Enabling More Market Solutions

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Clarion Associates

• 20 Planners, Attorneys, Urban Designers, and Landscape Architects

• Over 150 communities & over 175 code projects in the U.S. and Canada

• New and innovative housing types come up in every major project
Topics

- Why?
- What Don’t We Need to Regulate?
- The Usual Suspects
- The Occupancy Opportunity
Why?

Home Prices vs Wages, 1963-2005
Why?

This is a **Structural Problem of the U.S. Economy**

- **Average renter income** spent on housing has grown to over 30% -- beyond the HUD “Housing Stressed” threshold

- **Because we have:**
  - Some control over housing prices – they’re built locally
  - But much less control over wages – they’re global
Why?

Toolbox

- Very Low Income
  - Develop & Preserve Housing for Low Income, Elderly, Special Populations
    - TABOR
    - Rental rehab loans
    - CDBG, HOME & Emergency Shelter grants
    - HOPWA
    - DHA Sec. 8 & Public Housing
    - DNHF
    - DHS - TANF
- Low Income
- Moderate Income
- Market Rate Housing

Implement Affordable Housing Policies
- Inclusionary Zoning requirement
- home repair loans/grants
- down payment assistance
- FHHLB Affordable Housing Program
- FNMA LOC funding
- CDBG & HOME

Promote Homeownership
- code revision
- increased density
- attractive bank products

Workforce & Primary Housing
- LIHTC & Private Activity Bonds
- CDBG & HOME
- DNHF & FNMA LOC
- CHFA financing/assistance
- Special bank products
- TABOR
What DON’T We Need to Regulate?

- What could the market handle – without major consequences – if we got out of the way
Another Approach

- Think About What Your Real Population (Not Your Ideal Population) NEED to Have “A Decent Home”
- And How Little You Need to Do to Ensure that Type of Housing is a Good Neighbor in a Wide Variety of Contexts
Another Approach

• Predictable Flexibility

• How flexible can you get without citizens or elected officials feeling that the results are unpredictable

• The answer varies by community
What NOT To Do

4. Any minimum dwelling unit sizes (beyond minimum building code)

3. Excessive minimum lot sizes
   • Including MF formulas based on lot size
   • Many new codes get down to 2,500 sq. ft. for single-family

2. Excessive parking requirements

1. Time and expense of negotiating everything every time
The Usual Suspects

• Accessory Dwelling Units

• Cottage Housing/Pocket Neighborhoods

• Co-Housing Developments
The Usual Suspects

Accessory Dwelling Units

- Tempest in a Teapot
- Maximum size
- Owner-occupancy
The Usual Suspects

Cottage Housing/Pocket Neighborhoods

- Total square footage (not units)
- Maximum size of parcel
- Private access maintenance
The Usual Suspects

Co-Housing Developments

• Allow with leased units (in addition to condos)

• Common building for shared activities
The U.S. housing stock expands by about 2% per year

So any significant change in types of new housing constructed will happen slowly

98% of next year’s housing stock is already here

80% of next decade’s housing is already here
Reality Check

Most of the existing housing stock will be with us for many years.

And household size is generally declining (except for extended families).

And affordability will continue to be a challenge.

Maybe we should look at whether the way we occupy the existing stock is going to need to change.
The Occupancy Opportunity

• Nationally, we may have as many single-family detached homes on large (7,000 sq. ft. or more) lots to meet expected demand in 2050.

• Obviously, markets are local – some will grow, while others experience very weak demand

• Obviously, many older homes will be replaced by newer homes – it’s not as if we don’t need any new ones at all
The Occupancy Opportunity

- Currently about 4 households in the older “sell the house and rent from now on” demographic for every 1 household in the younger “we’re ready to stop renting and buy a house” ages

- Who will live in those large-lot single-family detached homes in areas of weak demand (i.e. poor amenities and poor school systems)?
The Occupancy Opportunity

Possible Answers

1. The market will sort this out and the less desirable ones will sell for less but be occupied as they are today

2. They will be purchased by larger families because they need the space, who will finally find the larger homes they need more affordable than in the past

3. They will be purchased by average (i.e. smaller) households that rent out (or convert) the extra space and use the rent to pay the mortgage
The Occupancy Opportunity

• By law – communities need to allow any number of people related by blood or marriage to occupy a housing unit
  • Until you run into the occupancy limits of the building code

• But many zoning ordinances limit the number of unrelated people to 3 or 4
  • That may need to change
The Occupancy Opportunity

Lots of Challenges

• Fears of overcrowding
• Fears of too many cars
• Even if zoning is revised, many covenants would ban more than one household
• Even if zoning is revised, some mortgages would ban more than one household
The Occupancy Opportunity

• But some opportunities
  • Helps align the existing building stock with current housing needs
  • Addresses affordability
  • Likely to keep more of the housing stock occupied – legally
    • i.e. if occupancy is regulated too strictly, many just ignore the law
A Final Thought

- No matter how we decide to address the “Missing Middle” of the housing spectrum, that housing will probably need to accommodate more than just living.

- A growing share of our populace use their housing for work as well as residence.
A Final Thought

SELF EMPLOYED, PRIVATE & GOVERNMENT

- Proprietors
- Private Wage and Salary
- Government Wage and Salary

Calculated from Bureau of Economic Analysis Data
Percent of employed persons who worked at home on an average workday

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<thead>
<tr>
<th>Job holding status</th>
<th>Class of worker</th>
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Questions or Comments?