

The Complex Challenge of Affordable Housing

**Town of Erie
Planning
Commission**

May 17, 2023

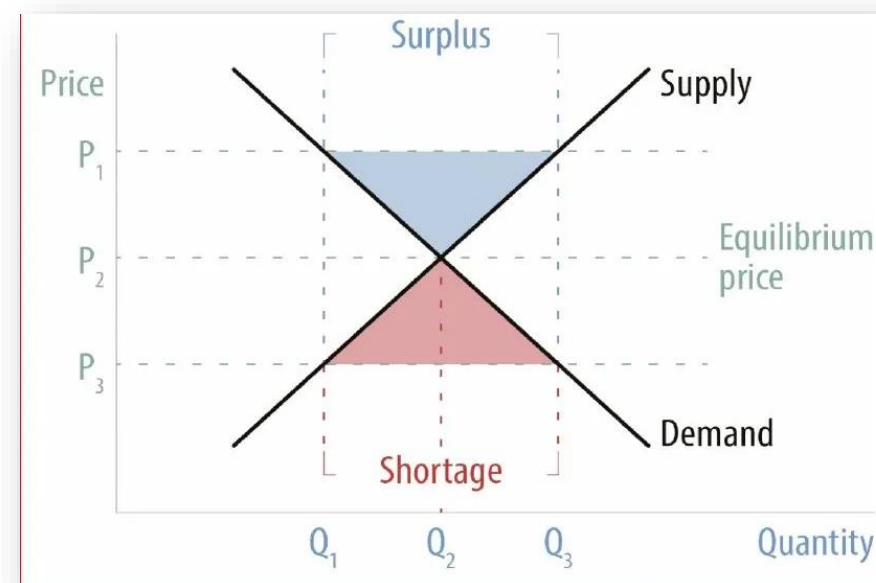
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The National Perspective

The Big Picture

- Most updated zoning codes are considering upzoning of residential lands as part of the solution to the affordability challenge.
- It is difficult to think of a solution to housing affordability that does not include increasing the housing supply.
- Increasing supply tends to “loosen” the housing market by (eventually) limiting the amount of rent or sales price the owner can charge.
- Upzoning is one effective way of increasing the housing supply.



The National Perspective

Seven Ways of Looking at the Challenge

1. Housing Supply
2. Land Supply
3. Development Cost
4. Housing Variety
5. Tenant Protection
6. Demographics
7. Equity



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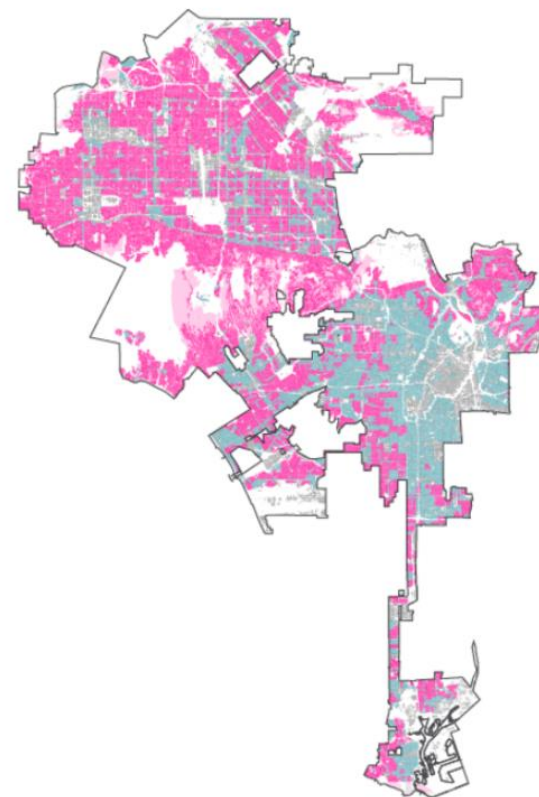
The Housing Supply Argument

- The question is not:
 - “Will these ADUs or Missing Middle Units be affordable?”
but
 - “Will allowing more ADUs or Missing Middle Units increase housing supply at lower cost than requiring housing demands to be met through construction of new single-family home?”
- The answer is usually “yes, but”
 - ADUs and Missing Middle housing do cost less than single-family homes because land and construction costs are spread over more units.
 - But those costs would drop even further if the land was used to build even more units (like apartments) on that land.

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The Land Supply Argument

- 50-70% of land in most cities is occupied by single-family zones. It is much harder to solve the housing affordability problem if you treat single-family zones as exempt from the housing supply problems.
- Exempting single-family neighborhoods from changes that would increase housing supply means you are trying to solve the problem with “one hand tied behind your back.”
- Why would you do that, particularly in light of the race and income segregation that single-family zoning has perpetuated (or created, or exacerbated).



Los Angeles **75%**

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The Development Cost Argument

- All new construction is very expensive due to labor, materials, infrastructure, and land costs.
- Unless it is heavily subsidized, new construction is not going to be affordable to very low-, low-, or moderate-income households.
- Increasing housing supply in areas that already have infrastructure and services allows new units to be added at much lower cost than extending infrastructure to raw land areas.



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The Housing Variety Argument

- While the most efficient use of land might be to upzone lands in TODs, mixed-use areas, and commercial corridors to allow multi-story apartments and condominiums;
 - The amount of land in those locations is often a small percentage of the existing city footprint; and
 - Focusing only on multi-family development would not meet the needs of many households – particularly those with children.
- All healthy communities allow the markets to offer a wide variety of housing – now we need to allow the market to produce more of all those varieties.



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The Tenant Protection Argument

- If the concern about Upzoning for ADUs and Missing Middle housing is that it will lead to speculative investment and displacement of lower-income renters, the answer is to strengthen tenant protections (for example, by significantly increasing lease-termination notice periods or requiring relocation payments).
- Even though doing so will also slow down production of new units.
 - As tenant protections are strengthened, fewer investors will find it profitable to buy and hold the property during those longer periods before redevelopment.



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The Demographic Argument

- Predominant for single-family detached homes on relatively large lots ignores the demographic shifts in America.
- The nuclear families for whom that product was, and is, designed is a steadily declining share of the U.S. population.
- Assuming the supply of households who want to buy these products will remain steady or increase (in order to support property values and school enrollment) is a bad bet.
- University of Arizona Urban housing economist Arthur Nelson estimates that over the next 25 years the supply of these homes for sale will be 4x the number of potential buyers.

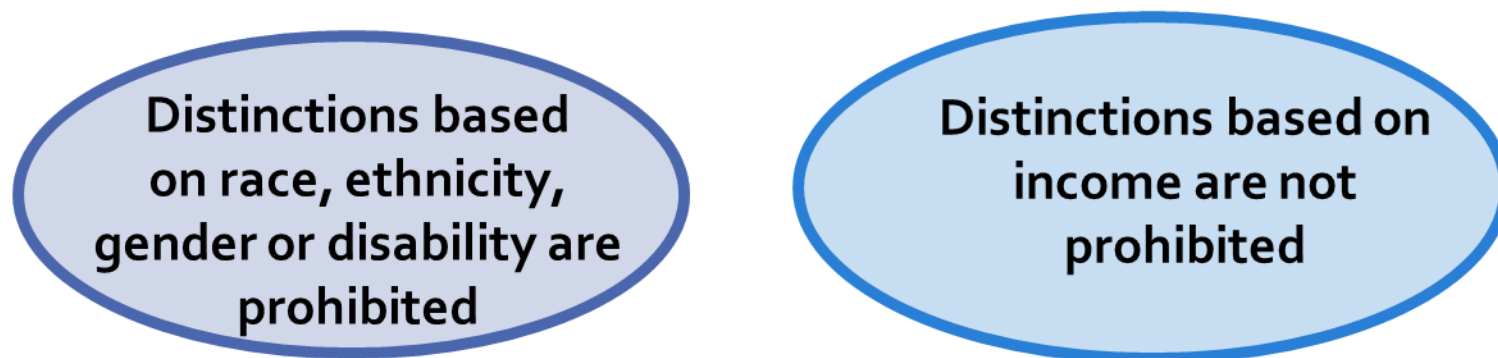


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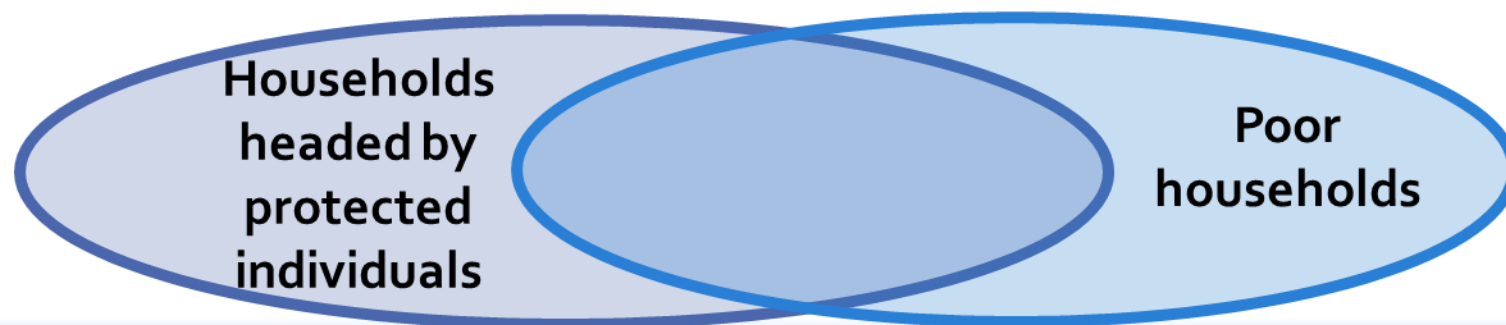
The Equity Argument

- Race, ethnicity, and income are very highly correlated in America.
- Regulations that protect or raise the cost of housing tend to discourage occupancy or purchase by historically disadvantaged and vulnerable groups.

In Theory:



In Reality – the two circles overlap – a LOT



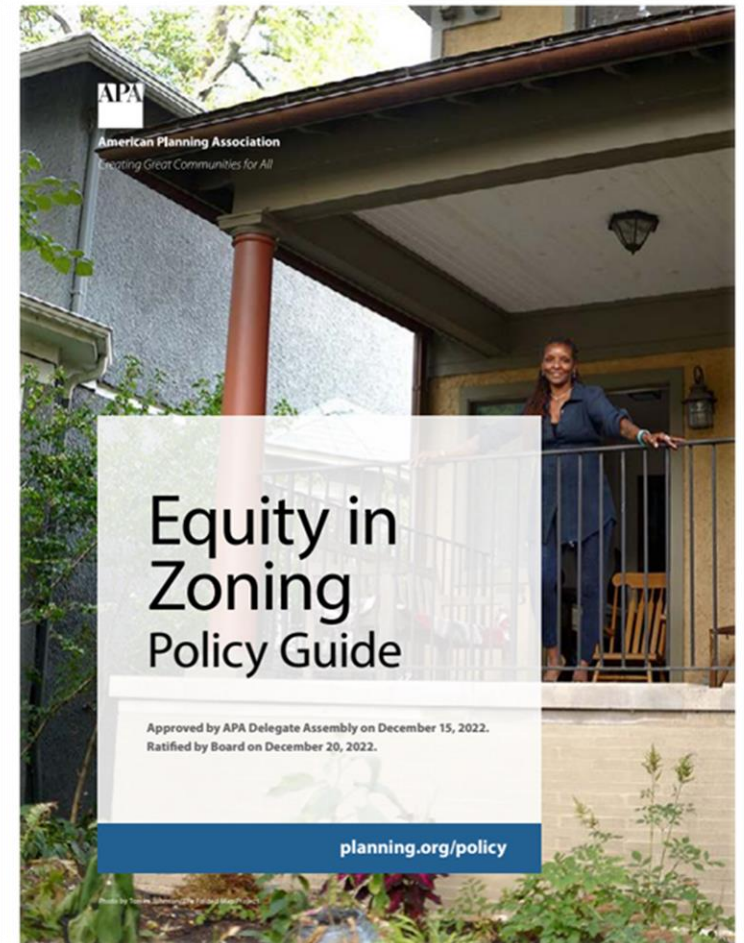
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American Planning Association

Just unanimously approve a Policy Guide for Equity in Zoning that strongly advocates increasing variety and reducing procedural barriers to lower cost housing.

Focus is on discriminatory impacts based on:

- Race and Ethnicity
- National Origin
- Religion
- Resident /Tenancy Status
- Gender
- Physical Disability
- Sexual Orientation



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Policy Guide focuses on improving zoning equity in three key aspects of zoning:

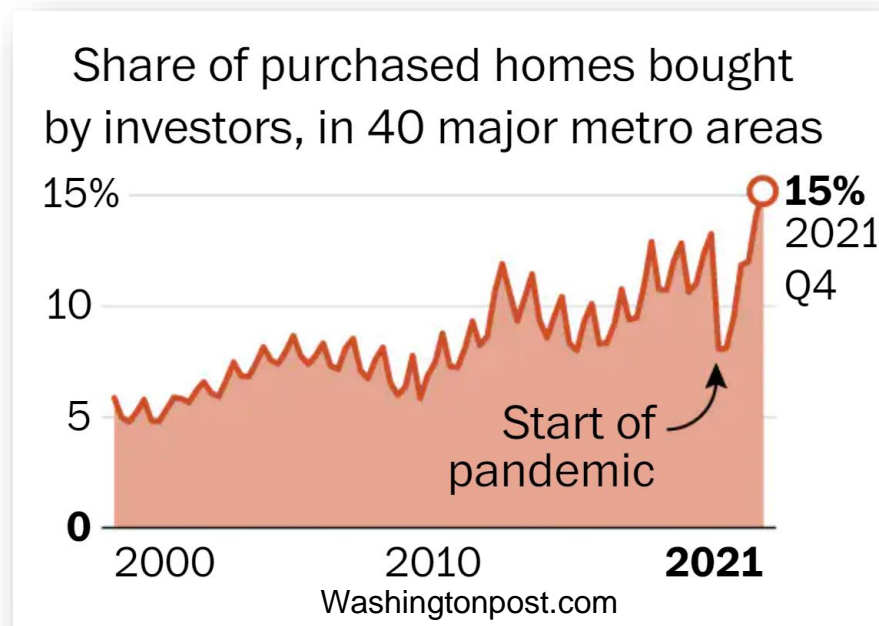
1. **Substantive Rules** – removing or revising facially neutral rules that have disproportionate impacts on what types of structures and activities are permitted in different neighborhoods.
2. **People** – ensuring that all residents are fairly included and represented in drafting, applying, changing, and enforcing zoning.
3. **Zoning Maps** – removing the legacy of redlining while protecting historically redlined areas.

- **Regulations and Incentives** – not advisory policies in advisory planning documents.
- Equitable participation in the **zoning process** – not the planning process.
- Equitable revisions to the **zoning map**.

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So Why Haven't Prices Come Down?

1. The number of cities that have revised zoning to significantly increase residential density on a legislative (not case-by-case) basis is still very small.
2. In many cases, not enough time has passed to see the market reaction to those changes.
3. In some markets (like Denver), the influx of new residents continues to overwhelm housing production capacity.
4. National REITS and investment companies own a growing share of housing, and rents are often set to justify those investments (regardless of whether they are tied to local earning capacity).



Questions & Discussion

