disease Control numbers show that one in five people will experience some degree of disability in their lifetime.

The need for strategies to make housing age-friendly and barrier-free has never been greater.

Rodney Harrell — AARP’s vice president for Family, Home and Community — said housing can no longer be built in a conventional way — that it must be more flexible, diverse and accommodating.

“More than 80 percent of people over 50 want to stay in their homes and age in place — but only a portion of that housing stock is built in a way or in a location that supports that desire,” he said.

AARP created the Home Fit Guide featuring smart ways to make a home comfortable, safe and a great fit for older adults — and people of all ages and abilities. Featuring many elements of universal design, it is in many languages

## ADUs are excellent ways of providing flexibility for the homeowner.

at: <https://www.aarp.org/livable-communities/housing/info-2020/homefit-guide.html>

The NATIONAL ASSOCIATION OF REALTORS® and AARP teamed up this year to integrate AARP’s Livability Index scores across the REALTORS® Property Resource® platform. The index, created in 2015, measures how a neighborhood serves people of all abilities, incomes and ages.

“People are seeing how walkability to parks, grocery stores, and amenities serves them, and REALTORS® are learning about this,” said Harrell, noting that the site has been visited nearly 2.5 million times and more than half a million reports have been created.

“Every community and every location have trade-offs. The urban area might be closer to a grocery store and more accessible to walkability. The rural area might be more affordable,” he said. “It’s very hard to see all the trade-offs. We created a guide to pull 40 indexes and 20 public policies. This allows you to put in your priorities, create a report and see a quick score that takes a deep dive and gives you comparisons at a quick glance.”

The tool, which allows weighting for priorities such as proximity of transit or good schools, is at [Aarp.org/livabilityindex](https://www.aarp.org/livabilityindex).

To allow aging in place, Harrell called for a uniform code that addresses Accessory Dwelling Units (ADUs) — housing on a single-family lot that is smaller than the main house and is allowed to be occupied by someone other than the owner of the lot.

“Zoning varies from community to community across the country — you may have to go through an expensive permitting process with an architect and attorney. This makes it hard to finance ADUs. They are excellent ways of providing flexibility for the homeowner. They can help pay for repairs and modifications for their home through ADU rent. They can have an on-site caregiver staying in the ADU for free or reduced rent,” he said, noting that the community benefits by bringing young, bright medical, nursing, physical therapy, occupational therapy and other students into a more vibrant neighborhood.





Photo by Opticos Design, Inc.



CDC/Amanda Mills

A Belmont Senior Living development in Coral Gables, Florida.



Photos courtesy of Belmont Senior Living

Harrell said in 80 percent of American neighborhoods, single-family housing is the only option, which is not affordable for tens of millions. AARP and many planning leaders advocate for doubles, triplexes, low-rise condos and similar housing in areas zoned for only single-family housing.

“You can buy a new tooth brush in a second; housing is a hard thing to change,” he said. “City planners and builders should be thinking about the future and designing for more accessibility and options — this is going to need an all-hands-on-deck approach. There are great examples of beautiful universal design options that make a home appealing to a wide audience. Making things pretty and useful — that’s where the magic is.”

Patricia Will, founder and CEO of Belmont Senior Living, has been addressing the rise in seniors seeking amenity-rich, universally accessible housing for a quarter of a century. Belmont has created more than 30 high-end senior communities with more than 4,000 residents.

Will believes in building communities that are connected to transit, shopping, medical and other activities. She is a leader in developing in urban areas and as part of mixed-used development. Her project in Coral Gables, a Miami suburb, is a partnership with Baptist Health — the region’s leader in hospital and wellness facilities. Will also is a huge advocate of universal design and inclusion for people with disabilities.

“We believe in creating communities within very active areas. The idea that someone gets removed from life because they are aging is absolutely antithetical to what we see as a very full and engaging life for the elderly,” she said.

Will said more cities recognize that including senior housing enhances the quality and value of a mixed-use project and the surrounding neighborhood.

“It used to be a hard sell to include senior housing. People felt it was a detriment to the retail and restaurant vibe,” she said, noting that zoning needs to be more inclusive in allowing different senior housing options. “It’s the opposite. Senior housing raises sales for retail and restaurants — not only from the residents but from their family. There’s a multiplier effect.”

As an advocate for universal design, Will is amazed that some people see an assistive mobility device, or walk/roll-in shower as a negative.

“It was controversial over 20 years ago when we created development in San Diego that had common dining, gym, therapy and other areas for both independent living and assisted living. People told me it would never work, because the so-called independent people would not tolerate seeing anything that portrayed frailty in their eyes,” she said, noting that not only was the project very successful, but the units with tub-showers for independent residents were torn out and replaced with walk/roll-in showers by popular demand. “Inclusion is part of the DNA at Belmont. If someone needs a walker for mobility, if they are more secure by having a caregiver standby when they take a shower, how does that diminish them?”

The National Association of Home Builders (NAHB) created the Certified Aging-in-Place Specialist (CAPS) program to teach residential remodelers home modifications for the aging-in-place.

“Some of the simple and easy fixes are things such as: adding safety bars to an existing shower or tub area, changing light switches from toggle to paddle switches, exchanging door knobs with level door handles, adding a removable shower seat to your existing shower/tub area or even installing a comfort height toilet to your bathroom,” said Steve Cunningham, CAPS, CGP — 2021

Many planning leaders advocate for doubles, triplexes, low-rise condos and similar housing in areas zoned for only single-family housing.



NAHB Remodelers Chair and owner of Williamsburg, Va.-based Cunningham Contracting.

Modifications also enhance visitability — accommodating family members and visitors who require level entrances, wider doorways and a ground floor accessible restroom.

“The importance of the CAPS program to aging-in-place is that it allows homeowners to live in their home more confidently and independently, as well as safely with the modifications that a CAPS remodel allows. It also lengthens the amount of time in which one can stay in their home rather than going to an assisted living facility without a CAPS home/renovation,” Cunningham said. “With the modifications that are available during a simple renovation and at a minimal cost, they not only add a monetary value, but add a personal sense of security and well-being.”

Maximum Accessible Housing of Ohio (MAHO) serves greater Cleveland with assisted living units for people with disabilities. It also has a demonstration unit filled with universal design ideas simple to incorporate and it provides in-home accessibility assessments free to county residents who make within 120 percent of median income.

“We always say a 20-dollar grab bar can save a fall that can break a hip that can lead to a long hospitalization, loss of home or even death,” said Beth Glas, executive vice president of MAHO and director of its Anderson Center for Accessible Living.

Greater Cleveland, carved by glaciers and very hilly, provides challenges for ramps and creative use of topography to create one level entrance into a home. The old city also has a lot of duplexes, with aging owners who live upstairs



desiring to make the ground floor unit accessible so they can move into that space while continuing to earn rental income from the upstairs unit.

“Sometimes the fixes are fairly easy. If there’s an existing shower on the main level, a fixed roll-down seat or portable bath bench can add a lot of safety and accessibility for a low price,” Glas said. “Because converting to a roll-in shower can be expensive, we want to make sure we educate people on how to do it the right way. You cannot assume your architect or contractor knows how to modify for accessibility. There are so many creative, low-cost options that your contractor probably doesn’t know about.”

Jennifer Molinsky, a senior research associate at the Joint Center for Housing Studies of Harvard University said different people have different ideas about aging in place. For some, it means they will never move out of their house. For others, it means they want to stay in the same community and for others it means moving anywhere, so long as it is not a nursing home.

“We think of housing as a platform for wellbeing. Housing affordability matters to financial security and capacity to meet other needs besides shelter, such as for food and out-of-pocket medical costs,” she said. “The accessibility and safety of the home matters to our ability to live independently.”

Even though accessibility is key to living independently, Molinsky said even minimal access — wide doorways and hallways, a bedroom and bath on the ground floor — exists in barely 3.5 percent of housing. She said this must change. She said it is why several advocacy groups are lobbying for federal, state and local tax credits to support retrofits for aging in place and expanding access for people with disabilities.

“Ann Forsyth says ‘the suburbs are not a terrible place to live if you can drive. If you can’t, that’s a problem,’” said Molinsky, quoting the professor of Urban Planning at Harvard University and her co-author of *What Is Aging in Place? Confusions and Contradictions*. “I’m a big proponent of housing options — ADUs, triplexes, small apartments — there is a lot of potential to build up the suburbs into walkable neighborhoods.”

Valerie Novack, a fellow with the Disability Justice Initiative at the Center for American Progress and a Ph.D. candidate in Land Use and Planning at Utah State University, supports retrofitting but pushes for more universal design in new construction. She is frustrated with the stigma attached to accessibility.

“I have an old book from the 1980s on retrofitting San Francisco homes for accessibility. There is a picture of accessible doorways and the caption is very negative, saying it is unattractive and people don’t like it,” she said. “It’s a barn door style. These are all the rage for bedrooms, bathrooms kitchens — they are in designer homes now.”

Novack’s message is that accessibility and flexibility add value, which busts the myth that universal design is ugly and kills resale value.

“People like big bathrooms, they like something they can grab in the shower even if they are not a fall risk. Those are accessibility features,” she said. “People pay for the convenience of a bathroom on first floor or an extra room that can be an office and eventually a bedroom on the first floor — that’s universal design.”

Jay Woolford, executive director of Senior Housing Assistance Group (SHAG) in greater Seattle, is concerned about the lack of affordable and accessible housing. SHAG

Cities recognize that including senior housing enhances the quality and value of a mixed-use project and the surrounding neighborhood.

builds affordable senior housing units, but even in the highest income counties in the state, many people have difficulty affording rent.

“There needs to be bonus density for senior housing, programs are needed to create more affordability,” he said. If the land is cheap, you’re in an urban desert. If the land is amenity rich, with proximity to daily needs — it is expensive.”

SHAG sets aside 20 percent of the units in each of its complexes for people with disabilities, who are eligible at age 55 — younger than the typical senior. He said even more accessible/affordable housing is needed.

“We’ve done a very good job of creating affordable housing, but what we haven’t figured out is how to keep it affordable,” he said. “People increasingly don’t have pensions and social security cost-of-living increases are not going up enough to match the cost of housing. Someone might enter one of our communities in sound financial shape, but 10 years later they are severely rent burdened. We have to fill up the donut hole for people who make too much to get Medicaid or other support, but too little to afford to private pay for care and housing.”

With the rapid graying of America, Woolford said public policy must shift to supporting more intergenerational communities, more buildings like SHAG’s that have

With the rapid graying of America, public policy must shift to supporting more intergenerational communities.

ground-level retail, restaurants and wellness centers open to the general public.

“I think there are inherent problems with aging in your own home. A lot of housing stock is not appropriate for aging in place. A lot of houses are split levels or only have an upstairs bath,” he said. “It gets harder to live there and to get out and do things. That leads to social isolation. I believe in the ability to age in the same community, but with housing options that are more accessible and affordable.” ●

Miami-based Steve Wright is an award-winning writer, public policy expert and advocate for people with disabilities. He has contributed to On Common Ground for more than a decade. Visit his daily blog at <http://urbantravelandaccessibility.blogspot.com> Follow his 16,000 urban policy tweets @stevewright64



Photos courtesy of Senior Housing Assistance Group



## REPURPOSED BUILDINGS— HELPING SOLVE AMERICA'S HOUSING CRISIS

By Brian E. Clark

For millions of Americans, finding housing that doesn't gobble up more than half their income is an ongoing quandary. "There simply isn't enough affordable housing, and as a result, we have a really significant dilemma in this country," said Edward Chazen, a real estate expert and senior lecturer in the Carrol School of Management at Boston College. "We also have a lot of buildings that are begging for a better use. But there is a lot of complexity if you want to turn them into housing because of the physical layouts and adaptability of some of those structures. And then there are the issues with zoning."

But some developers and housing advocates have had success repurposing office buildings, schools and libraries and even such unique buildings as former New England textile mills, a Los Angeles funeral home and a Wichita parking garage into apartments that don't cost a fortune to rent. Using historic and affordable housing tax credits from state and federal agencies can significantly reduce the cost of financing these projects.

The NATIONAL ASSOCIATION OF REALTORS® supports tax incentives to convert underutilized commercial property into residential units. Incentivizing the

Adaptive reuse of structures can be key to addressing a region's affordable housing shortage.

conversion of unused or underutilized commercial real estate through tax incentives could offer significant benefits for families struggling to find affordable housing, the distressed commercial sector, the nation's broader economy, and for governments at all levels, which will reap new revenues.

According to a study by the National Low Income Housing Coalition, in 2018, the United States was short more than 7 million affordable housing rental units. And that was before the pandemic. At the same time, in many markets, rents continue to ascend while housing production is not keeping up.

Chazen, who lives outside Boston, said turning office space into apartments is nothing new. And thanks to the pandemic, there are literally hundreds of millions of square feet sitting vacant in office buildings. Currently, some estimates put the amount of unused office space in Manhattan at 17 percent. "Offices have some level of adaptability depending on the age and how the floors lay out. And people have been adapting them for a long time."

In the 1990s, for example, office space demand declined in lower Manhattan in the Wall Street area and there were dozens of what Chazen called "good-looking, underused pre-war office buildings on Wall Street, the most storied thoroughfare in American finance. They were large, some 40 stories tall, but no one would lease them as offices anymore, partly because the economy was shrinking. But the buildings were also considered obsolete for office space because

Left: The Voke Lofts development is a former historic boy's trade school that was transformed into a mixed-use, mixed-income multifamily community in Worcester, Mass. Photos are courtesy of The Architectural Team.



they had too many columns, inferior air quality and didn't lay out right for a modern financial services operation."

Repurposing shopping malls for housing is more difficult and a poor investment return, according to Chazen. "They don't at all lend themselves to that because the floors are too big. But developers have been buying empty Sears, K-Marts and JC Penney department stores and demolishing them. These often have enormous footprints of land, sometimes an acre or two on which sits a two-story department store, attached to a mall. They buy the land and often build new, market-rate apartments, but these usually aren't affordable housing for people who make 80 percent or less of the median income in a region."

In New England, Scott Maenpaa — a project manager with The Architectural Team — has repurposed a number of mills and older buildings, adapting them for housing and other purposes. Adaptive reuse of structures like this can be a key to addressing the region's affordable housing shortage.

"The two go hand in hand," said Maenpaa. "There are a lot of industrial revolution-era, turn-of-the-century mills that are dormant and dilapidated, not being used for much besides small workshops that people rent or for bulk storage. But these buildings were once anchors of their communities and should be thought of as structures that could be adaptively reused for housing."

Maenpaa notes the mills have open floor plans, heavy timber framing and not a lot of bearing walls, so the interiors are relatively open. "That gives us the ability to do



Photos above showcase the Central Building, a historic office building redeveloped into a mixed-use development in Worcester, Mass. Photos are courtesy of The Architectural Team.



Above: A former county courthouse in Worcester, Mass., was converted into housing. Photos are courtesy of The Architectural Team.



whatever we want with interior walls. They lend themselves well to cutting them up into residential apartments. We also try to design social spaces that encourage community and interactions with others, including lounges and libraries or maker spaces where you can get a scrap-booking club together. They're great for adults who are downsizing, too. And people love the aesthetic because

they aren't making buildings like this anymore. They were the pinnacle of technology for their time.

"The same can be true for old office buildings. Given the right size and footprint, we can use the ground floor for store fronts, coffee shops and things that contribute to the community. On the upper floors ... living units.

"Old school buildings can also be repurposed. Once a community outgrows a school and builds a new one, the old one is left behind. We've found that classroom sizes in these schools lend themselves well to interior design and very little demolition is needed. The corridors are wide enough for circulation and egress. So, we've been doing mills, offices, old schools and even a courthouse.

"The county courthouse in Worcester, Mass., was deemed architecturally and historically significant, which meant the community did not want to see it demolished. So, we went in and were able to convert that into housing as well. It doesn't really matter the type of building as long as it has windows. We can certainly try to adapt it and turn it into housing. In many cases, existing buildings work very well for that type of programming."

Maenpaa said historical structures often have interesting stories to tell, both human and architectural. "We try to incorporate as much of the existing fabric into the repurposed building so it looks familiar externally to the community. We try to do the same internally and not cover up a lot of the existing features, be it a brick wall or timber beams or columns or the timber decking that is there. We try to expose as much of that as possible. It isn't always perfect, but I call what we keep, beautiful imperfections."

On the people side, Maenpaa talked about a ribbon-cutting ceremony at a repurposed school where a new resident shared that she'd once been a student, later came back as a teacher and for her third go-around was going to become a tenant. "That was pretty heartwarming."

In many cases it can be less expensive to reuse an old structure than put up a new one, explained Maenpaa. "An existing building already possesses a certain amount of body energy that was already put into it. People made

In many cases it can be less expensive to reuse an old structure than put up a new one.

the materials previously and they were shipped to the site and used in the construction. If you were to demolish it and build something new in its place, you are obviously getting rid of all that embodied energy that is there. On top of that, you are increasing the carbon footprint because you're using machinery to collapse certain areas and loading that material into dump trucks and then taking that to a landfill and filling up the landfill. That's not to say that with an adapted building, you don't run into additional costs that you wouldn't see with a new build — such as environmental remediation and sandblasting or removing lead paint off of existing surfaces. But on the whole, you see cost savings because you don't have to fabricate new steel, make new concrete and ship new material to the site.”

Maenpaa said his company's repurposed buildings typically offer a mix of market-rate and affordable housing, using both historic tax credits from state and federal agencies for buildings that meet the required historic criteria. They also go after housing tax credits, resulting in either 60 or 70 percent of the units set aside for those who qualify for affordable housing. “For the most part, that's what makes these buildings successful and appealing to developers, who use these credits in conjunction with the loans they get from private lenders.”

Another thing that's required to get the reuse of old mills off the ground is rezoning for residential use. Maenpaa explained a number of towns in New England have done what he called “overlay” districts that allow for residences in former industrial or manufacturing areas. “They see the need for affordable housing, so the towns are helping get those opportunities out there.”

Sara Bronin, an architect, lawyer and professor at Cornell University who specializes in zoning, said many communities around the country have outdated and restrictive building codes that don't allow for historic buildings to have the full array of uses for which they have potential. Bronin, who lives in Hartford, Conn., chaired the city's planning and zoning commission from 2013 to 2020.

“For example, you still see in many places, including Connecticut, large industrial buildings that will never again be used for manufacturing. But nonetheless, they are zoned only for manufacturing purposes. I don't believe this is intentional, just that zoning decision makers simply haven't taken time to review the codes.

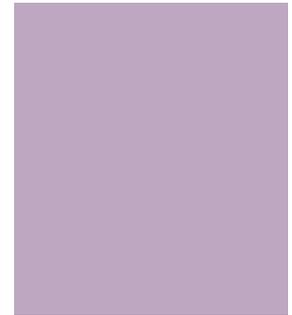
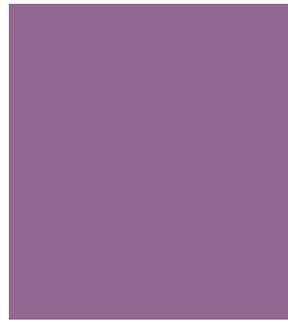
“In those cases, property owners can seek a variance or seek rezoning. But the process is very expensive and



*Pictured above is Lampwork Lofts, a former lampwork factory in Oakland, Calif. Photos are courtesy of Madison Park Financial Corporation.*



*The Broadway Autopark development in Wichita, Kan., is a former parking garage that was built in 1949. Photos are courtesy of Sheldon Architecture.*



time consuming. Moreover, the outcome of the process is uncertain. So, zoning by variance or piecemeal rezoning is not really ideal from a policy perspective because of the costs they impose on property owners. Ultimately, that can deter rehabilitation of historic places.”

In 2016, when Bronin was in charge, her commission comprehensively rezoned the entire city of Hartford so all of the formerly industrial structures are now available for not only light manufacturing, but other possible uses including offices, housing, breweries and artisans’ shops. Sometimes that requires knocking down an adjacent building to create adequate parking.

“Most recently, we’ve seen rehabilitation of a gold leaf factory that is now a grocery store, but most have been for housing. Minimum parking requirements can be a big problem in rezoning because we did not historically build our cities and towns around the automobile. Now when we try to change the use from historic to modern, the property owner has to comply with onerous minimum-parking requirements. That means they might be able to reuse their building, but then have to tear down the historic structure next door in order to do so. Parking minimums are one of the biggest barriers to using

historic sites. Mill buildings didn’t come with parking lots because historically the employees lived within the area in worker housing.”

Still, Bronin said historic buildings can be “perfect for affordable housing because they already exist and renovating them is often cheaper than building from scratch. It’s just that we often make it very difficult to build affordable housing in this country because we’ve imposed lots of processes and special hearings, so it can take years before an affordable project can be approved. Those burdens imposed by zoning laws can be a huge deterrent to investment in historic places.”

In Wichita, Kan., the Bokeh Development Company in 2015 began making what some considered far-fetched

Historic buildings can be perfect for affordable housing because they already exist and renovating them is often cheaper than building from scratch.

plans to turn a former luxury parking garage into apartments. The former Knightley's Parking Garage was a 1949 mid-century modern structure that is on the National Registry of Historic Places.

"A lot of others had passed on this project," said Michael Ramsey, principal and manager of Bokeh Development Company.

An architect he'd initially engaged to survey the structure — which had deteriorated while sitting empty for 15 years — told him to pass. So, Ramsey turned to architect Daniel Gensch, an executive vice president at Shelden Architecture, to repurpose the building, which is now known as the Broadway Autopark. And where some saw a failed roof, water damage and other problems, Gensch saw a "diamond in the rough."

Because the floors were flat — unlike most parking garages built after 1950 — Gensch was able to place 44 apartments in the five-story structure, complete with their own parking spots outside their units and patios. And while there were a lot of constraints because of the number of seemingly dense interior beams and historical requirements for tax credits, those same limitations turned out to be assets.

"When you design without constraints, it's chaotic," Gensch said. "But [operating] inside constraints almost creates a path you can't deny. Sometimes it's like the solution is just slapping you in the face. And that's how this situation was. Every time we made a decision, it was based on constraints, but it ended up feeding a successful result. It was natural to what the building could offer."

Because they were able to control costs and take advantage of state and federal historic tax credits, Bokeh has been able to offer the one-bedroom units for around \$700 a month, well below comparable market-rate apartments in downtown Wichita.

That's allowed Bokeh to lease to people in what he called the "donut hole" — those who can't afford \$1,400 a month or are on government assistance. "We can rent to teachers and police officers, service people, students and even some retirees."

Praise has been heaped on the conversion project, but Gensch doubts that much of what they learned can be transferred to modern parking garages because of the way they are usually built. "People who are building garages today need to be thinking about future use. This was like that process, but inverted. We had a building that had a

future use out there to be taken advantage of and we got the benefit from it."

Peter Merwin, who leads Gensler's Cities & Urban Design Practice for the South-Central Region, said millions of square feet of office space have opened up in recent years. And that trend has only accelerated due to COVID.

Unused office space can be well-suited to creating apartments, with plenty of room in the core of buildings for storage. However, residential housing requires a lot more plumbing. To cut costs, Merwin explains designers are "exploring modular solutions ... where you prefabricate, package and slide utilities you need in along with the walls of existing office buildings."

Merwin adds that "developers who want to rent to people who make less than the median income for a region should look into affordable housing tax credits. And if they have an older building with historic value, those additional tax incentives can reduce costs by up to 45 percent.

"They are a great mechanism for financing the adaptive reuse of some structures. More and more, we are appreciating [older buildings] and that's what those incentives are there for, to assure that we are keeping some of those great old buildings."



Above: The former Angelus Funeral Home in Los Angeles has been renovated into affordable housing. Photo is courtesy of the Historic Resource Group.





Left and below: Warehouse Artist Lofts is a mixed-income, transit-oriented development for artists and includes adaptive reuse of a 1914 warehouse in Sacramento, Calif. Photos are courtesy of Warehouse Artist Lofts. Photo by nicholasway.com



Photos above: The Tioga Hotel was converted into various-sized apartment homes in downtown Merced, Calif. Photos are courtesy of GSF Properties Inc.

Cindy Heitzman, executive director of San Francisco-based California Preservation, said California’s first historic tax credit, which was passed in 2019, can be used to create more housing. “What that means is that owners of historic, income-producing properties can take advantage of this 20-percent tax credit and also use the federal tax credit along with it, which is a pretty significant financial incentive to reuse buildings.

“Developers can also get an additional bonus of 5 percent if, for example, their projects create affordable housing, are in transit-oriented areas or reuse military property. So, a person could get up to a 25-percent state tax credit plus a 20-percent federal tax credit for adaptive reuse.”

California had no historic tax credits before 2019, but now joins 36 other states with them. Unfortunately, total funding is capped at \$50 million a year and will sunset in five years.

“I’m certain the demand will outstrip the funding. But it was our intention to start here and hopefully the success of the program will convince legislators that this is

worth keeping because it will help projects that otherwise wouldn’t pencil out,” Heitzman said.

She cited the repurposing of a former YMCA in the Tenderloin district of San Francisco, a Southern California veterans’ hospital and a former lamp factory in Oakland as examples of housing projects that could have qualified for the state’s historic tax credit.

California Preservation is giving its Trustees Award for Excellence to the Angelus Funeral Home in Los Angeles, which was designed by Paul Williams, a well-known Black architect. The Angelus Funeral Home project is getting the honor because it is providing affordable housing in an African American community, saving a historic building and celebrating the Black architect who designed it. “So, it hits the right notes all the way around,” Heitzman added.

Unused office space can be well-suited to creating apartments.

Owners of historic, income-producing properties can take advantage of tax credits, which is a significant financial incentive to reuse buildings.

In Los Angeles, Councilman Paul Koretz said his city passed an adaptive reuse ordinance in 1999 with incentives for downtown that produced a “renaissance.” A few years later, Hollywood was added to the program.

It worked well, but Koretz said “there is a dire lack of moderately priced housing and housing for people who make less than the median income, which can vary greatly by zip code in Los Angeles.

“With so many commercial office buildings half empty now, this might be an opportune time to streamline the process, expand the adaptive reuse ordinance and have it apply to workforce housing. By cutting the red tape, that might help some of these projects pencil out and fill a significant need in Los Angeles. A lot of our city employees must drive in from outside the city because not that much here is affordable. In the last period that was studied — which was 2014 to 2020 — I think only 827 units of workforce housing were built in the entire city of Los Angeles, which has millions of residents. There is a giant hole in terms of moderately priced apartments. In my neighborhood on the West Side, a one-bedroom apartment in an older building goes for around \$2,500, which is not very affordable. We clearly need to do more.”

Finding new purposes for older buildings requires vision and an ability to see beyond the challenges of zoning restrictions, parking regulations or structural items like industrial pillars and plumbing needs. But more and more communities around the country are looking to their past to help meet their current and future affordable housing needs. ●

Brian E. Clark is a Wisconsin-based journalist and a former staff writer on the business desk of The San Diego Union-Tribune. He is a contributor to the Los Angeles Times, Chicago Sun-Times, Milwaukee Journal Sentinel, Dallas Morning News and other publications.

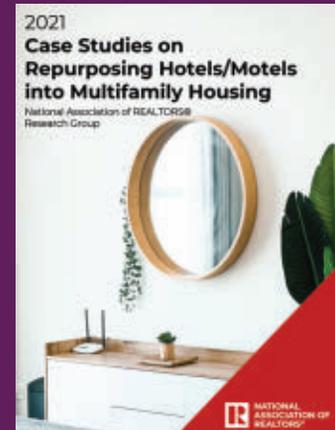
## NAR RESOURCES I ADAPTIVE REUSE

### VACANT MALLS:

Vacant malls contribute to urban decay, declining property values, and lower tax revenues, so it is important that vacant retail stores are repurposed for other uses. The NATIONAL

ASSOCIATION OF REALTORS® Research Group prepared case studies that showcase how vacant retail malls are being repurposed and the sources of financing for these projects.

URL: <https://cdn.nar.realtor/sites/default/files/documents/2020-case-studies-on-repurposing-vacant-retail-malls-05-08-2020.pdf>

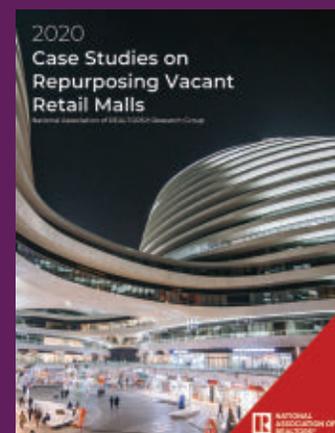


### VACANT HOTELS/

**MOTELS:** Recognizing that the conversion of vacant hotels/motels is a win-win solution to address the acute undersupply of housing and help alleviate the housing shortage, The NATIONAL

ASSOCIATION OF REALTORS® Research Group developed case studies to draw insights from, and highlight best practices about, the conversion of vacant hotels/motels into multifamily housing.

URL: <https://cdn.nar.realtor/sites/default/files/documents/2021-case-studies-on-repurposing-vacant-hotels-motels-into-multifamily-housing-05-07-2021.pdf>





# Location Matters

**NOT ONLY IS THE NEED FOR MORE HOUSING CRITICAL, BUT THE FISCAL IMPACTS OF WHERE, HOW AND THE MIX OF WHAT IS BUILT WILL REVERBERATE THROUGH A MUNICIPAL BUDGET FOR DECADES.**

*By Brad Broberg*



ast call for happy hour at the American Dream. Now who's picking up the tab?

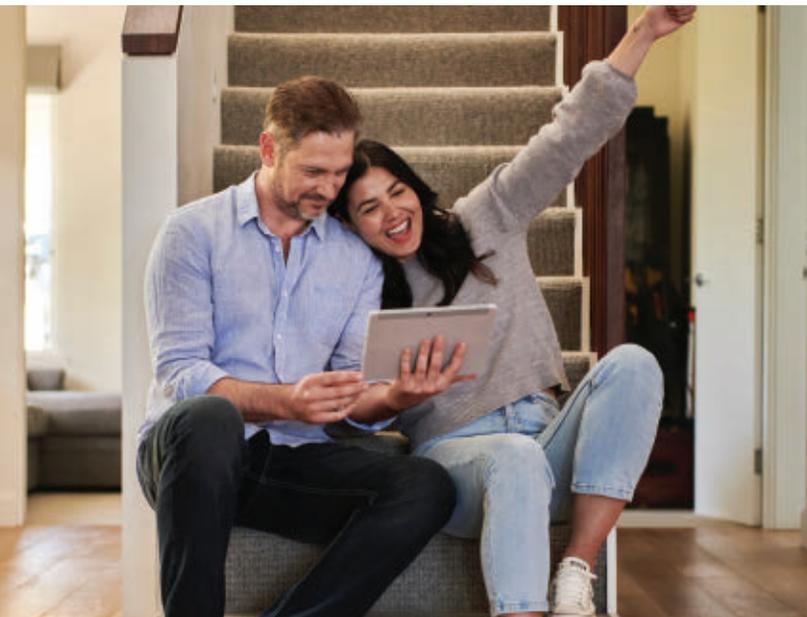
One thing is certain. It won't be cheap. The party started nearly a century ago and nobody wants to leave.

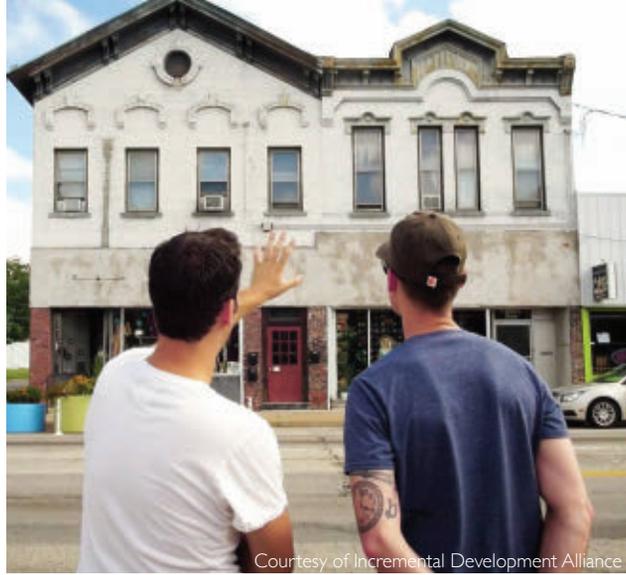
The introduction of federally backed mortgages in the 1930s, the return of GIs from WW II in the 1940s and the construction of the federal highway system in the 1950s created a new housing paradigm — affordable homeownership through suburban expansion.

And the country couldn't get enough.

But this form of growth is highly leveraged. The cost to build and maintain the added infrastructure and public services required by one round relies heavily on the economic growth generated by the next round. And so on. And so on.

People are beginning to realize the fiscal implications of development patterns.





Courtesy of Incremental Development Alliance

Author and planner Chuck Marohn calls it “The Growth Ponzi Scheme” and believes we won’t change our ways until it ends like all Ponzi schemes — badly. “We’re going to try every alternative we can before we give up on this,” he said.

Marohn sees signs that the scheme already may be running on fumes. After bailing out banks during the housing crash, the government is buying up mortgages, forgiving loans and piling on debt. Plus, a massive infrastructure package is in the works that includes billions for deferred repairs and maintenance.

“These are all late-stage tactics that you use to keep what is a nonviable financial approach going,” said Marohn, founder of Strong Towns, which advocates for sustainable approaches to growth and development.

At the moment there are extenuating circumstances. COVID has left the government with no choice but to “prop everything up and hope that it unwinds after we’re gone,” Marohn said.

Yet that still leaves cities, counties and townships with a problem: how to manage the reverberating costs of past development patterns while making better fiscal decisions about the future.

“The fiscal impacts of our choices have really been becoming apparent for at least the last 10 years,” said Glenn Kellogg, interim director of the Incremental Development

## Incremental development involves small projects on neglected property within the existing built environment where roads and utilities are already present.

Alliance (IDA). “The best thing we can do is to stop making the same mistake.”

The IDA helps municipalities take matters into their own hands to break the cycle of unsustainable growth. The IDA’s tag line: “No one is coming to do this for you.”

Conventional developers typically prefer to work with large sites, which are usually more plentiful in the open spaces on a community’s edge. Incremental development involves small projects on neglected property within the existing built environment where roads and utilities are already present.

Incremental development relies on the one-two punch of removing regulatory barriers such as restrictive zoning and encouraging a grassroots approach to development — housing and commercial — that does not depend on attracting conventional developers who require the economies of scale associated with large sites.



Photos courtesy of Smart Growth America



## We teach people how to be developers in their own neighborhood.

“We’re suggesting a different strategy. We teach people how to be developers in their own neighborhood,” Kellogg said.

More cities than not are dotted with empty or derelict buildings in need of repair or replacement, but no one is likely to see them as a good bet unless they live in the neighborhood and stand to benefit from what happens down the street.

The IDA offers workshops, boot camps and speaking engagements that prepare people to become citizen real estate developers and show cities how to support them as they strengthen their neighborhood one lot at a time. Although each project is small, together they offer an opportunity for cities to grow in a fiscally sound way by making more efficient use of their greatest resource.

“Their biggest asset is the land that they have and the value of that land,” Kellogg said. “When you look at the assets of a municipality, typically most of their revenue is coming from real estate taxes.”

But not all land is equal in that regard. The most valuable land in terms of generating taxes is usually within the existing built environment near the municipal center versus the less dense spaces near the edge. Not only does land in the center generally yield more taxes per square foot, it costs less to provide municipal services there because

the infrastructure already exists and doesn’t need to be extended outward to reach new development.

That’s the beauty of incremental development. By making neglected properties productive again, it helps communities fill gaps in the existing built environment and maximize the return on infrastructure that is already in place.

“Part of what you end up paying for as a municipality is really the linear foot of the infrastructure that you have to provide — roads, sewage lines, utilities and emergency services,” Kellogg explained. “Being able to squeeze more out of every linear foot you’re having to service is obviously going to be more efficient.”

That’s always been true, but it was not part of the equation that drove most post-war development. “We’re only now at a point where people are coming around to realize the fiscal implications of development patterns,” Kellogg said.

The IDA has helped cities from Albuquerque to Atlanta introduce their citizens to its grassroots development strategy. South Bend, Ind., enlisted the IDA to help residents of declining neighborhoods take advantage of zoning updates and revive their neighborhood, lot by lot.

South Bend is famous for being the home of the University of Notre Dame, but in most respects is no different than many other Rust Belt Cities wounded by the loss of

factory jobs. Deindustrialization and growing suburbanization were a “perfect storm for hollowing out” some of South Bend’s older neighborhoods, said Tim Corcoran, the city’s director of planning.

Historically cities used annexation to fuel growth, but people are realizing that continued annexation on the edge no longer makes financial sense, Corcoran said. Plus, state law now limits the power of Indiana cities to grow in that manner.

“Your only real avenue for growth is infill in the places that have been left behind,” he said.

But infill is easier said than done. Modern zoning codes impose restrictions that didn’t exist when older neighborhoods were originally developed. And financing can be difficult to secure because construction costs can exceed appraised value in declining neighborhoods.

But appraised value doesn’t account for the deep roots of many longtime residents who are not ready to give up on their neighborhood. “We have a lot of people who still live there that want to heal their neighborhood,” Corcoran said.

The answer is to put two-and-two-together and empower residents to drive infill development on their own.

Even if conventional developers thought infill was feasible, an ingrained bias toward suburban development patterns might not produce the kind of projects residents want and could make it a less affordable place to live. “It’s going to take people within those neighborhoods to make the changes they want to see,” Corcoran said.

South Bend is proceeding under the premise that a journey of 1,000 miles begins with a single step. “There’s a real power in doing things in small pieces,” Corcoran said.

The city started the ball rolling six years ago by making small changes to the zoning ordinance in places where the old regs were obviously outdated. Then the city improved the design and readability of the ordinance to make it easier to understand. Along the way, parking requirements were reduced, accessory dwelling units allowed and the whole package was given a stress test.

The stress test was based on an analysis of the depth, width and other characteristics of lots throughout South Bend and showed the city whether the zoning changes would support the desired development. “We wanted to make sure there were no hidden rules and regs that could hold somebody back,” Corcoran said.



*The city of South Bend, Ind., worked with residents to give them the skills and knowledge they need to rebuild their neighborhoods with infill development.*

Photos courtesy of the City of South Bend, Ind.

## By making neglected properties productive again, it helps communities fill gaps in the existing built environment.

The slow-but-steady journey culminated in 2020 when the city council approved a new zoning ordinance. Now the focus is on putting it into action.

To jump start the process, South Bend is creating shovel-ready building plans that comply with all city regs and include specs and costs. “All you have to do is check that the zone is right for your building type and off you go,” Corcoran said.

The final step: working with the IDA to give people the skills and knowledge to rebuild their neighborhood and help the city grow through infill development that doesn’t require new infrastructure.

“The roads are already there, the pipes are already in the ground, so maximizing the utilization of infrastructure in neighborhoods that have seen a lot disinvestment over the last 50 years is really important,” Corcoran said. “Every city should be thinking about that.”

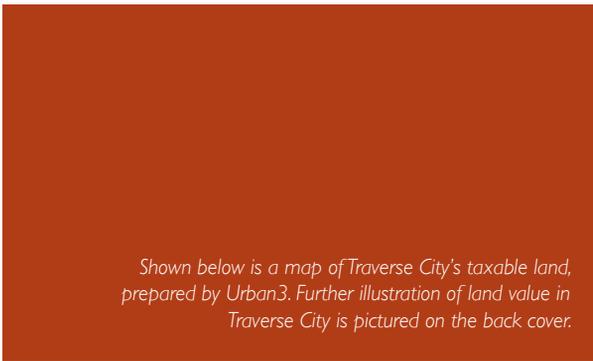
Joe Minicozzi of Urban3 Design is an authority on the subject. He specializes in using tax data to help municipalities



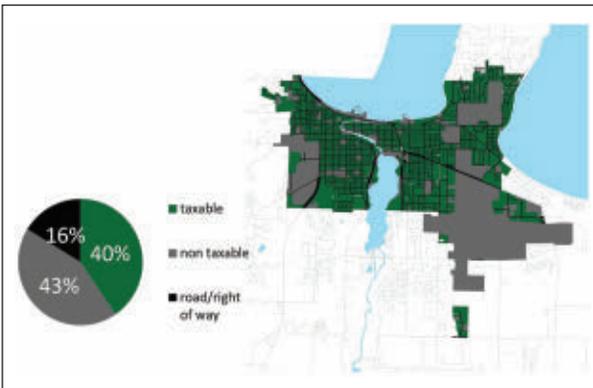
Photo by Flaherty & Collins Properties



Photo courtesy of Incremental Development Alliance



*Shown below is a map of Traverse City's taxable land, prepared by Urban3. Further illustration of land value in Traverse City is pictured on the back cover.*



## The answer is to empower residents to drive infill development on their own.

visualize the relationship between their land-use policies and their finances. Minicozzi points out that in many cases, the disinvestment goes back a lot farther than 50 years.

Redlining — the formerly sanctioned policy of denying mortgages to borrowers in minority neighborhoods — began in the mid-1930s and its legacy lives on in many cities where those neighborhoods became mired in a long, steady decline. An analysis of one such neighborhood in Kansas City revealed that the city lost \$30 million in taxes over a span of 80 years due to vacated property.

“And that’s just one neighborhood. Imagine what was [lost] citywide,” Minicozzi said. Compounding the fiscal damage from redlining is the fact that the city still needs to support the infrastructure in those neighborhoods. Minicozzi urges cities to seize the opportunity these neighborhoods present to make their infrastructure pay for itself.

A variation on that theme plays out in Lafayette, La., where Minicozzi analyzed the relative costs and revenues associated with various neighborhoods. He found that a historically segregated inner-city neighborhood actually outperformed the outlying suburbs.

Although affluent, the suburbs are net negative in terms of cash flow — largely because of their sprawling nature, but also because they are located in a flood plain and require an expensive storm water system. Although very poor, the inner-city neighborhood is net positive because it is more densely developed and requires less infrastructure per house.

“It’s not rocket science,” Minicozzi said.

But making more efficient use of existing infrastructure is not the only thing municipalities should be thinking about on the road to fiscal sustainability. They also should be maximizing the productivity of their taxable land. And that requires a different mindset when making land-use decisions.

“You have to understand where your most valuable land is,” said Kim Pontius, CEO of Aspire North, a REALTOR® association based in the northern Michigan municipality of Traverse City, the largest city in the region.

Six years ago, the association obtained a grant from the NATIONAL ASSOCIATION OF REALTORS® to



Photos courtesy of Incremental Development Alliance

explore that very question. Uneasy about Traverse City's fiscal future, they teamed up with the city and neighboring Garfield Township to hire Minicozzi.

The glaring issue in Traverse City is the ratio of taxable to nontaxable land. Less than half of the land in the city is taxable. The rest — an airport, community college, schools, parks, open space, etc. — is exempt.

“We have way too much land that is taken out of productivity” in terms of directly generating tax revenue, Pontius said.

Increasing Traverse City's amount of taxable land by reducing the amount of exempt land is not a viable option. Instead, said Pontius, the city needs to squeeze the most out of its existing taxable land in order to generate the revenue needed to sustain itself in the long run. Otherwise, city residents will face higher and higher taxes and growth will come in the form of sprawl.

Minicozzi's study revealed where the greatest opportunity exists: the city's downtown core. While only 47 percent of the overall land in the city is taxable, 77 percent of the land in the downtown is taxable.

The roads are already there, the pipes are already in the ground, so maximizing the utilization of infrastructure in neighborhoods is important.

Not every city is stuck with an overall shortage of taxable land, but, most municipalities — including Traverse City — find that their most valuable land in terms of tax production per acre is in their downtown cores and secondary activity centers. This is where growth delivers the biggest bang for the buck — but only if those areas are allowed to grow.

“You are sealing your own fate if you say you want to leave things the way they are,” Pontius said. “The conclusion of the study .... was that unless we could agree to build something higher than what the zoning limits allowed, we were dooming ourselves to a future of ever-increasing taxes to foot the infrastructure.”

Unfortunately, for those who favored greater density in the downtown core, the city commission made it harder, not easier, to grow vertically. Under pressure from activists, the commission required that any buildings exceeding the existing cap of 65 feet must be approved by voters through a citywide referendum rather than through the old process of seeking a variance from the commission.

“Something's got to give,” Pontius lamented, “and if you don't like sprawl, your mind has to start working in three-dimensions and not two.” ●

Brad Broberg is a Seattle-based freelance writer specializing in business and development issues. His work appears regularly in the Puget Sound Business Journal and the Seattle Daily Journal of Commerce.



Dr. Tiffany Manuel



By Joan Mooney

Tiffany Manuel has been working on affordable housing her entire career, and she wants people to know, “Everybody should be involved in this conversation. [Advocates] can’t solve affordable housing on their own. They’ve got to work with nonprofits, government agencies, community residents, labor leaders. They’ve got to be united in purpose, working on the same issue.” In the past, advocates have just worked with like-minded people, and that’s not enough for lasting change.

The work of Dr. T, as she likes to be called, is to make the case for affordable housing. Her background, which includes a doctorate from the University of Massachusetts Boston and two master’s degrees, is grounded in data-driven social science. At her organization TheCase-Made, she and her colleagues use a variety of methods to work with different stakeholders in fair housing and racial equity, which she says are closely linked.

## *Dr. T: Helping Affordable Housing Advocates with Strategic CaseMaking™*

### **Exploring Strategic CaseMaking™**

To describe her work, Manuel coined the term Strategic CaseMaking,™ which she described as “a framework for helping change leaders make a strong case for the work they’re doing in their communities.” What’s different about it, she said, is that it anticipates objections and impediments to action.

In many cases, “it’s not that [community residents are] afraid of fair housing,” said Manuel. “They’re afraid of change. There are lots of ways you can help people make the transition out.

“You can position change as inevitable. If you don’t participate in the process about the direction of change, you will be left out of the conversation.”

Rather than advocacy, Manuel described her work as “adaptive leadership. We need a different kind of leadership to address the large-scale problems that require collective action. It only works if you get all those stakeholders involved. That is a leadership question.”

### **Communications vs. CaseMaking**

For advocates to achieve their goals, Manuel has written, they must distinguish between communications and Case-Making. Communications “raises awareness, conveys a perspective and tries to convince others to take up that perspective,” she wrote in “To Catalyze System Change, Become a Better Casemaker,” in RethinkHealth.org with Bobby Milstein, a health policy expert at RethinkHealth.

CaseMaking, on the other hand, “builds political and public will around specific solutions by strategically addressing the issues that are impediments to action.”

Manuel believes strongly that to achieve lasting change, broad system change must occur. That involves more than having a few interested citizens push for a zoning change in one neighborhood.

“To create true justice,” she has written, “we must take a step back and examine the systems that make unjust conditions a reality for so many communities.”

The values on TheCaseMade.com are broad, going beyond affordable housing: “We believe we will achieve a more just future together,” it says. “We believe leaders are everywhere, and equipped with the right tools, will change the world... We believe understanding is an ongoing journey that requires seeking the expertise of all people, and especially those most affected by injustice” — who are often left out of the conversation.

### Counter Narratives on Affordable Housing

Manuel and her team travel the country to work with communities and listen to Americans of different political stripes, different races and ethnic groups, retired people, white collar, blue collar. They try to find out what’s keeping people from supporting affordable housing, the basic right of everyone to have a place to live.

“One of the most pernicious narratives is that housing is a commodity and you’ve got to pay for it,” said Manuel. “If you can’t afford to live in Denver or New York or Chicago, you’ve got to move.

“That’s very toxic, very strong,” she said. “It’s the notion of mobility. It’s an American narrative. We have a folklore, you’re in a place, you just pick up and move. With a mortgage, it’s ‘Drive until you qualify.’

“If you’re going to move the housing conversation forward, you have to address that.”

How? One way is to talk about why displaced people should stay in the community. And one reason is the environmental benefits of denser housing.

“They [residents displaced by gentrifying neighborhoods] have to drive by your house to get to their suburb since there’s no transit to farther suburbs,” Manuel said.

A second reason that low- and moderate-income residents should not be displaced goes to the heart of why everyone benefits from more affordable housing.

“We helped develop a campaign in Chicago, ‘We need the people who need affordable housing,’” said Manuel.

“I heard from people all the time that they can’t find plumbers or folks to work on their homes.” As the price of housing in urban areas rises, people of more modest incomes have to move farther out.

Child care workers are another example.

“The last thing you want is for the person who’s watching your kid all day to have to drive an hour and a half to get to your house so she’s already tired when she gets there,” said Manuel.

### Helping REALTORS® See Their Implicit Bias

Manuel has worked with several local REALTOR® associations who have invited her to speak to members.

“I say to them, ‘You are the front line of the housing sector ... Everybody knows a REALTOR®.’”

If REALTORS® need to be convinced that affordable housing is important, she tells them, “It’s in your best interest, making sure you’ve got housing across the income spectrum. [If not,] those areas become less attractive for newcomers.”

The Long Island Board of REALTORS® invited Manuel to present a workshop on implicit bias to its 2021 board of directors. Implicit bias occurs when individuals have unconsciously absorbed the prejudices of their community toward a particular group. They continue the cycle by applying that bias when making decisions or interacting with people.



Dr. Manuel presents to various affordable housing advocacy groups, including REALTORS®.



*Dr. T travels the country to work with communities on affordable housing issues.*

“They [members of the board] understand it is important for leaders to recognize that we all have implicit biases,” said Tessa Hultz, the Long Island group’s CEO. Manuel talked to the group about how implicit bias can affect decision-making.

“We have unequal treatment systemically,” said Hultz. “It would be odd if REALTORS® were an exception.”

When Manuel talks to REALTORS® or other groups, it’s not just to educate them about the problem of affordable housing. She wants them to acknowledge “what can happen in the community to have things get this bad [and] how we got here,” she said. “If you don’t know that, you might make the same mistakes.”

### **REALTORS® Role in Local Housing Policy**

How can REALTORS® help with affordable housing in their communities?

One way, said Manuel, is to sit on the local housing task force and advocate for low- and moderate-income buyers. When REALTOR® groups come to her, she helps them address racial equity and encourages them to ask other parts of the housing industry to do the same.

She referenced Richard Rothstein’s 2017 book “The Color of Law,” which details government policies that have created segregation. Advocates for racial equity and affordable housing need to understand that history before they can begin to undo it, Manuel said.

Sometimes REALTORS® discover that the deed for a property says it may not be sold to a Black or other person of color.

“It brings to light the policies,” Manuel said. “People don’t realize. Then they say, ‘What can we do to redress that?’” They can go to the recorder of deeds to have that restriction removed.

On a broader level, advocates can say, “How do we open the market so people have more access — down payment assistance, funds to do more rehab for properties.”

### **Need to Discuss Structural Causes**

Many people’s entrenched beliefs about the housing market make it hard to talk about the need for policy solutions, as Manuel discussed in an article in the Stanford Social Innovation Review co-authored with Nat Kendall-Taylor. Kendall-Taylor is CEO of FrameWorks Institute, a research organization that helps organizations communicate about social issues to support change.

If “people see differences in housing quality as an inherent feature of this market,” they wrote, “[it’s easy] to rationalize disparities in housing quality.”

People also “see housing affordability in terms of wildly rising costs,” wrote Manuel and Kendall-Taylor. That makes lack of affordability seem inevitable and impossible to fight.

The solution is to “explain the structural causes and consequences of a lack of affordable housing.” To that end, Manuel advised “On Common Ground” readers, “Make sure it’s about race, not just affordable housing. People of color are priced out first. Don’t be shy of that conversation because then you look disingenuous.”

### **Racial Protests Bring Optimism**

Manuel does feel more optimistic about the prospects for affordable housing and racial equity in the wake of the social unrest of the past two years.

“We’ve seen widening conversations about racial equity and the racial wealth gap,” she said. “It’s pulling people in, in a way we haven’t seen in a long time.”

“Second, so many people now are finding themselves in the grip of a housing market that is so unaffordable,” Manuel said. “In Washington, D.C., Atlanta, Denver, it’s not just janitors and domestic workers struggling to afford a house. It’s doctors and professors. There’s very little supply and all this capital, but not in the hands of an average consumer.”

“Now we have to have a bigger conversation about affordable housing because something is clearly wrong,” she added. “We have a widening array of Americans facing this. It means the face of the movement is not relegated to low-income people.”

“When it’s just ‘those people,’ it’s easy to ‘otherize’ them,” said Manuel. “They didn’t manage their money right; they didn’t get an education.’ When it’s you and you have done all the things you think are right and you still can’t afford a house, it’s different.

“So, the face of the movement is bigger. In San Francisco, young white millennials have graduate degrees and they’re living on top of each other.”

Manuel has propelled several successful campaigns to drive policy change in different communities. She worked with advocates on an affordable housing campaign after the 2017 wildfires in Sonoma, Calif.

“We were helping put together a campaign to have people understand why [affordable housing] was in the best interest of everybody,” she said. Wealthy homeowners could rebuild, but farmworkers — whose industry was needed for the region’s economy — could not. The advocates worked successfully to drive municipal investment in low- and moderate-income workers.

### In Fairfield County, Affordable Housing Could Benefit Everyone

Often, the work of Manuel and her team is to create an effective messaging strategy for a group of advocates. The Fairfield County (Conn.) Center for Housing Opportunity partnered with Manuel in 2020 to understand residents’ attitudes toward affordable housing. She and her team were able to “reframe affordable housing as a critical community asset and investment that benefits everyone,” says the resulting report, “The Way Forward: A New Narrative for Housing in Fairfield County.”

First, Manuel’s team spent six months conducting a series of “community voice sessions,” talking to residents throughout the county from all walks of life. Their research showed that Fairfield residents value diversity but don’t connect it with housing affordability.

The resulting report offers recommendations for a new type of messaging that would resonate with residents.

One recommendation is to shift county residents into an investment mode and out of a charity mindset for affordable housing: “An investment in housing that more people can afford is an investment in OUR future!” Another messaging recommendation is to position equity and equitable housing as a sign of the county’s success.

The recommendations’ overarching theme is the benefit for all residents: “We must demonstrate that housing

opportunity will improve schools, improve access to opportunity, reduce traffic, reduce pollution, make communities more desirable, more economically vibrant, and most importantly more equitable.”

### What’s Next?

Still to be determined is how the long-term effects of the pandemic and changes in where people choose to live and work might shift the housing market.

For many jobs, “people can live where they want,” said Manuel. “That’s going to shake up the housing space. It may relieve some of the pressure on the market. Where that settles, nobody knows.” ●

Joan Mooney is a freelance writer in Washington, D.C., who wrote the NATIONAL ASSOCIATION OF REALTORS® Water Infrastructure Toolkit.



HOUSING ACCESS & AFFORDABILITY  
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**Topic** Making the Case for Innovative and Inclusive Housing Solutions

**Speaker** Dr. Tiffany Manuel

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## *Housing Can Be Made More Affordably and More Equitably*

Renewed interest in community land trusts and land banks lead to growth in the creation of permanently affordable housing stock.

By G. M. Filisko



Laura Lafayette is essentially a rock star in the eyes of Erica Sims, CEO of the Maggie Walker Community Land Trust.

Lafayette is the CEO of the Richmond Association of REALTORS® (RAR) in Virginia, and she’s literally transforming lives in her area through RAR’s partnership with the land trust to make homeownership more affordable and to begin paving the way to rebuild generational wealth for minorities.

“I’m not blowing smoke here,” says Sims. “Laura is really remarkable. I’ve worked in this industry for more than 20 years, and I’ve never had this kind of relationship with private-sector actors in real estate. That’s what the Richmond Association of REALTORS® provides us — a deeper connection to the private sector.”

Land trusts are just one tool housing experts are deploying to create more housing and to ensure that those new housing opportunities are affordable and equitable. Community land banks (CLBs) are adding to the housing supply, as are other models. The challenge now is how to scale up that work to create exponential growth in equitable and affordable housing.



## A civil rights idea reemerges

Community land trusts (CLTs) began to take root during the civil rights movement, with the seminal trust — New Communities — established in 1969 near Albany, Ga.

“New Communities was started by a group of Black civil rights activists who were organizing Black sharecroppers,” explains Sims. “They wanted to have ownership of their homes and ownership over their land as sharecroppers. They looked to models in Europe and elsewhere to come up with this idea.”

Greg Rosenberg, coordinator for the Center for Community Land Trust Innovation and Terra Nostra Press in Madison, Wis., has seen CLTs gain traction in the 50 years since their inception. “CLTs have been on a steady upward growth trend, particularly since the turn of the century when we started seeing hyperinflation in housing,” he says. “People understand the importance of permanent affordability. We can create a stock of affordable housing that’ll be there 50-70 years from now.”

There are currently 291 CLTs in the United States and Puerto Rico, according to Rosenberg. Cities on the forefront of the CLT movement are Burlington, Vt., with the Champlain Housing Trust. “That’s a very successful organization that owns a significant percentage of the local housing stock and is a model lots of other CLTs look to,” says Rosenberg. “There’s another in Duluth, Minn., called One Roof Community Housing. There’s also a new municipally sponsored CLT in Houston, the Houston Community Land Trust, that people have very high hopes about.”

CLTs, however, are complex, he admits. “At their core is community-led development on community land,” explains Rosenberg. “That highlights their two key elements. First is community participation in deciding what the organization will do and the types of projects they’ll

Land trusts are just one tool housing experts are deploying to create more housing and to ensure that those new housing opportunities are affordable and equitable.



Courtesy of Maggie Walker Community Land Trust

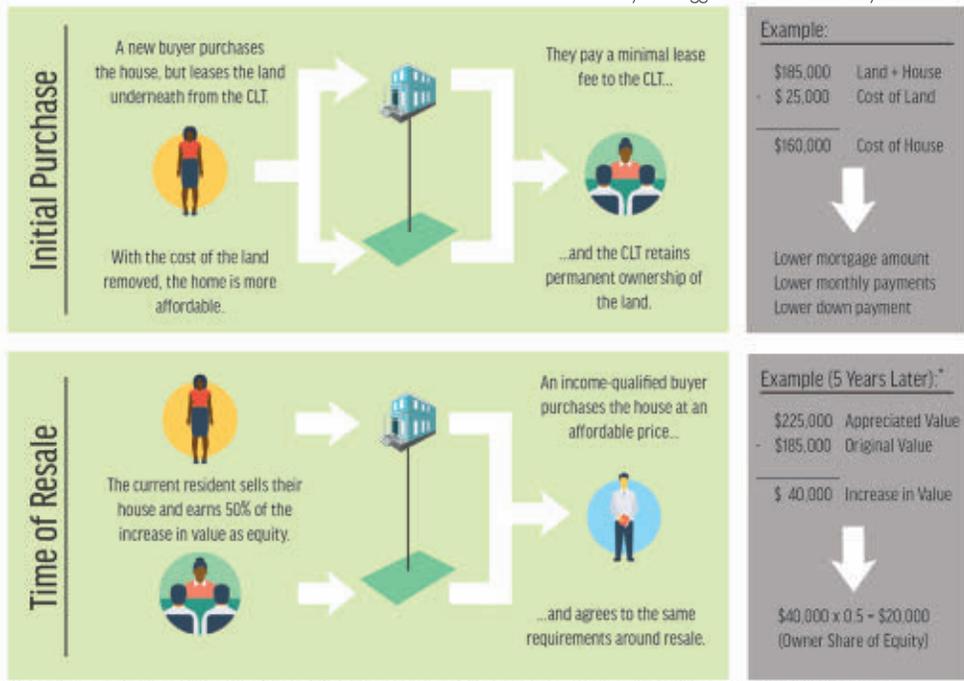


Courtesy of USDA; Photo by Lance Cheung



Courtesy of Maggie Walker Community Land Trust





Courtesy of USDA; Photo by Lance Cheung

be involved in. Second is community-owned property as opposed to privately owned property.

“CLTs own the land on which the property is developed,” he adds. “If it’s a single-family home, the trust will typically sell the improvements and lease the land under a long-term ground lease. Those leases are quite common in the commercial real estate world but not the residential world. CLTs can also do rental housing, but the key piece is that tenants play a role in the operations. CLTs can also do things like community gardens and hold land for development.”

**Playing a long game**

What’s important with CLTs is that a home developed through the process will be affordable for every future purchaser while still building wealth for each family who owns that home over its life span. “A land trust distinguishes itself from other affordable housing initiatives by seeking to make the house permanently affordable,” explains Lafayette. “In the case of the Maggie Walker trust, we have two goals — to create permanent affordability

A home developed through the CLT process will be affordable for every future purchaser.

and to create inclusive homeownership and wealth-building to reduce the racial wealth gap.”

That’s different from most other affordable housing. “Typically, a nonprofit builds a house, and it’s affordable once and only once, particularly if it’s in an area that has seen price appreciation,” says Lafayette. “With CLTs, the land trust retains ownership of the dirt, and there’s a split or shared equity model.”

Imagine this scenario. Assume a home should cost \$250,000 to develop, and the lot is worth \$50,000. “When the first owners come to buy, we back out the cost of the lot from their purchase price, so they buy that home for \$200,000,” states Lafayette. “Assume they sell in seven years and the home has appreciated in value. The sellers keep a percentage of that appreciation, depending on the percentage the land trust is working with. Maybe the house is going to cost \$225,000 for the next buyer to purchase because we don’t, as we call it, ‘recognize’ our equity. So that home is always going to be far more affordable than what’s on the market.”

That rock star status for Lafayette comes from the fact that she was “a key person — if not the key person — in 2014 when a group of affordable housing advocates came together to address gentrification and affordable housing issues in our region,” recalls Sims. “She was the spearhead. She was pitching this idea to every funder in the region, helping us identify sites, and more.”

Sims says Lafayette also connected the trust to Eagle Construction, one of the largest market-rate builders in the region, which now builds homes for the trust at cost. “They can build a home for us for \$130,000 that would cost \$220,000 if I had to hire a general contractor,” says Sims. “Eagle gives that to us as an in-kind donation. That relationship came about through Laura and RAR.”

The trust has 55 current or soon-to-be homeowners, including three lease-to-own families, reports Lafayette. There are also 58 units in the pipeline.

The average sales price of the trust’s homes is \$158,247 — 54 percent lower than the Richmond metro average, reports Sims. The average income of the buyers of the trust’s homes is 49 percent lower than the region’s average of \$89,400.

The trust works with people who earn from 50 percent to 115 percent of area median income, notes Lafayette. “We serve a band of income that’s broader than most of the other housing nonprofits operating in Richmond,” she says. “We also worked with a fair housing organization to create a preference for participants. We can give a preference to folks who are alumni of the city of Richmond schools; more often than not, that means you’ll be a person of color.”

The result: Sims says 45 percent of the trust’s buyers are people of color.

### Banking on the future

Land banks can be a source of land used for community land trusts, and in the case of the Maggie Walker trust, they’re both under the same roof, so to speak.

But more generally, local governments often create land banks into which they place unproductive properties for future development. Think of abandoned property and property for which the taxes are delinquent. Lafayette credits the Maggie Walker trust’s early successes to the fact that several local jurisdictions deeded to it a number of tax-delinquent properties.

“We work in three jurisdictions,” explains Lafayette. “In Richmond, we’ve received tax-delinquent parcels. Chesterfield had an old elementary school they weren’t going to use. They deeded it to us, and we razed the school. We’ll now build 10 single-family homes on that site.

“We’re the first combined land bank and land trust in the country,” says Lafayette. “We say to local governments:



Courtesy of Maggie Walker Community Land Trust



Courtesy of Maggie Walker Community Land Trust



Courtesy of USDA; Photo by Lance Cheung



Courtesy of Center for Community Land Trust Innovation



Courtesy of Center Community for Community Progress



‘Look at tax delinquent parcels, other parcels you own, and buildings that are surplus. Put them in the land bank, and we’ll hold onto them until the time comes for those to be developed.’ We can get parcels in Richmond for \$1 plus court costs, or \$2,500 total. That’s how we’re able to put affordable housing on those parcels.”

### Signs of a brighter future

There’s been renewed interest in CLTs and other affordable and equitable homeownership models, spurred in part by the racial justice movement that arose after the 2020 death of George Floyd. “This is a solution that people have really been looking for — it’s an antidote to some of these forces of gentrification and inequitable development we’ve been seeing,” says Sims. “I can’t tell you how much more this topic comes up these days, especially in the aftermath of George Floyd’s death.”

Akilah Watkins, president/CEO of the Center for Community Progress in Washington, D.C., is also part of that discussion. “We’re getting contacted more because people want an equitable frame on solutions,” she says. “We’re also getting contacted because we’re doing a lot of work with the country’s land banks to assess the level of vacant and problem properties and determine how we put those back to productive use. One way is through affordable housing.

“We’re at a really important juncture where we’re talking about equity, how to bring communities back and make them more resilient, and the technical tools to increase our housing supply to small communities across the country,” she adds.

It’s not just housing policy leaders and industry players joining the discussion. “More corporations and financial institutions are getting involved, and that’s exciting to see,” reports Watkins. “Since 2019, we’ve been doing work around community land trusts and community land banks, and in year one, it was funded by Wells Fargo. But I do think after May 2020, when George Floyd was murdered, we started to see more corporate acknowledgement of racism and support of the racial social movement, and we did see money following that.”

There’s been renewed interest in CLTs and other affordable and equitable homeownership models.

## Houses that are going to serve multiple generations of homeowners should be durable and energy efficient.

In addition to CLTs and CLBs, other tools can make a difference in growing affordable housing while meeting equity goals. “There are three models of shared equity: land trusts, co-ops with limited equity, and deed restrictions, which a lot of inclusionary zoning programs use,” reports Brett Theodos, senior fellow of the Community Economic Development Hub at the Urban Institute in Washington, D.C. “I think these models have incredible potential, but the number of CLT units isn’t huge; I’d say in the lower thousands across the country.”

The challenge is that CLTs, CLBs, and other entities compete in an open housing market that’s seeing huge increases in value. It’s difficult for them to keep pace.

CLTs are also little understood. “CLTs can be challenging because they’re unfamiliar to mortgage lenders and construction lenders,” says Rosenberg. “When you have your go-to mortgage lenders and sources of construction finance, and you’ve done some public education about the split ownership of land and improvements, things get easier.”

They’re also expensive, in part because experts on the ground have learned that CLT homes need to be solidly constructed. “If you’re building a single-family home that’s going to serve multiple generations of homeowners, it should be durable and energy efficient,” says Rosenberg. “In my experience developing housing for a Madison-area CLT, we wanted to make our very earliest houses as cheap as possible to make them as affordable as possible. But when they came up for resale, there was a lot of deferred maintenance we needed to do. We didn’t renovate to the standard we should have initially.

“Now we use fiber cement siding instead of vinyl, better roof shingles, and more energy efficient materials — we’re paying a lot of attention to building envelope and quality materials,” he says. “You’ll see that in a lot of CLTs. We sell a house with a 99-year ground lease, so that points us to durable construction and energy efficient and green building.”

What would help CLTs and other affordable and equitable housing vehicles gain more traction? “They take a lot of subsidy up front and overall need considerable resources

to make them happen,” says Theodos. “And there’s not a steady subsidy source. There’s the low-income housing tax credit (LIHTC) going on in rentals, but we don’t have something like that in the ownership space. CLTs are often cobbled together with state, local and private resources.

“Ideally, there would be lots of money for these, and it would be allocated every year so that people can plan on it and put it to productive use rather than haphazard, frantic use,” he adds. “The LIHTC has created a market for its use. There’s a market for shared equity and CLTs, yet to get appreciably more of those units, we’d need a sizeable and regular subsidy.”

Rosenberg also would like policymakers to think in terms of forever. “I think it would help to place a greater emphasis on permanent affordability for affordable housing projects,” he says. “In many cases, affordable housing has to be affordable for 30 years, which is a long time. But after 30 years go by, that affordability evaporates and is far more expensive to replace than when you built it.”

Watkins is excited at the possibilities coming from evaluating new ideas and rediscovering existing ideas. “There are a lot of things we’ve been doing that we’d love to scale more,” she says. “Those are tried and true, and I’m excited that a lot of oldie but goodie tools are getting more attention and more resources.

“I think this is also a great opportunity for us to use different tools,” adds Watkins. “One thing we’re having conversations around is the role land banks play in community revitalization. They’ve been part of the landscape since 1991, and more than 30 years later, we’re looking at what could be their increased role. We’re working hand in hand with community development groups, lending institutions, and local developers on problem properties.

“That’s a new conversation, whether land banks can be not just a repository for problem properties but part of the long game on revitalization and how they work with other revitalization tools,” says Watkins. “I’m excited about the synergy around community revitalization tools. We’ve long seen them as a silver bullet and one-off tools. More than ever, we’re seeing them being braided in a way to produce maximum results.” ●

G.M. Filisko is an attorney and freelance writer who writes frequently on real estate, business and legal issues. Ms. Filisko served as an editor at NAR’s REALTOR® Magazine for 10 years.



## Employers Are Helping Create Affordable Housing

By Brian E. Clark

In 1881, George Pullman, president of the famed Pullman Palace (railroad) Car Co. opened the eponymous village of Pullman just to the south of Chicago. Created as a “model industrial town” in reaction to the slums where many immigrant workers were living at the time, the community thrived and by 1885 had a population of 9,000 residents. Pullman figured, historians say, that by providing employees with housing at a reasonable cost — as well as a pleasant place to live, shop, worship and play — he could keep skilled talent, gain greater productivity and avoid strikes. Despite its troubled history, the city of Pullman was considered visionary at the time and today many companies are also striving to be visionary in addressing affordable housing.

Today’s tech giants including Google, Apple, Amazon, Facebook and others are cribbing a page from the history books to help create affordable housing around Seattle, in the San Francisco Bay Area and elsewhere in the country. School districts are also helping teachers, while some communities are aiding firefighters and police with housing support.

In Florida, Universal has launched an effort to build affordable housing for its workers and others. Working with Wendover Housing Partners, the theme park entertainment company said it is pledging land and its creative resources to find a solution to what it describes as “one of Central Florida’s most pressing issues.”

*Pictured below is a historic photo of the Pullman village, which was created as affordable, company housing for railroad employees in the late 1800s. Photo courtesy of the Library of Congress*





A rendering of the planned Housing for Tomorrow development near Orlando Universal.

Universal is helping to provide and preserve housing for low- and moderate-income people that is safe, secure and affordable in perpetuity.

Working on a 20-acre site Universal owns, Wendover will build a mixed-use community that will include what it said will be 1,000 high-quality apartments as well as 16,000 square feet of retail space. Construction is expected to begin in late 2022.

Ownership of the site has been transferred from Universal to a not-for-profit established by the company called Housing for Tomorrow. Its role is to oversee the initiative and make sure it remains true to the original vision. Housing for Tomorrow will retain ownership of the site and serve as master developer — entering a \$10-a-year/55-year lease for the property with Wendover. Housing for Tomorrow’s charter states that its mission is: “Providing and preserving housing for low- and moderate-income people that is safe, secure and affordable in perpetuity.”

Housing advocates generally laud the efforts by wealthy corporations, but they also note that these moves have come as giant tech companies like Google, Amazon and



Rendering and photos courtesy of Universal and Wendover Housing Partners



Google is investing \$1 billion to add 20,000 affordable housing units in Silicon Valley. Photos courtesy of Google.



Microsoft face pressure to help because their huge growth has exacerbated the crisis. They also say that zoning reform is badly needed.

According to a report from SPUR, an urban planning policy think tank, the workforce housing shortage in the Bay Area is stunningly large. It said the region should have built an additional 700,000 housing units over the last two decades and that to keep up with growth, the region will need to build 2.2 million more units by 2070.

Sarah Karlinsky, a senior adviser at SPUR, praised what she called “heroic” efforts by affordable housing developers that have yielded between 40,000 and 50,000 units over the past 20 years. “However, the shortage of affordable housing will certainly continue to grow if the Bay Area and the state don’t build more,” she said.

Zoning reform is needed to promote the construction of more affordable housing.

Even when communities zone for housing, there are often regulations and rules that can make it difficult to build, which worsens the crisis and drives up prices for all. Karlinsky argued that zoning reform is needed to promote the construction of more affordable housing and that tech and other corporations might do more to advocate for laws that would increase production. “I think that changing the hearts and minds of citizens in California is a critical task, but we need to think about who would be best to take that on,” she said.

Part of that reform effort would include pushing for permanent funding rather than donations and bond issues that provide temporary support. “It’s great that tech companies are looking to invest hundreds of millions of dollars or even billions in affordable housing. And that’s a step in the right direction,” she said. “It’s really important to have more money, but is equally critical if not more so, that we change the laws about what gets built and where.”

Karlinsky said she admires countries from Denmark to Japan that look at housing as a human right. “I know that the United States was founded on ‘rugged individualism,’” she said. “But we as a society need a system that recognizes

we are interdependent and connected and if affordable housing is important to us, we need to do a better job of providing it because we are all affected by this.”

Corianne Scally, a principal research associate at the Urban Institute, said she has seen a “notable uptick in tech companies investing in affordable housing in the last couple of years. It’s always great to see new investments, particularly by employers recognizing that their employees benefit from thriving communities that offer a variety of housing options across the income spectrum.

“Happy employees and community neighbors can drive down employer costs, as well, by reducing staff turnover and improving public support for other employer initiatives. While much more is needed to address deep housing divides and supply deficits across our country, the more people contributing to a solution, the better.”

The lack of affordable housing is most acute in San Francisco, where the median price for a home hit \$1.9 million this summer. In Seattle, it was a “mere” \$800,000. That means that many people who work in those cities must commute long distances.

“In the Bay Area, we call that drive-until-you-qualify [to rent an apartment or house],” said Karlinsky. “It’s this region’s de facto affordable housing policy.”

Unlike impoverished company towns associated with coal mines in the eastern United States, the Pullman community earned awards for its progressive thinking and design. In addition to gas, water and sanitation services, each home had front and even back yards. Expansive parks and open lands provided larger, shared green spaces. Maintenance of the residences was included in the rental prices, as was daily garbage pickup. At the 1896 International Hygienic and Pharmaceutical Exposition, Pullman was honored as “The World’s Most Perfect Town.”

The community (really a neighborhood) was annexed into the city of Chicago 17 years after it was founded. In 2015, it was designated a National Historic Monument by President Barack Obama because of its architectural significance, its place in American labor history and the role its workers played in the civil rights movement.

More than 100 years later, Boston College economist Aleksandar Tomic said today’s dire lack of affordable housing is “particularly acute in coastal metro areas where there is not much developable land, especially where jobs are



*In Seattle, Microsoft is investing \$750 million to mitigate the region’s affordable housing crisis.*

## Happy employees and community neighbors can drive down employer costs by reducing staff turnover and improving public support for other employer initiatives.

paying quite well and squeezing out the middle class and lower-income workers.

“That means companies are having a hard time recruiting people with experience if they aren’t at the top of the earning distribution,” added Tomic, who also runs the university’s applied economics masters’ degree program.

That’s caused some corporations, such as HP and Tesla, to plan moves or at least threaten to relocate from California to other, less expensive, states such as Texas or Florida. Still others have moved to less pricey regions in the same state where they are currently located. HP’s administrative headquarters are now in Houston.

In Seattle, Microsoft is investing \$750 million to mitigate the region's affordable housing crisis. In part, the commitment includes a no-cost line of credit to the Washington State Finance Commission. The money will be used for the creation or preservation of nearly 6,671 units.

Apple recently made a \$2.5 billion pledge to create more affordable housing in California, while Facebook has pledged \$1 billion for housing.

Apple's \$2.5 billion commitment to deal with the housing crisis in California features a series of initiatives, including:

- A first-of-its-kind \$1-billion affordable housing investment fund with the state of California.
- A \$1 billion first-time-homebuyer mortgage assistance fund, with increased funding opportunities for essential services personnel, school employees, and veterans.
- \$300 million in Apple-owned land made available for affordable housing.
- A \$150-million Bay Area housing fund, in public-private partnership with Housing Trust Silicon Valley.
- \$50 million to support Destination: Home's efforts to address homelessness in Silicon Valley.

Kristina Raspe, Apple's vice president for Global Real Estate and Facilities, said this summer that "California's communities have shown their resilience in the face of immense challenges this past year. As we look to a brighter future ahead, Apple is committed to continuing our work with partners across the state to support these communities and help combat the housing crisis in meaningful ways.

"As we expand our efforts and move forward with our comprehensive plan to address housing in the state, we're proud our work has made a tangible impact on the lives of so many Californians."

After announcing its commitment in November 2019, Apple began working with partners to allocate and disburse funds across the state — deploying more than \$500 million by the end of 2020 in an effort to combat the heightened housing challenges posed by the COVID-19 pandemic.

Apple has supported affordable housing efforts across 25 California counties.



Apple is deploying more than \$1 billion in support of affordable housing. Photos on pages 54 and 55 are courtesy of Apple.

To date, Apple has supported affordable housing efforts across 25 California counties, from Alameda and Amador to Ventura and Yolo. The company said the funding supported the development of thousands of new affordable units, aided first-time homebuyers and helped keep Bay Area families housed during the pandemic.

Google, for its part, has promised to invest \$1 billion to add 20,000 affordable housing units in Silicon Valley, where the booming tech industry has helped fuel the soaring cost of living. As part of that deal, Google has said it will lease to developers \$750 million worth of land it owns over the next 10 years.

The company, which was founded in 1998 by two Stanford University graduate students, now has more than 45,000 employees in the Bay Area. About half of them work at Google's home base in Mountain View. Echoing George Pullman, Google Chief Executive Sundar Pichai wrote in a blog post: "As we work to build a more helpful Google, we know our responsibility to help starts at home. For us, that means being a good neighbor in the place where it all began over 20 years ago: the San Francisco Bay Area."

Amazon is also working on the affordable housing crisis in its three hub areas and announced earlier this year that it had created a \$2-billion Housing Equity Fund to preserve and create more than 20,000 affordable housing units near its locations: Washington's Puget Sound



region; Arlington, Va.; and Nashville, Tenn. Its first two investments include \$381.9 million in below-market loans and grants to public agencies, housing partners and minority-led groups to build and preserve more than 1,300 affordable homes in Arlington, plus \$185.5 million to maintain up to 1,000 affordable apartments in the Puget Sound area.

More than 5,000 new workers are expected to move to the three hubs. The company has pledged additional funds in coming years. Amazon said the money underscores its commitment to help ensure that moderate- to low-income families can afford housing in resource-rich communities with easy access to neighborhood services, amenities and jobs.

Catherine Buell, head of Community Development for Amazon and the former president and CEO of the Atlanta Housing Authority, said the housing her company is funding is not only for Amazon workers. Amazon targeted Arlington, Nashville and the Puget Sound area because of the need, but also because speculation is driving up prices.

Amazon is working on the affordable housing crisis in its three hub areas.

She said Amazon's focus is on preservation of existing workforce housing "because we saw that there were very few fund tools to do that. We wanted to make a very clear statement about the importance of preserving affordability."

She said that is reflected in a \$381-million investment in low-cost, flexible capital to help a new nonprofit called the Washington Housing Conservancy acquire two multifamily towers called Crystal House. The group's goal is to convert that property — which is now reasonably priced — into a workforce housing apartment building, with 75 percent of the households making 80 percent of the median income for the area.

The second investment, with the King County Housing Authority (KCHA), will help it acquire 1,000 units of existing multifamily property in Bellevue. "We're also investing in non-traditional public-private partnerships, such as with transit agencies," she said. "Government is primarily responsible for affordable housing, but we believe that as one of the nation's largest employers, we can do our part to help."

Amazon has no plans at this time to develop workforce housing on its own land. "We are able to move faster and at a larger scale by working with nonprofits that are already doing this work," she said. "That doesn't mean our ability to do it ourselves is not off the table at some point in the future, but for now our Housing Equity Fund is aimed at supporting existing organizations."



Right: Amazon is helping the nonprofit Washington Housing Conservancy to convert two multifamily towers into workforce housing.

Photos are courtesy of Amazon. Catherine Buell, Head of Community Development, Amazon in the Community (wearing pink dress) and Kimberly Driggins, Executive Director, Washington Housing Conservancy



Dan Watson, the KCHA's deputy director for development and asset management, said his agency has been working with Amazon and Microsoft for several years to preserve workforce housing.

"The focus of these companies is to address the shortage of median price rental housing in the greater Seattle area, though they've helped in other ways, too," he said. "In our case, we've focused on preservation of naturally occurring affordable housing, which is older complexes in high-amenity communities that usually have good schools that give lower income working people more opportunities for their kids. One big emphasis in this preservation program is around transit-oriented development sites, the light rail stations that are being created in the Seattle area along with bus rapid transit."

With financial aid from Microsoft and Amazon, he said his agency has preserved around 2,000 units of rental housing, primarily on the east side of King County in what is known as the tech corridor.

He said Google is planning a campus with substantial office development next to a bus rapid transit site in the city of Kirkland that will include a lot of high-density housing. The housing authority owns an older, 30-unit complex on three acres in Kirkland that could be redeveloped into 400 affordable housing units.

In addition, he said Microsoft has been working with Bellevue and other cities on their land-use plans and helped forge an agreement between the affordable housing community and developers in Bellevue.

Watson said the work his organization does isn't necessarily for tech workers who are often paid well. In

King County, market-rate apartments are fairly pricey and two-bedroom units in nicer areas can cost up to \$4,000 a month. "The challenge in places like Bellevue and Seattle is for workers in all the tertiary businesses and their employees, like the barista or the wait staff at the restaurants or the folks who wash the windows or the janitors.

"In our view, the real impact that needs to be dealt with is not so much for the tech company workers. The private market will take care of most of them with often high-end lifestyle rental housing that they can afford. Rather, it's the affordable and workforce housing for all the service and other workers that come part and parcel with the region's 25,000 well-paid tech employees.

"When you start talking about teachers, for example, school districts are having a tremendous amount of trouble retaining them in high-cost areas because they probably want to own a home and the prices put that out of reach for them.

"Lower-paid workers often end up living 30 or more miles away and have to commute to cities like Bellevue, which nearly doubles in size every day from 122,000 to more than 200,000.

"When we are recruiting folks from outside the region — unless it's wealthier parts of California — there is often a good deal of sticker shock over the cost of housing, particularly if they are coming from the Midwest."

Though housing prices are less than the Bay Area, Watson said King County — in which Seattle is located — is catching up fast. "We kind of follow the Bay Area in terms of our housing challenges, so it's not at all dissimilar. People from the Bay Area come up here and think it's a lot

more affordable with the same kind of amenities, which seems ironic in a way.

“Unless you recruit from the Bay Area, it can be hard to attract workers without affordable housing. And there are a lot of long commutes when it comes to wanting to own a home. They have to move quite a far distance from where they work unless they bought in 15 to 20 years ago.”

Watson said he does not believe enough is being done to create workforce housing in the face of the overwhelming demand. “The number of dollars required to get to levels to assure stability in the housing market for people of average or below average means is astronomical.

“It’s a good news/bad news conundrum of having a strong economy on parts of the West Coast. And the down side is it makes it hard for many to find affordable housing near their jobs. In King County, we have something like 300,000 households who are paying more than 50 percent of their income in rent, which is considerably above the correct proportion.”

Watson said in some European countries, as much as 30 percent of the apartment stock is some kind of “social housing” that is disconnected from the private market, “so it’s not investors trying to make a return. It’s usually a nonprofit or governmentally formed organization that acts more like a benevolent landlord.

“And it’s not that this country doesn’t spend a lot of money on housing because there are a lot of subsidies direct and indirect. Effectively, the biggest housing subsidy is the interest right off on a single-family home mortgage. That costs the treasury more than anything else. But we certainly need to do more in terms of workforce and affordable housing.” ●

Brian E. Clark is a Wisconsin-based journalist and a former staff writer on the business desk of The San Diego Union-Tribune. He is a contributor to the Los Angeles Times, Chicago Sun-Times, Milwaukee Journal Sentinel, Dallas Morning News and other publications.

Courtesy of the City of Bellevue



*Pictured above and left are various affordable housing units in King County, Wash., preserved with assistance from Microsoft and Amazon. Photos courtesy of King County Housing Authority.*



“Housing is absolutely essential to human flourishing. Without stable shelter, it all falls apart.”

**MATTHEW DESMOND, AMERICAN SOCIOLOGIST**

## Technological Solutions Help Address the Housing Crunch



*Mighty Builders is developing the first neighborhood of 3D-printed houses in California. Photos on this page are courtesy of Mighty Builders.*

*By Kurt Buss*

Unfortunately, for a growing segment of our population, a lack of affordable — or attainable — housing is threatening to hold back and delay the flourishing our economy is on the brink of as the prospect of a post-pandemic “New Normal” descends upon us. In terms of building sufficient housing to address a lingering shortage, the new normal is going to have to embrace new technologies in order to produce and maintain housing for all 21st Century demographics.

“We’re facing historic lows as it relates to housing availability,” says Grant Beck with Next Step, a manufactured housing company focused on affordable housing. “As noted today by the White House (September 1, 2021), the share of housing starts, as a percentage of the U.S. population, has dropped since the 1970s. There is a need

for more than seven million affordable housing units to serve lower income individuals and families.”

Next Step is a rather unique builder, in that it formed as a nonprofit corporation in 2011 whose stated mission is: “To put sustainable homeownership within reach of everyone, while transforming the manufactured housing industry through consumer education, affordability and energy-efficiency.”

“At Next Step, we believe that manufactured homes present a modern, attractive option that is less expensive for both housing developers and the American public,” says Beck. “When it comes to the design and construction of today’s factory-built homes, many of the features and aesthetics, both interior and exterior, are nearly indistinguishable from those of a site-built home.”

Many factors are currently driving up the costs of site-built homes, from lumber prices rising 180 percent since April 2020 (according to the National Association of Home Builders, NAHB) to a shortage of skilled labor in the field. Centralizing production in warehouses and developing manufacturing lines increases efficiency, reduces site-specific transportation costs and affords better opportunities for work skill development, all without being at the whim of changing weather and climate extremities. Automobiles were not so affordable to the public at large until Henry Ford started building them in his factories. It may now well be the same with basic housing.

BMarko Structures is a modular construction company based in Atlanta, Ga., specializing in custom shipping container conversions, steel, and wood modular construction. “We recently opened a modular manufacturing facility in Greenville, S.C., because we see it as the future of construction,” says Tyler Wise. “Being that it’s in a factory setting there are a lot of variables we can control to minimize production costs and increase efficiency. The production line that is incorporated at our plant combined with repeating floor plans of multifamily projects helps us break every step of the process down to achieve max efficiency.

“At BMarko, we’re taking all the processes of construction and, one by one, transferring them into a manufacturing process. We’ve focused on adjusting little details such as the PSI of our nail guns, to the size of our drywall sheets, and our inventory systems. These items allow us to cut down tremendously on energy, waste, and time, especially when you factor in the same process occurring over and over again for 300+ modules.



*Next Step is a nonprofit builder that creates affordable manufactured homes. The photos are courtesy of Next Step, based in Louisville, Ky.*





Photos on this page are provided by BMarko, which is a modular construction company based in Atlanta.

“Building in a factory also helps keep mother nature out. That means not losing materials or tools due to rain, vandalism, or theft. It also means we’re able to stay on schedule because we don’t need to stop working just because it’s raining outside.”

On-site stick-framing through inclement weather certainly has its issues, from delayed construction schedules to mold. Factory manufacturing of modular structures not only eliminates that, but allows for the better incorporation of integrated technologies for healthier homes.

Boxabl is an innovative homebuilding company, based in Las Vegas, Nevada, that has rolled out a 20’x20’ Accessory Dwelling Unit, called the Casita, that can be delivered and set up on site in a day. It comes complete with the

Manufactured homes present a modern, attractive option that is less expensive for both housing developers and the American public.

latest in energy- and resource-efficient kitchen, bathroom and laundry appliances and mechanical systems. Units can be stacked or connected to meet individual family needs.

And, thanks to a studied approach of the construction process, it’s very affordable at \$50K, with financing options. Engineering developments and a controlled manufacturing environment allows for construction that makes them resistant to fire, floods, rot, pests, high winds and more. The Casita was a big hit at the recent NAHB International Builders Show, where it was described in reporting as “A solution for homeless, disaster relief, granny flats, and more.”

Galiano Tiramani, founder of Boxabl, sees the issue succinctly. “No one seems to be able to build enough housing. The United States has a multimillion house shortage and things aren’t getting better. At Boxabl, our houses are mass produced on an assembly line, leading to higher quality and lower costs. We also use smart engineering to give us an incredible level of energy efficiency. We have spent the last several years doing R&D and engineering a breakthrough solution to rapidly build high-quality affordable housing. This product has the potential to improve the lives of millions of people.”



*Boxabl designs and manufactures accessory dwelling units that can be delivered and set up in one day. Photos are provided by Boxabl.*



Bruce Tolar is an architect and one of the country’s leading experts in design and development strategies for restoring missing middle housing options. His exploration of system-built approaches has led to new strategies for coping with the rising costs of traditional on-site construction. Bruce’s Cottage Square community in Ocean Springs, Miss., is nationally known as a model for the thoughtful use of modular construction. His experience building “Katrina Cottages” following the hurricane taught him many things regarding responding to housing demand and production capacity. We asked him his thoughts on his experiences working on a grand scale.

The best 21st Century building techniques such as modular homes, panelized construction, and 3D printing can both reduce production costs and increase quality of construction.

“So, here’s a quick version of lessons learned from my end: Better be patient. We dreamed big in the 2005 planning sessions right after Hurricane Katrina. We cranked out appealing designs we thought suitable for factory production, and Congress and FEMA came up with enough money to design and manufacture thousands of cottages. But it took three years for the actual units to show up. By that time, people displaced by the storm and local governments had moved on to Plans B and C.

“Since then, it’s been a project-by-project, factory-by-factory exploration of how to get professionals from two different cultures, residential architecture and factory engineering, to appreciate one another’s priorities, capacities, and limitations well enough to work together. We’re at that point now with a couple of factories, but it’s taken a decade and a half to get here.

“Now, we’re convinced that by using factory building techniques, we can deliver appealing homes at competitive market rates in the workforce housing categories and above. But dreams of \$60-per-square-foot prices for houses in desirable neighborhoods, delivered in volume, within a week or two after ordering — that’s pure fantasy. I think the case we’re making is pretty convincing. We’re



*Photos courtesy of Mighty Builders.*

getting a little closer every day. But for the time being, patience and gradual steps will be the rule.”

But modern, assembly-line system engineering and manufacturing of modular housing is not the only 21st Century technology being applied to the housing shortage. 3D printing is now in the homebuilding business, with the first neighborhood of 3D-printed, zero-net-energy houses currently being built in Rancho Mirage, Calif. The 1,450-square-foot, single-story homes will be made from a stone composite material that is strong, fire resistant, water resistant and termite proof. The builder, Mighty Buildings, based in Oakland, Calif., claims that it can 3D print structures twice as quickly with 95 percent less labor hours and 10 times less waste than conventional construction.

“We at Mighty Buildings have decided to focus initially on the ‘missing middle,’ those who make too much to qualify for housing subsidies but who still struggle to find housing, particularly in the communities they serve (i.e.,

nurses, teachers, fire fighters, etc.). While we definitely need more capital A affordable housing, there are other overlooked markets that are also needed — our eventual goal is to provide market-agnostic production as a service to unlock productivity/sustainability across all segments,” says Sam Ruben, the company’s chief sustainability officer.

“We are in a unique time for construction with such a renewed focus on how we can best solve the housing crisis that it truly is an all-solutions on deck moment. That said, and I’m biased, but I truly believe that 3D printing, and particularly in combination with existing concepts such as off-site construction, is uniquely situated to unlock productivity, reduce costs, and provide a sustainable alternative to traditional construction. Not only are we looking at improving production costs/speeds, we are also looking to provide superior energy efficiency and zero-net-energy homes that can provide significant savings in terms of operational costs and therefore overall cost of ownership.”

Not only are these homes powered completely by solar, owners will have the option of a Tesla Powerwall or other EV charger, and each unit will feature a cutting-edge home-wellness system, DARWIN by Delos, that vows to enhance health and wellbeing by improving air quality, filtering water and providing lighting that adjusts to your circadian rhythm.

Small, tight, smart homes are going to be much less expensive to heat and cool than their larger, traditionally framed counterparts, which addresses the full life-cycle cost of the structure. The American Council for an Energy-Efficient Economy (ACEEE) recently conducted a nationwide study of how much of a family’s income is spent on its energy needs, called “How High Are Household Energy Burdens?”

U.S. households spend an average of 3.1 percent of their income on home energy bills. The research found those percentages to be much higher for low-income, elderly, renters and families of color. The report is helping shape local planning. Leading cities and states have begun to incorporate energy burden goals into strategies and plans and to create local policies and programs to achieve more equitable energy outcomes in their communities. They are pursuing these goals through increased investment in energy efficiency, weatherization, and renewable energy.

“There continues to be a housing shortage in most of the United States both in terms of new homes and also the availability of existing homes on the market. In addition,

affordable housing is critically needed to ensure safety, health, and access to resources (quality jobs, schools, transportation, and health care),” says Amber Wood, ACEEE Director of Buildings Program.

“The best 21st Century building techniques such as modular homes, panelized construction, and 3D printing can both reduce production costs and increase quality of construction. Energy efficiency techniques such as air sealing, insulation, and efficient heating, cooling and water heating systems help lower energy costs and reduce greenhouse gas emissions. These can help increase affordability when both buying a home and also when living in the home [through lower utility bills].”

Some tax jurisdictions are beginning to recognize the community benefits of a reduced energy burden and are offering financial incentives for building and maintaining high-performance, energy-efficient homes. Baltimore County, Md., is offering property tax credits if certain performance levels are met, while other communities are providing mortgage credits for purchasing an energy-efficient home. “Manufactured homes that are ENERGY STAR®-certified can save homeowners up to 30 percent on their monthly utility bills,” says Beck of Next Step. “Increased energy-efficiency helps increase value — and upgrading to a more energy-efficient home package can be a powerful investment for homebuyers.”

Building codes and zoning regulations can still be difficult for structures described as manufactured housing because the phrase still bears the stigma of mobile home trailer parks. “Zoning remains a key challenge for the expanded use of homes constructed in a factory,” says Beck. “Local jurisdictions nationwide have restrictive zoning ordinances that prohibit the placement of manufactured homes. These ordinances ignore the capability of home builders to meet local design and aesthetic criteria and are often rooted in NIMBYism that deprives localities of more affordable housing opportunities.”

But today’s manufactured housing has come a long way from the single wide in appearance and value, and local jurisdictions are recognizing that. “More and more local authorities are realizing how much less disruptive modular construction is compared to traditional and after a single occurrence, they see its benefit,” says Wise of BMarko. “It is still an uphill battle on that front, but a battle that is being won more and more, which will benefit the community, the developers, and everyone else involved.”

Manufactured homes that are ENERGY STAR®-certified can save homeowners up to 30 percent on their monthly utility bills.

“I don’t know any builder or developer who doesn’t think governments at every level can do way more, especially if the goal is to expand housing affordability at the speed and scale required,” says Tolar. “Ramped up federal and state funding could be a huge factor. Locally, removing restrictions on small-scale multifamily in residential districts is important. Same with legalizing accessory dwelling units (ADUs) and permitting factory-built housing that satisfies building codes in the same neighborhoods as site-built homes.

“The sure-fire losing approach for local governments is to try to arm-twist developers and builders to shoulder all the costs and risks of providing housing at below-market rates. At the moment, at least, factories and builders can keep as busy as they want supplying middle and upper market-rate housing.” ●

Kurt Buss is a freelance writer who lives in Red Feather Lakes, Colo., with over 25 years of experience managing recycling programs along Colorado’s Front Range. He writes about resource conservation, being a baby boomer, and enjoying the Rocky Mountains. You can visit his website at [www.kurtbusscoloradofreelancewriter.com](http://www.kurtbusscoloradofreelancewriter.com)



Shown above are Katrina Cottages in Ocean Springs, Miss. The photo is courtesy of Bruce Tolar.

## Making Smart Growth Happen

### REALTORS® In Action: Actively Addressing Affordable Housing

Housing defines communities. That's certainly no surprise to REALTORS® who've long understood how available, affordable and equitable housing impacts community quality of life and economic prosperity. REALTOR® Associations are utilizing collaborations, education and advocacy as they strive to improve housing availability and accessibility.

**A Valuable Resource Guide in San Diego:** "Paradise by the beach and mountains near by all create a desirable location and a demand for housing." That's how Rafael Perez, member of the Pacific Southwest Association of REALTORS® (PSAR), describes San Diego.

PSAR Chief Executive Officer Richard D'Ascoli explains that San Diego County has a housing deficit of 80,000 units and availability is frequently limited by the period of escrow — a month and a half of available housing — and location constraints. "San Diego is geographically constricted by mountains and desert to the east, Camp Pendleton to the north, Mexico to the south and the ocean to the west."

Perez explains that urban infill is the future for housing supply in San Diego. That's why he helped spearhead efforts to create the "San Diego Companion Unit Handbook" designed for homeowners, homebuyers, REALTORS®, and anyone interested in learning about Accessory Dwelling Units (ADUs). The handbook, made possible by an NAR Smart Growth Grant, is a step-by-step guide for building ADUs and even includes city-approved blueprints to help streamline the process. The handbook is the first of its kind in San Diego and has earned praise from the city's mayor and received an Urban Design Award from the San Diego Section of the American Planning Association.

"The handbook covers every component on what a homeowner needs to know in building an ADU. The end result is the handbook makes it easier to build ADUs and saves homeowners time and money," explains Perez. "ADUs open up lots of opportunities for families and helps prevent displacement. They are affordable housing."



Perez explains that the handbook has helped foster an exponential increase in the number of ADUs in San Diego and across California. Since the handbook is a one-stop resource, it has helped make the building process more user friendly, inspired an ADU industry and positively impacted San Diego's tight housing market.

"Cutting red tape has sprouted innovation. That all adds up to chipping away at housing issues," Perez says.

Creating the handbook also helped create some valuable partnerships between PSAR and the San Diego County Board of Supervisors as it explores affordable housing options on county-owned land. "We want to focus on creating entry-level and moderate-income-level housing. PSAR will be part of those conversations," D'Ascoli explains.

**Productive Partnerships in Central Oregon:** REALTORS® are also part of the housing conversation in Central Oregon, where Bend is experiencing significant growing pains.

"A lack of supply and growing prices means that, for many, housing is no longer affordable," explains Tyler Neese, government affairs director of the Central Oregon Association of REALTORS® (COAR). "Without adding housing, we won't address that problem."

Bend has seen housing prices jump from a median price of \$489,000 in June 2020 to a price of \$670,000 in June 2021. That's a whopping increase of 37 percent in a year.

But Oregon regulations make it difficult for communities to add land area due to a decades-old state law that establishes Urban Growth Boundaries. If a city wants to add to its boundaries, it must get state approval. Bend's last expansion was in 2016 and it took approximately 10 years for the state to approve adding 2,400 acres to the city's boundaries. That acreage was considerably short of the city's initial request.

The city is preparing to request another expansion and it's hoped this time it won't take 10 years. Partnerships



like Housing for All (H4A) might help speed the process along. H4A is a regional consortium dedicated to housing issues and brings together a variety of stakeholders, including COAR members, local officials, intergovernmental agencies, tribal leaders, nonprofits and others.

"It's a brain trust that brings together lots of people who have been working on housing and doing great things," Neese explains. "With Housing for All, we're all now at the same table."

Part of H4A and COAR's efforts recently included a public awareness campaign to educate and engage the public in local housing issues. Using multiple media platforms and in-person events, the campaign helped build public support for expanding the Urban Growth Boundary and provided local officials with essential data to make the case for expansion to state lawmakers. COAR utilized a Housing Opportunity Grant and Call to Action to help create the impactful and successful campaign.

Bend and nearby Redmond are also participating in a state pilot program designed to increase affordable housing units by allowing new housing units to be built on designated land currently outside their Urban Growth Boundaries. In Bend, that will translate to 394 homes and in Redmond, the goal is for 485 new housing units. State lawmaker and REALTOR® Jack Zika is working

# Take Action: THAT'S WHO WE



**SIGN OUR PETITION**

It's time to tell the Maryland General Assembly that we need more affordable housing. **And we need it now!**

**PETITION**

Paid for and authorized by Maryland REALTORS®

on efforts to expand the program, paving the way for more communities to participate.

Neese explains there is no single solution to the housing crisis. “Our approach is to use every tool in the tool box. A lot of people are working on finding housing solutions. Programs and partnerships will help add up to bigger gains.”

**Educating and Advocating in Maryland:** Maryland REALTORS® are using education and advocacy to combat a severely strained housing market. Bill Castelli, senior vice president of Government Affairs with Maryland REALTORS® explains because Maryland is the 5th most densely populated state in the country, costs for land, labor and development fees contribute to a lack of flexibility, escalating prices and difficulty in expanding the housing supply.

Maryland REALTORS® recently launched the “Open Doors to Stronger Neighborhoods” program to help expand housing opportunities for all Maryland residents. The program combines public education and legislative advocacy elements, and phase 1 of the effort was funded by a NATIONAL ASSOCIATION OF REALTORS® (NAR) Issue Mobilization Grant, which provides financial assistance to state and local REALTOR® associations to support effective advocacy campaigns on public policy issues.

The program’s goals include closing the homeownership gap, strengthening homebuyer assistance programs and increasing affordable, missing middle housing. Legislation creating homebuyer savings accounts and a work group on minority homeownership go into effect this year. “It’s not a silver bullet,” explains Castelli, “but there’s lots of focus and efforts to make the situation better.”

In 2019, state lawmakers decided that a housing element must be included in mandated comprehensive plans. This has helped focus priorities on increasing housing availability and affordability. Efforts to address different types of affordable housing such as ADUs are still being debated. But Castelli remains hopeful.

One option is to create more Cottage Clusters that allow for more units to be built on given parcels. Local policymakers generally have the final say concerning zoning and planning, but the state can provide important guidance in areas such as dwelling classification uniformity.

“We’re trying to find ways to spur growth for moderately priced housing, which can be a struggle because there aren’t as many programs to incentivize construction and assist homebuyers,” Castelli says.

**Celebrating a Century by Empowering the Future:** This year marks the 100th anniversary of the Colorado Association of REALTORS®, but rather than looking

back and celebrating past accomplishments, the association is building partnerships and advocating on behalf of homeowners. The result is empowering future homeowners and expanding affordable housing.

The Colorado Association of REALTORS®, working with Habitat for Humanity and utilizing an NAR Issues Mobilization Grant, launched an effort called “A Century of Opportunity.” The initiative advocated for legislation designed to strengthen high school financial literacy education, help renters build their credit, create an annual public report on affordable housing and help fund programs that support affordable housing development solutions. Thanks to a Call for Action to association members and a legislative champion, all four pieces of legislation were passed with bipartisan support.

“We’re really proud that our four bills in the Century of Opportunity package were signed into law,” says Liz Peetz, vice president of Government Affairs for the Colorado Association of REALTORS®. “All the hard work to bring these significant bills across the finish line will empower future Colorado homeowners for generations to come and spring open the doors of opportunity to homeownership to all Coloradans. It’s an honor to celebrate our 100th anniversary with impactful public policy that lives up to REALTORS® values.”

From collaborating, educating and advocating, REALTORS® across the country are part of the search for solutions to the nation’s housing crisis. REALTORS® are helping create valuable resources; build grassroots support; empower future homeowners; and advocate for affordable and equitable housing.

Tyler Neese with COAR sums it up, “It’s critical we’re at the table. We’re part of the community. We’re uniquely positioned to help with solutions. We want to be involved in all points of the spectrum in housing.” ●



## Coloradans Are Locked Out of Homeownership

**A lack of available, affordable homes**

↓ lower debt  
↑ raise credit

**Lock of financial literacy makes it harder to:**

↓ save for a down payment  
↑ raise credit

**Barriers disproportionately impact communities of color**

“There has very little in our price point as new homeowners that we would have considered. We had a large net-worth and had to lower our standards as homes were expensive than too.”  
—Diana from Board County

**A Look Inside the Numbers at Affordability in Colorado**

**\$445,000**  
median home value

**+11.5%**  
1 year change

**4th highest home prices in the U.S.**

| COUNTY   | MEDIAN PRICE (2019) | YEAR INCREASE |
|----------|---------------------|---------------|
| Pueblo   | \$343,000           | 12.2%         |
| Frontier | \$290,000           | 10.7%         |
| Summit   | \$232,000           | 12.2%         |
| La Plata | \$284,000           | 16.4%         |
| Weld     | \$282,000           | 16.2%         |
| El Paso  | \$285,000           | 10.9%         |
| Douglas  | \$288,000           | 11.7%         |
| Garfield | \$430,000           | 10.8%         |
| Adams    | \$434,750           | 10.2%         |
| Boulder  | \$540,000           | 10.8%         |

“I have more buyers all vying for the same properties, and multiple bidding wars are causing them stress. It is such a stress that kids who grow up here or have gone to college here cannot stay and start their homeownership journey.”  
—Sarah, REALTOR® from Boulder County

**Understanding the Obstacles**

The gap in Colorado homeownership rates is growing:

- 10% of Whites...
- 10% of Asians...
- 20% of Hispanics...
- 25% of Blacks...

—Liz Peetz, Vice President

**People of Color face greater obstacles to homeownership**

- 17% of respondents have experienced at least one high-cost loan
- 31% are concerned about debt-to-income ratio
- 25% are concerned by credit history
- 72% of all loans performed better than 90% down
- 33% used FHA loans
- 42% median debt-to-income ratio

**Colorado Lawmakers Are the Key to Unlocking the Door to Homeownership**

**Financial Literacy Education**  
To prepare young adults for 1200S, debt, student loans, homeownership, and retirement.

**Supporting Division of Housing Annual Reporting**  
How long to be affordable housing inclusion of state with comprehensive needs assessments.

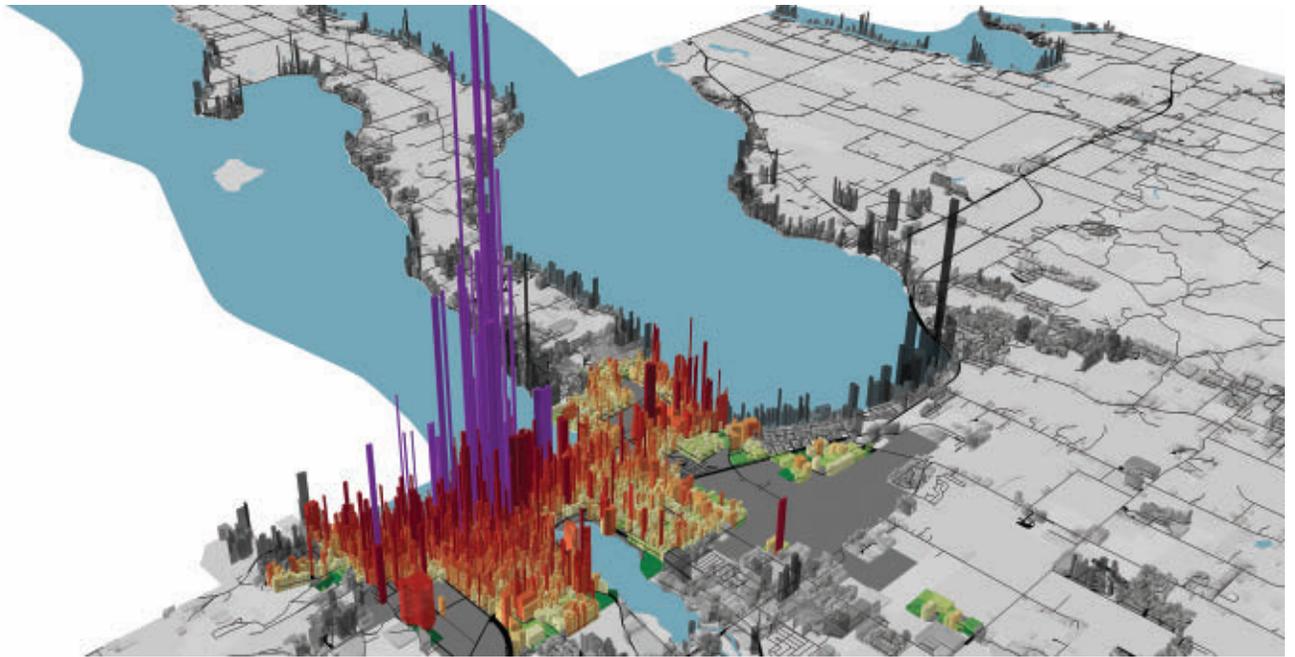
**Accounting Best Practices to Affordable Housing Assessment**  
Support and investment parameters that give the supply of affordable housing.

**Draft Building Programs**  
Send the playing field for populations of color and give renters opportunities to build their credit.

“By a million REALTORS®, the most common thing I hear from my clients is that they’re stressed and unable to afford a house.”  
—Christine, REALTOR® and the rapid increase in rents makes it difficult for me to buy a house that I can afford or would have small businesses.  
—Sherry, REALTOR® from Larimer County

# LOCATION MATTERS

## when addressing the housing shortage.



A value per acre 3D model of Traverse City, Michigan

“The Aspire North REALTORS® association used an NAR Smart Growth Grant to support this project which enabled the association to work with city and township staff as well as local elected officials on developing a long-term, fiscally sound land-use plan for the community.”  
– Kimberly Pontius, CEO,  
Aspire North REALTORS®

**Where, how and what is built is critical for a community to sustain itself.** This 3D model shows the tax revenue per acre in Traverse City, Mich., — the higher the spike, the greater the revenue per acre. A city can use this information to determine the amount of revenue for each zoning category and make adjustments to its zoning code to ensure that city-wide revenue can pay for city-wide expenses. More information is available on page 34 of this issue of *On Common Ground*, and additional zoning strategies to support affordability and point the way to fiscally sustainable growth are offered on page 9. These powerfully informative visuals not only uncover what types of development create the most community wealth, they also help the public gain a clear and data-driven understanding of the economics of place. It’s a new way of seeing your community, in which fiscal efficiency is immediately apparent.

REALTORS® & Smart Growth

# on common ground