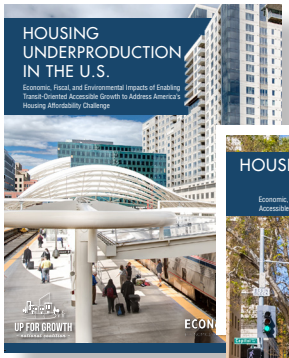
UP FOR GROWTH

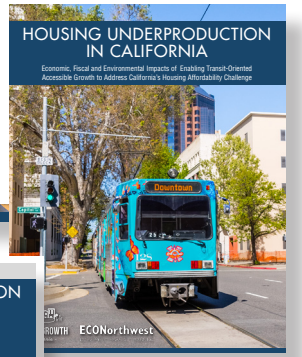
– action –

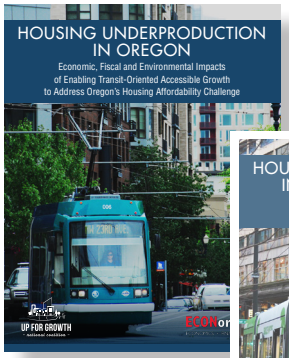
NMHC SPRING MEETING UPDATE:
RESEARCH AND LEGISLATIVE UPDATE

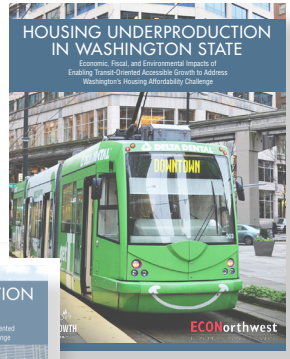
UP FOR GROWTH NATIONAL COALITION RESEARCH AGENDA

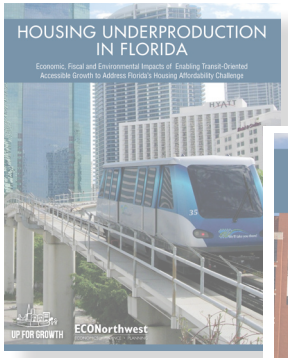
Housing Underproduction Series

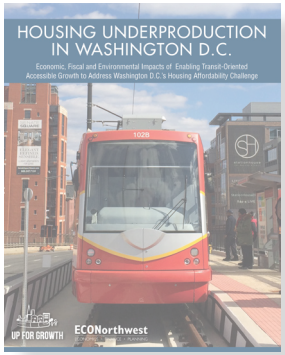




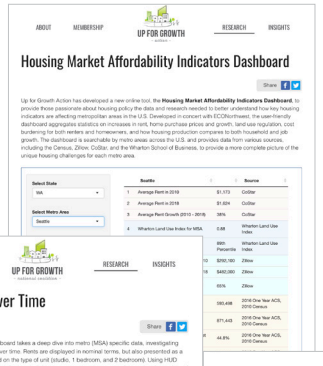


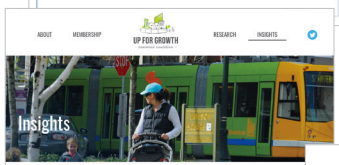


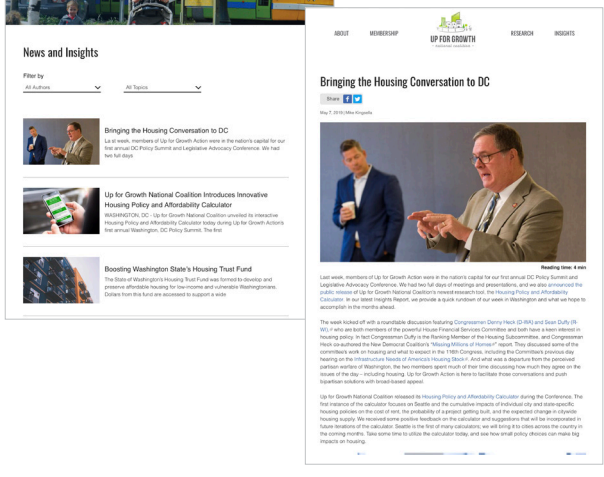




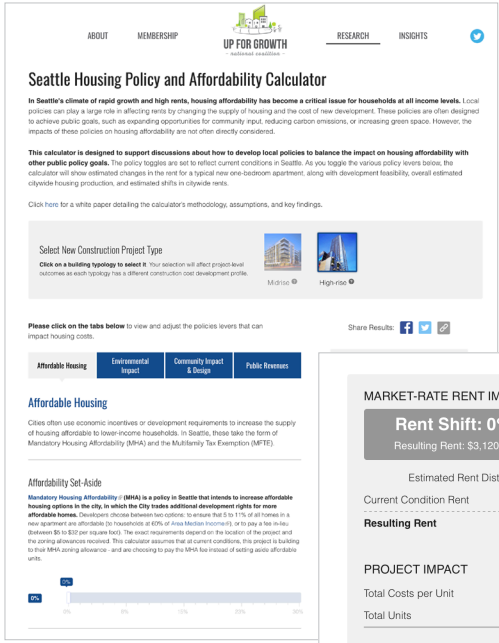
Online Research Tools & Insights Reports

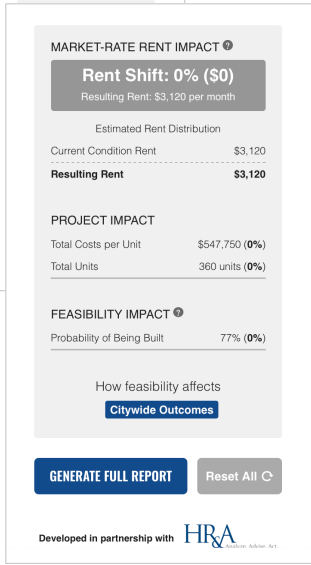






Housing Policy & Affordability Calculator





HOUSING POLICY & AFFORDABILITY CALCULATOR

Supports the Design of Local Policies that Balance Housing Affordability with Other Public Policy Goals

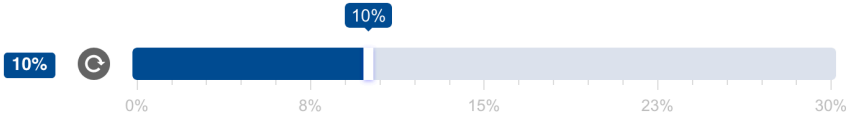
Affordable Housing | Environmental Impact | Community Impact & Design | Public Revenue (Taxes)

Affordable Housing

Cities often use economic incentives or development requirements to increase the supply of housing affordable to lower-income households. In Seattle, these take the form of Mandatory Housing Affordability (MHA) and the Multifamily Tax Exemption (MFTE).

Affordability Set-Aside

Mandatory Housing Affordability (MHA) is a policy in Seattle that intends to increase affordable housing options in the city, in which the City trades additional development rights for more affordable homes. Developers choose between two options: to ensure that 5 to 11% of all homes in a new apartment are affordable (to households at 60% of Area Median Income), or to pay a fee in-lieu (between $5 to $32 per square foot). The exact requirements depend on the location of the project and the zoning allowances received. This calculator assumes that at current conditions, this project is building to their MHA zoning allowance - and are choosing to pay the MHA fee instead of setting aside affordable units.



RENT IMPACT

Rent Shift: +5% ($170)
Resulting Rent: $3,290 per month

Estimated Rent Distribution

Current Condition Rent	$3,120
Mandatory Housing Affordability	+$170
Resulting Rent	$3,290

PROJECT IMPACT

Total Costs per Unit	$547,750 (0%)
Total Units	360 units (0%)

FEASIBILITY IMPACT

Probability of Being Built	45% (-32 pp)

How feasibility affects
Citywide Outcomes

GENERATE FULL REPORT | Reset All

- **Calibrated to local market conditions** using responses from developer interviews and national datasets;
- **Designed to be flexible** by representing a wide range of policies and development typologies; and
- **Shows the impact of policies** on individual projects and on apartment housing citywide.

HOUSING POLICY & AFFORDABILITY CALCULATOR

To Evaluate the Effects of Policy on Rents and Development Feasibility, We Developed Two Interrelated Models that Estimate Project-Level and City-Level Impacts

INPUTS

CITY

BUILDING TYPE

POLICY ENVIRONMENT

- Affordable Housing Policy
- Environment Policy
- Community impact & Design
- Public Revenues

OUTPUTS

PROJECT IMPACTS

- Rent Required
- Development Feasibility

CITYWIDE IMPACTS

- Overall Rents
- Overall Production

HOUSING POLICY & AFFORDABILITY CALCULATOR

Changes to the Policy Environment Lead to Project-Level Impacts on the Required Rent Levels and Development Feasibility of New Construction

INPUTS

CITY..... SEATTLE

BUILDING TYPE..... HIGH-RISE

POLICY ENVIRONMENT

Examples:

PERMITTING TIMELINE..... -4 MOS.

PARKING REQUIREMENTS... -0.25/UNIT

OUTPUTS

PROJECT IMPACTS

RENT SHIFT..... -2% (-$60)

Current Condition Rent	**$3,120**
Parking Costs	-$20
Timeline Costs	-$40
Resulting Rent	**$3,060**

DEVELOPMENT FEASIBILITY..... 86% (+9 PT)

HOUSING POLICY & AFFORDABILITY CALCULATOR

Changes to the Policy Environment Lead to Project-level Impacts on the Required Rent Levels and Development Feasibility of New Construction

INPUTS

CITY..... SEATTLE

BUILDING TYPE..... HIGH-RISE

POLICY ENVIRONMENT

Examples:

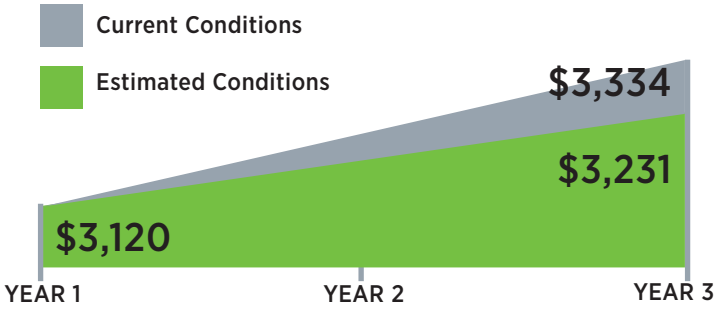
PERMITTING TIMELINE..... -4 MOS.

PARKING REQUIREMENTS... -0.25/UNIT

OUTPUTS

CITYWIDE IMPACTS *Over 3-year time frame, above baseline*

OVERALL CITYWIDE RENTS..... -3.3% SHIFT



OVERALL PRODUCTION... +525 UNITS (+5%)

HOUSING POLICY & AFFORDABILITY CALCULATOR

Input: Building Prototypes

Select New Construction Project Type

Click on a building typology to select it. Your selection will affect project-level outcomes as each typology has a different construction cost development profile.

Midrise

High-rise

FOR EACH PROJECT TYPE, WE:

Gathered financial assumptions from developer interviews and industry data sources;

Modeled 10-year pro forma cash flow and stabilized-year residual land value (RLV);

Calculated required rent and development feasibility by holding return expectations constant.

HOUSING POLICY & AFFORDABILITY CALCULATOR

Input: Policy Environment

Users Can Toggle Between a Suite of individual Policies that Fall Within Four Categories:

1. **AFFORDABLE HOUSING POLICY** — **Economic incentives or development requirements** to create housing affordable to lower-income households.
2. **ENVIRONMENTAL POLICY** — **Initiatives to address climate change** by mitigating building-level emissions and environmental impact.
3. **COMMUNITY IMPACT & DESIGN** — **Touch-points within the development approval process** for community input and to regulate urban design.
4. **PUBLIC REVENUES** — **Measures that affect how apartments contribute to a city's tax base,** such as real estate transaction taxes.

HOUSING POLICY & AFFORDABILITY CALCULATOR

Input: Policy Environment

The Seattle Calculator is Based on Market-Specific Policies, Rules and Regulations Most Relevant to the City

1 AFFORDABLE HOUSING POLICY

- Affordability Set-Aside
- Affordability Level
- MHA Fees
- Tax Abatement

2 ENVIRONMENTAL POLICY

- Energy Code
- Green Factor Requirements

3 COMMUNITY IMPACT & DESIGN

- Permitting Timeline
- Community Outreach
- Design Review
- Floorplate Restriction
- Open Space Requirements
- Parking

4 PUBLIC REVENUES

- Property Tax Increase
- State Real Estate Excise Tax
- Impact Fees
- Additional Public Infrastructure

HOUSING POLICY & AFFORDABILITY CALCULATOR

Project-Level Outcomes

The Tool Estimates the Change in Rent for a One-bedroom Apartment in a Prototypical Development and also Estimates the Overall Impact on the Project's Development Costs and Scale, and on its Probability of Being Built

MARKET–RATE RENT IMPACT

RENT SHIFT: +2% ($66)
RESULTING RENT: $3,186 PER MONTH

Current Condition Rent	**$3,120**
Parking Costs	**+$16**
Impact Fees	**+$33**
Timeline Costs	**+$17**
Resulting Rent	**$3,060**

The rent shift is calculated by running the pro forma model based on the selected policy environment

The current condition rent reflects rents for new market-rate product in Seattle's current policy environment.

The overall rent shift is decomposed into individual policy effects, using each policy's regression coefficients.

PROJECT IMPACT

Total Cost per Unit	**$584,500 (+7%)**
Total Units	**352 units (-2%)**

Change in **hard, soft, and financing costs.**

Change in **total units**, if a policy affects entitlements.

FEASIBILITY IMPACT

Probability of Being Built	**66% (+11%)**

Change in **financial feasibility** due to policy-driven shifts in costs and expected revenues

Note: ***"Probability" is illustrative****, and scaled based on return expectations.*[1]

[1] Feasibility distribution adjusted from Terner Center Housing Development Dashboard, 2016.

HOUSING POLICY & AFFORDABILITY CALCULATOR

Citywide Outcomes

The Citywide Calculator is Designed to Find the Change in Overall Supply and Rents Given Changes in the Policy Environment

OVERALL PRODUCTION

CITYWIDE RENT IMPACT

HOUSING POLICY & AFFORDABILITY CALCULATOR

Project-Level Outcomes

These Calculations Provide 3-year Changes in Production and Rent, as well as the Aggregate Impact of the Rent Shift:

PRODUCTION IMPACT

675 FEWER EXPECTED UNITS
THIS REPRESENTS A PRODUCTION SHIFT OF
-7% FROM SEATTLE'S 3-YEAR AVERAGE

Estimated deviation in production over 3 years relative to Seattle's long-term average production of 9,800 units every 3 years (since 2000).

CITYWIDE RENT IMPACT

+4.3% SHIFT
IN OVERALL RENTS

Overall rent impact resulting from a one-time shock in the long-term supply.

AGGREGATE IMPACT ON RENTS

$155M INCREASE
IN OVERALL RENT EXPENDITURE

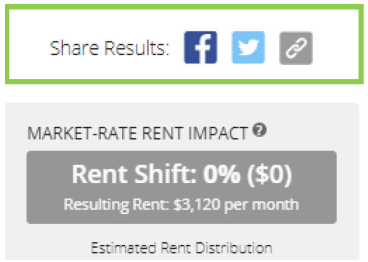
Total increase in rent dollars spent by Seattle residents as a result of the citywide rent impact.

HOUSING POLICY & AFFORDABILITY CALCULATOR

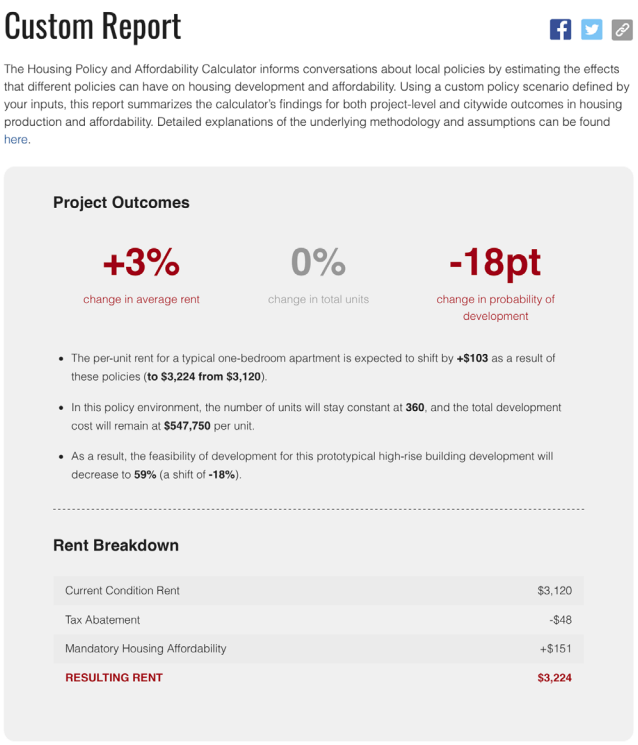
Results

Users Can also Share Their Results, Generate a Custom Report for Their Policy Scenario, and Read the Full White Paper

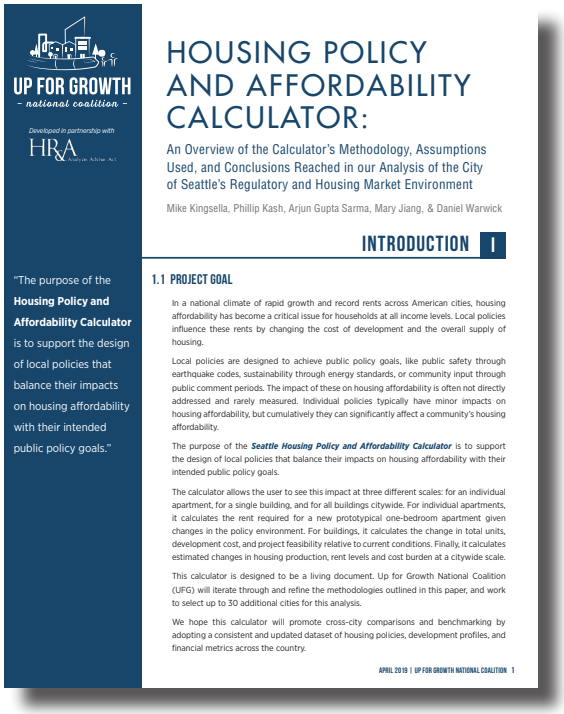
SHARE RESULTS



GENERATE CUSTOM REPORT



REVIEW METHODOLOGY & KEY FINDINGS



A FOCUS ON INNOVATIVE FEDERAL HOUSING POLICY LEADERSHIP

COMMUNITY HOUSING INCENTIVES ACT

Place-Based Approach
Targeting Job & Demand Rich,
Housing Poor Locations

New Financial Resources
for Infrastructure, Housing, and Education

Incentivize Elimination of
Regulatory Barriers to Housing

OPPORTUNITY INSIGHTS

UP FOR GROWTH
– national coalition –

Up for Growth National Coalition has entered into a joint research agreement with Harvard University's Opportunity Insights unit to develop mapping and policy development to support a place-based policy approach to addressing both affordable housing need and increasing access to better economic mobility outcomes for low-income households.

BUILDING BLOCKS OF THE COMMUNITY HOUSING INCENTIVES ACT

A Holistic Legislative Approach That Creates The Means and The Reason for Meaningful Housing Solutions

- Up for Growth Action is advocating for federal legislation that creates a policy framework and a new federal zone program, as well as standalone bills that create separate, but coordinated, incentives to catalyze states to enact "Housing Zone Legislation."
- Up for Growth Action is developing model state enabling "Housing Zone Legislation" that will meet federal requirements, that states can either simply pick up and implement or that they can customize for their own needs.
- The state legislation would set "minimum standards for housing" — requiring that localities eliminate unnecessary and artificial barriers to housing production. Which will result in increasing developers build housing to meet significant housing need and address a severe shortage of housing.
- The bill would create federal funding resources for infrastructure, education, and transportation to support holistic community growth — and preempt typical "stated" opposition to development.
- The bill would also create enhanced affordable housing tools including, federally credit enhanced 80/20 housing bonds, plussed-up allocations to low-income housing tax credits, and potentially plussed-up allocations to, if enacted, middle-income housing tax credits.

SUPPORTED BY BOLD STATE LEGISLATIVE AND REGULATORY SOLUTIONS

PRODUCT – More modern, compact, and efficient housing options

- Eliminate Exclusionary Zoning (OR HB 2001 2019, Minneapolis 2040)
- ADU Regulatory Reform (WA ESSB 5812 2019, HI SB 732 2019)
- Condo Defect Liability Reform (WA HB 5334 2019, CO HB 1279 2017, FL HB 911 2019)

PROCESS – Streamline land-use approvals and appropriate regulation

- By-Right Zoning (CA SB 35 2017, OR HB 1051 2017)
- CEQA Streamlining (CA SB 25 2019)
- Streamlining housing permitting (MA SD 229 2019)

PRODUCTION – Increase housing through innovative public-private financing tools

- Establish, Extend and Expand Tax Abatement Programs (WA HB 5363 2019)
- TOD Housing Density Grant Program (CA AB 1717 2019)
- Impact Fee Reform/Rationalization (CA AB 879 2017)

BUT, CAN WE MAKE A DIFFERENCE? WE'VE ALREADY PROVEN CONCEPT

WASHINGTON STATE PROJECT LEGISLATIVE AGENDA

- **WA SB 5363 (Sponsored Legislation), Multi Family Tax Exemption. Passed Senate Housing Committee (18-1); Passed Senate Floor (39-10); Planned for Reintroduction 2020.**

- **WA SB 5334, Condo Defect Liability Reform.** With Up for Growth Action support, Passed Senate Floor (49-0); Passed House Floor (93-0); On Governor's Desk.

- **WA HB 1797/SB 5812, Accessory Dwelling Units.** With Up for Growth Action support, Passed Senate Floor (38-10-1); Passed House Local Gov (4-2-1); in Rules.

CALIFORNIA PROJECT LEGISLATIVE AGENDA

- **CA AB 1717 (Sponsored Legislation), Transit-Oriented Affordable Housing Funding Program Act. With Up for Growth Action leadership, passed Assembly Housing Committee (6-1); heading to Local Government Committee.**

UP FOR GROWTH

– action –

FOR MORE INFORMATION ABOUT UP FOR GROWTH ACTION, CONTACT:

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