



MEMORANDUM

To: CMAP Housing Committee

From: CMAP staff

Date: May 12, 2016

Re: Strategies for housing choice barriers

The housing supply and affordability strategy paper will identify an approach to housing for ON TO 2050 using the CMAP Board's guidance for the next regional plan – greater refinement of existing policies, exploration of limited new policy areas, and development of more specific guidance for implementers.

This memo outlines possible strategies to address barriers to housing choice in the region. Strategies are provided for three of the five barrier areas from an April memo to this committee. Strategies for the remaining areas will be the subject of future memos. Since the purpose of the strategy papers is, in part, to help define future CMAP activities, possible strategies under each barrier have been grouped into three areas: activities CMAP should continue, new or refocused activities for CMAP, activities that should occur but for which CMAP should not be the lead implementer.

Market-feasibility

Market conditions underpin decisions about housing development and redevelopment and ultimately impact housing choices in communities. In markets lacking demand, the cost of building or rehabilitating homes is higher than the revenue that could be obtained from selling or leasing properties. Disinvested areas with costly challenges such as inadequate infrastructure, brownfield remediation, blight, and tax delinquencies can discourage development activity. Alternatively, strong markets can struggle with providing or maintaining housing affordable to low- and moderate-income individuals, particularly in areas that are changing rapidly.

Several additional factors pose challenges to creating new or preserving existing residential development. Some communities may lack the physical assets necessary to support population growth, such as utility infrastructure, transportation systems, or revenue to provide basic services. Areas with strong housing markets may lack land for new development except for small parcels, especially in locations with access to transit, jobs, and other desirable amenities. As a result, the assemblage of multiple smaller parcels, which may be necessary to make

projects financially feasible, can require a longer, costlier, and less predictable transaction process.

Market conditions can also strain the existing stock of housing or reduce housing options for existing residents. Residents in markets with rising housing prices can find it increasingly difficult to pay rent. Tenants are often poorly educated about their rights. In addition, in areas where housing markets have declined, property owners, especially of investment properties, may actually hold onto vacant properties in anticipation of improved housing market, when they may be able to recoup their investment. Dilapidation caused by negligent property owners, poor asset management practices, or insufficient rental revenues can lead to a decrease in the existing housing stock.

Shifting demographics as well as changes in demand for housing types are challenges when planning for housing in the future, especially for municipalities and organizations that lack staff capacity for analysis and planning. Furthermore, housing preferences can differ sharply from surveyed preferences. The rise of new products such as micro units and Airbnb presents new options for homeowners and renters who are leasing, selling, or looking for homes, making assessments of demand and supply more difficult.

- Activities CMAP should continue
 - The Local Technical Assistance Program (LTA) has been the primary means by which CMAP assists local capacity. Municipalities, counties, and community groups have benefited, including through the housing-specific Homes for a Changing Region effort. The LTA program can help communities with planning for a range of housing options through visioning, zoning updates, infrastructure planning, collaborative processes, and other technical assistance. With Homes for a Changing Region, developed in partnership with the Metropolitan Mayors Caucus and the Metropolitan Planning Council, municipalities can plan for future demand and create long-term housing plans.
 - Along with partners such as the Metropolitan Planning Council, DePaul Institute for Housing Studies, and Woodstock Institute, CMAP should continue to update and create products such as the community data profiles, demographics snapshot, and other data and trends analysis for dissemination to regional, municipal, and community leaders. CMAP efforts should assess the regional and sub-regional implications of demographic and development trends.
 - CMAP understands the growing importance of exploring aging trends in the region. CMAP should continue its efforts to understand best practices for aging in community.
- New or refocused activities for CMAP
 - A key aspect to planning for potential demographic changes is quantifying how they may impact the region. Previous CMAP work in this area has primarily occurred through policy updates, but a deeper more consistent approach is to be needed. The

- agency is exploring income, race, ethnicity, and age as components of its socio-economic forecast. Inclusion of some or all of these components would provide better context for changing regional housing demand that can then be used to inform local housing supply analyses.
- Building household wealth and income can increase housing options for residents and provide the necessary market support for additional development. CMAP, through both ongoing and future work will be tackling regional economic growth from multiple perspectives through the agency's ongoing regional economic analysis, an assessment of regional economic resilience, and the Inclusive Growth strategy paper.
 - Through products like policy updates, memos, snapshots, and strategy papers, CMAP tackles a variety of research topics. With partners, CMAP should continue to conduct research into land use and zoning best practices, specifically with a focus on development practices that help to increase the supply of housing for all income levels and stages of life. CMAP's Reinvestment and Infill strategy paper, for example, is exploring barriers to and strategies for reinvestment. Future research topics should include the following:
 - Continuing previous research on best practices in allowing a more diverse housing stock as of right through plans, zoning, and building codes.
 - Financial, regulatory, and zoning incentives for new development of all housing types.
 - Incentives for affordable housing construction, rehabilitation, and preservation.
 - Best practices for typical funding mechanisms for development such as Special Service Areas (SSAs), developer impact fees, and tax increment financing.
 - Activities that should occur but for which CMAP should not be the lead implementer
 - By increasing the stock of housing for all income levels and stages of life, more housing options will be available to residents. Beyond the efforts identified above, several strategies exist that would facilitate the development of residential property that should be explored by other entities. Some of these strategies, such as land banks, provide development opportunities by eliminating barriers like tax delinquencies, high costs of available land, or small parcels that are difficult to develop. For example, the South Suburban Land Bank and Cook County Land Bank have special authority to assemble properties, acquire the land, clear titles and/or eliminate tax liabilities, hold and maintain land, and negotiate sales and transfer properties. By removing costly barriers like fragmented ownership and assembling small parcels of land into a single large parcel, land banks make sites more attractive and financially feasible. Municipalities may also sell vacant, publically owned property or land to developers, either at market rate or at a discount, in exchange for housing of certain types (affordability, size, etc.).

- New construction of housing can be significantly more expensive than preserving existing housing. And, the existing housing stock is a key source of units that are affordable to a range of incomes. As such, strategies to rehabilitate and maintain existing housing of all housing types, including renter and owner housing, should be pursued and further investigated. Some of these strategies specifically target affordable housing preservation. Partners can research best practices and implement projects and programs in the following topic areas:
 - First rights of purchase of affordable housing to public agencies who want to preserve the stock of affordable land.
 - Offering of public land and public buildings to developers at a lower cost in exchange for affordable housing.
 - Community land trusts, which allow homeowners to build wealth while maintaining the affordability of the house on the community land trust land.
 - Rental structures such as mutual housing associations where tenants in multiple buildings can subsidize rents and pool utility and maintenance costs to save money.
 - Renter protections including rent control.
 - Expiring use restrictions.
 - Incentives such as rehabilitation grants/loans or tax abatements to for affordability easements.
- Partners with specific market analysis expertise should lead on analyzing long term sales trends for new housing products like microunits and the impact of short term rentals like AirBnB on the supply and costs of housing.
- One major strategy to bring vacant or abandoned residential properties back to productive use is to inventory vacant residential properties and implement approaches that encourage property owners to maintain property. Municipalities and counties do not always know when buildings are vacant or blighted, and for how long. After determining building occupancy status, communities can implement a number of strategies, such as targeted code enforcement, vacant building monitoring/maintenance fees, and/or re-classifying vacant and blighted buildings into higher property tax rates to encourage property owners to maintain and return the buildings to productive uses. Vacant property registration ordinances require owners of vacant property to register their property as “vacant” and pay a registration fee. Fees can vary widely by location and may also fluctuate depending on the length of vacancy, whether the property owner has followed requirements (e.g., maintenance), and rehabilitation activities. Through vacant receivership and vacant building enforcement, municipalities and nonprofits are appointed receivers of vacant property and may rehabilitate the property, after which they or the court can resell the property or the owner regains control of the property. Additional research is needed into the best of such mechanisms.

Community and political constraints

Securing broad-based support for housing choice across municipal leaders, community-based organizations, and residents emerged as a primary barrier. Community and political opposition to affordable housing, denser housing, and new housing types has many impacts. It can lead to costly delays and amendments for housing developers and in some cases may even force the abandonment of projects. Communities with reputations as difficult places to develop may be avoided all together.

Many factors underlay this resistance. First, local stakeholders have varied desires and perspectives related to community development and do not always agree that providing housing choice is a desirable goal. NIMBYism can be another significant challenge to some development projects, as communities can be uninformed or have misperceptions about the impact of density, tenure type, and other characteristics of developments on their communities. Local opposition to a development can stem from fear of change in the physical environment or composition of a community, reflecting concern about property values, service levels, fiscal impacts, community character, the environment, or public health and safety. Additionally, lack of representation from disadvantaged or underrepresented population groups in the development and political processes makes it more difficult for civic discussions and decisions to reflect the interests of such groups.

Support systems, such as local expertise or policy mechanisms, also impact development. When the community is not involved in the development process or new projects do not complement existing buildings, those past projects can be perceived as having turned out badly and make it difficult to get community and/or political support for current projects underway.

- Activities CMAP should continue
 - As identified under the previous section, CMAP should continue to use LTA to help municipalities, counties, and community groups consider the concerns and preferences of a broad base of stakeholders when defining community goals and priorities for housing. CMAP should continue to look for opportunities to improve the public engagement process for local housing planning through LTA, including the Homes for a Changing Region effort.

As part of housing specific LTA work, CMAP should continue to focus on how community goals and priorities for housing relate to the goals and priorities for other local issues. Sometimes this will occur through the comprehensive planning process, which (in addition to housing) considers such elements as land use, economic development, transportation, and image and identity. Other times smaller-scale plans, such as downtown, neighborhood, and subarea plans, will result in more specific recommendations for the particular topics and areas of interest.

Data and analysis done through LTA housing work, including Homes for a Changing Region, should continue to focus on housing supply and demand at a regional and subregional level to help municipalities identify opportunities for

collaboration between neighboring communities, broadening the context for local decision-making.

- Activities that should occur but for which CMAP should not be the lead implementer
 - The primary barrier identified under this category is the acceptance of housing choice as a goal in the region and the implications of that goal on local development decisions. Previous efforts in the region have tried to tackle some of the components of this barrier.

In 2002 the Metropolitan Mayors Caucus adopted the Housing Endorsement Criteria: principles to help effectively attract, identify, and promote proposals for quality housing development. The general principles outlined in the Caucus's Housing Endorsement Criteria include:

- Location in the community, particularly the development's access to job centers and transit options;
- Design of the site and how it fits within the community;
- Attainability and mix of incomes;
- Experience of the management team and, if applicable, the support services team; and
- Feasibility, including soundness of the financial plans, relocation strategy, zoning, and others.

In 2001, a collation of over 40 housing organizations in the region collaborated on the Housing Illinois project. With the tag line "we need the people who need affordable housing," the project was designed to bolster support for and minimize opposition to affordable housing in northeastern Illinois. Activities included an advertising campaign, policy research, and trainings.

The region again needs to consider the value of such approaches, as additional efforts are needed to gain support for certain housing goals. Champions are needed. Few organizations in the region have unique intersection of capacity, breadth, and organizing expertise needed to cultivate those champions.

Funding and Resources

Funding markets are the most critical piece of the resource puzzle. Decisions in the private finance system to fund some types of individuals, some types of development, or development in only some locations has a profound impact on both housing supply and demand. Subsidy programs, whether federal, state, or local, while smaller in comparison to the private market, also play a critical role in trying to fill gaps in the private market system. When funding for subsidy programs decreases, programs are structured suboptimally, or funds are used inefficiently, those monies cannot fill those gaps.

Non-financial resources too impact housing choice. Low-capacity communities often lack the experience and relationships, not to mention financial capacity, to understand local housing needs and put policies into place to help meet those needs. A limited number of developers in

the region have the expertise to develop complicated projects in difficult markets. With no shortage of communities hoping for such innovative investment, such developers can be highly selective about the projects with which they move forward.

- Activities CMAP should continue
 - As mentioned before, CMAP should continue to boost the capacity for local housing planning in the region through LTA, including the Homes for a Changing Region effort.
 - CMAP should continue to look for opportunities to improve the efficiency and coordination of entitlements, public housing authorities, state entities, and other housing funders. Sometimes, as with Cook County, this will occur through LTA. Other times, as with the Regional Housing Initiative, this could take place through a separately established program.
- New or refocused activities for CMAP
 - As mentioned before, CMAP uses a combination of reports and policy updates to explore housing related topics. Barriers identified through this strategy paper offer an opportunity to refocus those efforts around research into areas for which CMAP and the region need a better understanding. The following are a list of topic areas that should be considered for additional research. For some topics, such as a review of research by other parties, the less-intensive policy update series may be appropriate. For others, such as the impact of federal policies on the private housing market, stand-alone reports may be best.
 - The impact of federal and state policies on the functioning of the private finance system, particularly the types of units constructed and purchased in the region.
 - How the availability of credit to households in the region impacts housing choice.
 - How changes federal and state housing assistance programs, both in terms of structure and funding levels, align with regional needs and efforts.
 - How and where are federal and state housing assistance programs used in the region.
- Activities that should occur but for which CMAP should not be the lead implementer
 - The importance of growing the number of high capacity innovative developers and growing the capacity of the small number of such organizations surfaced as an important bottleneck. Some federal programs such as CDBG and HOME include special funding set-asides specifically designed to grow the capacity of local organizations. Groups like the National Housing Trust are currently working to support projects with innovative funding structures, specifically preservation projects that do not include low-income housing tax credits. Additional efforts are needed to link together such efforts to address the cited developer capacity needs.