Variances in US Land Regulation and Impacts on US Housing Supply and Affordability: Results from a National Survey

Paige Mueller          Dr. Norm Miller

Hoyt Fellows Meeting
May 16, 2019
Research Team

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Eigen 10 Advisors, LLC
> $100,000 Income Needed for Median Rent in San Francisco and New York

Income Needed to Pay Median Rent

- San Francisco
- New York
- Boston
- Los Angeles
- San Diego
- Washington
- Seattle
- Denver
- Chicago
- Miami
- Portland
- Baltimore
- Philadelphia
- Austin
- Orlando
- Atlanta
- US
- Tampa
- Dallas
- Salt Lake City
- Charlotte
- Houston
- Phoenix
- Columbus, OH
- Cincinnati
- St. Louis
- Cleveland
- Sioux Falls
- Indianapolis
- Albuquerque

Source: U.S. Census, Hoyt Advisory Services
Rental Stress Felt Throughout the Country

% of Rental Households Spending 35% or More of Income on Rent

Source: U.S. Census, excludes non-calculated households
Affordability Issues are Complex

Low Income
High Income
Regulatory
Land Availability
High Incomes and New Construction Do Not Necessarily Alleviate the Affordability Problem

Source: U.S. Census, Hoyt Advisory Services, www.weareapartments.org
Single Family Cost Spread Increased over Time for High Cost Markets

Home Price Sales by Decile

Source: The Story of Entry Level Housing Affordability in the USA Considering Price Tiers and Property Taxes, Dr. Norm Miller, 2017
Significant Variance by Market

Exhibit 7: San Antonio Metro

Home Price Sales by Decile

Source: The Story of Entry Level Housing Affordability in the USA Considering Price Tiers and Property Taxes, Dr. Norm Miller, 2017
Price Gradients Vary by Market

Source: The Story of Entry Level Housing Affordability in the USA Considering Price Tiers and Property Taxes, Dr. Norm Miller, 2017
Why Care About Affordability?

Difficult to attract employees to markets with high costs.

Los Angeles

Avg Annual Population Change (000's)

-75 -50 -25 0 25 50 75 100 125

2000-2010
Natural Increase
Net Migration
2010-2016
Natural Increase
Net Migration
2016-2030
Natural Increase
Net Migration

New York

Avg Annual Population Change (000's)

-150 -100 -50 0 50 100 150

2000-2010
Natural Increase
Net Migration
2010-2016
Natural Increase
Net Migration
2015-2030
Natural Increase
Net Migration

Source: U.S. Census, Hoyt Advisory Services, www.weareapartments.org
Regulatory Changes Underway

California Housing Legislation Highlights
as of April 4, 2019

**FASTER APPROVALS**

- **AB 1484**: Development fees published and constant throughout project approval process.
- **AB 1485 & AB 1706**: Incentives and faster approvals for moderate-income housing built with prevailing (union) wage labor.

**UPZONING**

- **SB 50**: By-right approval for homeless shelters.
- **AB 723**: Property tax exemption for housing leased for 35+ years to nonprofits in Alameda or Contra Costa County.

**SHELTERS**

- **SCA 3**: Ends inheritance of Prop 13 tax break, unless heir lives in the house.

**TAX POLICY**

- **AB 36**: Costa-Hawkins reform allows cities to rent control houses, condos, and new buildings after 10 years.
- **AB 529**: Protections for tenant organizing

**BALLOT MEASURES**

- **SCA 1**: Eliminates requirement that public housing be approved by ballot measure.

**SCA 10**

- **AB 1568**: Ties transport funding to housing production.

**ACCESSORY DWELLING UNITS**

- **SB 13, AB 68, & AB 69**: Simplifies process of approvals and allows more houses to add Accessory Dwelling Units.

**TRANSPORT**

- **AB 725**: Limits use of sprawl as way to meet housing planning goals.

**FUNDING**

- **AB 10**: Expands Low Income Housing Tax Credit funding program by $500 million per year.
- **AB 11 & SB 5**: Creates new local funding agencies for affordable housing, infrastructure, and community investment.

**DATA**

- **AB 857**: Allows cities to create Public Banks.

**LEGAL AID**

- **AB 1483**: Creates Housing Alliance for the Bay Area, regional entity to raise $1.5 billion via ballot measure for affordable housing.

**MOVE-IN ASSISTANCE**

- **AB 437**: Move-In Loans for security deposit and first month’s rent.
- **AB 53**: Ban the Box: no questions on criminal record on initial rental applications.

Source: [https://medium.com](https://medium.com)
Philadelphia City Council proposes 3 affordable housing fixes  March 6, 2019

Program to bring affordable housing to all Austin neighborhoods will come back for final council vote into law in May  Feb. 21, 2019

“Lifting the Voices of Georgians for Affordable Housing”  2019 Housing Day at the Capitol  February 27, 2019

It’s the Year of the Renter at the Colorado statehouse, from rent control to less stringent eviction timelines  Apr 2, 2019
### Previous Studies

<table>
<thead>
<tr>
<th>Year</th>
<th>Author</th>
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<tr>
<td>2004</td>
<td>Richard Green, Stephen Malpezzi, Stephen Mayo</td>
<td>44 MSAs - heavily-regulated metropolitan areas always exhibited low elasticities (high inelasticity), while the elasticities of lightly-regulated areas depended on whether they exhibited slow or high growth demand. While “regulation and density (urban form) work largely as expected in explaining variation in elasticities, other variables like MSA growth rates and city size did not match the predictions of the model.</td>
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<td>2007</td>
<td>Joseph Gyourko, Albert Saiz, Anita A. Summers</td>
<td>Wharton Regulatory Index based on survey from over 200 jurisdictions.</td>
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<td>2010</td>
<td>Albert Saiz</td>
<td>40 markets - physical limits of developable land within 50 miles of the center of each urban market based primarily on water and slope.</td>
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<td>2018</td>
<td>NAHB-NMHC</td>
<td>40 responses; regulation imposed by all levels of government accounts for an average of 32.1% of multifamily development costs.</td>
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Survey of Factors that Impact Multifamily Housing Supply

• National survey to provide data to better understand factors that impact the new supply of apartments.

• Fact Based Discussions-Best Practices and Advocacy

• Research – how does land regulation impact risk, costs, supply, and affordability

Sponsored by the National Apartment Association with input from the American Planning Association
Survey Process

• Pilot Study of Four Markets
• 2018 Fall Survey

Measurement Complexities:
  – Multiple municipalities with individual requirements within a metro area
  – Variations by zoning
  – Variations by market – study only picks up commonly used regulations
  – Changing regulations
### National Survey of Barriers to Supply of Multi-family Housing

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<th>Subindex Categories</th>
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<td><strong>TOTAL</strong></td>
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# 25 Key Markets - External Data

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731 Responses from Public & Private Sectors

75% of Responses from 19 States

Survey Respondents - Years of Experience

- 21+
- 16-20
- 11-15
- 6-10
- 3-5
- 0-2

Survey Respondents - Typical Project Size

- <20 units
- 20-39 units
- 40-59 units
- 60-99 units
- 100+ units

75% of Responses from 19 States
Costs & NIMBYism Most Significant Issues

Overall how do you rate your metro market in terms of relative ease to get new multifamily residential approved?

U.S. Most Significant Issues Impacting Multifamily Development

- Other (please specify)
- costs of regulatory and other fees
- environmental regulations /...
- community / NIMBYism
- restrictive zoning
- complexity of approval process
- length of approval process
- entitlement risk / certainty of...
- financing costs
- financing availability
- labor structure, e.g. unions
- labor availability
- construction costs
- land availability
- land costs
NIMBYism and Household Incomes

Source for Median HHI: US Census; red line indicates US Median HHI
NIMBYism Not Correlated to Land Developability

Source for Land Developability: landdevelopability.org
National Subindices Hide Regional and Micro Issues

U.S. Subindex Total Scores

- Process Complexity
- Political Structure
- Time
- Environment
- Affordable Housing
- Community
- Land Supply
- Density & Growth
- Infrastructure
- Cost
National Barriers To Supply

Community Involvement
- NIMBYism
- Public Vote Circumvent Plan
- Community Mtg Required
- Pop Vote Required for Zoning Chg
- Comm Groups Delay Developmt

Tenants & Affordable Housing
- Aff Housing Required
- Aff Hsg Pmt in Lieu
- Aff Hsg Density Bonus
- Rent Control
- Just Cause Evict

Cost
- Construction Cost Increase
- Land Cost Increase
- Fee Cost Increase
- Construction Cost
- Land & Total Cost
- Impact Fees
- Impact Fee Makeup Avail
- Prevailing Wage
- Special Tax Districts
- APT Tax Rate
- Rent Index

Infrastructure - Impact on Apt Development
- Impact fee / exactions
- infr fee / mitigation
- school crowding
- school overcrowding
- city budget constraints
- infr availability
- traffic
National Barriers to Supply (cont.)

Density & Growth Restrictions

- Min lot size
- Floor area ratio
- Height restriction
- Density restrictions
- Monoculture / growth
- Unit size max requirements
- Codes restrict redundant
- Bldg limits
- Parking requirements
- Transit parking exceptions

Environmental Restrictions

- Coastal / wetland / impervious cover
- Environmental restrictions / mitigation
- Water availability
- Flood zone restrictions
- Open space requirements
- Conservation bonds

Land Supply

Impact on Apt Supply
Land Developability

Time

- Approvals - Conforms
- Approvals - Deviations/Rezoning
- Increase approval time < 50 units
- Increase approval time >= 50 units
National Barriers to Supply (cont.)

Political Structure Complexity

Process Complexity
## Total Index - Weights Controllable Factors More Heavily

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<td>T</td>
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Land Generally Considered an Important Factor

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## High Scoring Markets Have Multiple Complexities

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Total Index Scores
Key Market Sample

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**MOST RESTRICTIVE APARTMENT CATEGORIES:**

- ENVIRONMENTAL RESTRICTIONS
- CONSTRUCTION COSTS

Austin was one of four pilot metro markets explored with an earlier survey and is recast below with updated indexing. A young and growing housing market, Austin metro is in the top third least restrictive of major markets with a supply index of 0.97 and ranked sixth among metro demand. Austin was one of four pilot metros for a national approach and the original subindices plotted below. Respondents cited heavy environmental restrictions as their top barrier, followed by high construction costs and increased land costs. Other above-index issues were community involvement and constraints on infrastructure. All others were below index, including a slight 0.20 for affordable housing requirements. Current median incomes for rental households rank in the top sixth of major markets, while their income requirement for today’s average rent is a slight 3.0% below the median. Yet, some 40% of renters are paying over 35% of incomes on the average market rents of $1,125.

**Barriers to Apartment Construction Subindices**

Comparison to WRI Index

*Wharton Regulatory Index (WRI) rankings adjusted to a maximum of 30 to have a similar range as the HAS Index rank.
Rents Higher in Markets with High Scores

Rents Tend to Be Higher in Markets with Higher Complexity Scores
Why the Variance in Rents in High Index Markets?

Population Growth Last Ten Years

- SLC: Total Growth (Thousands) - 500, Total % Growth - 5%
- BAL: Total Growth (Thousands) - 400, Total % Growth - 2%
- PHI: Total Growth (Thousands) - 300, Total % Growth - 10%
- LA: Total Growth (Thousands) - 700, Total % Growth - 18%
- BOS: Total Growth (Thousands) - 400, Total % Growth - 8%
- SFR: Total Growth (Thousands) - 500, Total % Growth - 16%

Population Growth Last Ten Years
- SLC: Population Growth Last Ten Years - 1%
- BAL: Population Growth Last Ten Years - 2%
- PHI: Population Growth Last Ten Years - 6%
- LA: Population Growth Last Ten Years - 12%
- BOS: Population Growth Last Ten Years - 4%
- SFR: Population Growth Last Ten Years - 8%
Why the Variance in Rents in High Index Markets?

Policy Differences in High Index Markets

- **AH Required**
  - SLC: 2.0
  - BAL: 1.5
  - PHI: 1.0
  - LA: 0.5
  - BOS: 0.0
  - SFR: 0.0

- **Pmt In Lieu AH**
  - SLC: 1.5
  - BAL: 1.0
  - PHI: 0.5
  - LA: 0.0
  - BOS: 0.0
  - SFR: 0.0

- **By-Right**
  - SLC: 2.5
  - BAL: 2.0
  - PHI: 1.5
  - LA: 1.0
  - BOS: 0.5
  - SFR: 0.0

- **# Orgs for Approval**
  - SLC: 3.0
  - BAL: 2.5
  - PHI: 2.0
  - LA: 1.5
  - BOS: 1.0
  - SFR: 0.5

Low Rent Markets vs. High Rent Markets

Policy Differences in High Index Markets

- **Min Lot Size**
  - SLC: 3.0
  - BAL: 2.5
  - PHI: 2.0
  - LA: 1.5
  - BOS: 1.0
  - SFR: 0.5

- **Height Rest**
  - SLC: 2.5
  - BAL: 2.0
  - PHI: 1.5
  - LA: 1.0
  - BOS: 0.5
  - SFR: 0.0

- **Growth Lmt**
  - SLC: 3.0
  - BAL: 2.5
  - PHI: 2.0
  - LA: 1.5
  - BOS: 1.0
  - SFR: 0.5

- **AH Density Bonus**
  - SLC: 2.5
  - BAL: 2.0
  - PHI: 1.5
  - LA: 1.0
  - BOS: 0.5
  - SFR: 0.0

- **Cty Cncl Oppose Grwth**
  - SLC: 3.0
  - BAL: 2.5
  - PHI: 2.0
  - LA: 1.5
  - BOS: 1.0
  - SFR: 0.5
Using the Data, e.g. Less Land Availability* Often but Not Always Correlated with Higher Costs

Higher Land Developability scores indicate less land available for development
Regulatory Differences in High-Cost and Low-Cost, Land-Constrained Markets

Low-Cost Markets = Salt Lake City, Miami, Tampa, Phoenix
High-Cost Markets = San Diego & San Francisco
Hidden / Unintended Consequences of Regulation?

High Fixed Fees Inhibit Supply of Smaller Units in Austin

Growth in Rental Units by # Units 2010-2017

- **TX**
  - 5+ Units: 20%
  - 2-4 Units: 15%

- **Austin**
  - 5+ Units: 25%
  - 2-4 Units: 5%

Source: U.S. Census
Index Score vs Democrat or Republican State

Source: https://www.270towin.com/content/blue-and-red-states
1 = Democratic state, 0.5 = Mixed; 0 = Republican