

Best Practices Review – Housing Affordability and Regulatory Barriers

October 2006

The Metropolitan Council's Land Use Advisory Committee (LUAC) focused several of its 2006 meeting discussions on the issue of housing affordability. The Advisory Committee reviewed various tools and reports and compiled this best practices resource list. These technical resources will be useful to local communities as they prepare their 2008 comprehensive planning updates.

Resources, tools and reports are grouped into the following categories:

- ***Barriers to affordability***
- ***Promoting affordable housing***
- ***Model codes***
- ***Tools and resources***

Barriers to affordability

Builders Association of the Twin Cities, *Fees, Infrastructure Costs, and Density: Their impact upon the Twin Cities' regional growth strategy & life-cycle housing goals* (2000).

This report presents scenario analysis to illustrate how regulations affect density, how density affects infrastructure costs, and how infrastructure costs, regulatory and service fees affect housing affordability. The report finds:

- Infrastructure costs, regulatory and service fees generally decline as housing density increases. Plat fees are tied to acreage (doubling density cuts unit cost by 1/2); building permit fees are proportionate to improvement valuations (very indirect relation to density); infrastructure costs are dependent on combination of acreage and units served (doubling density cuts unit cost by 1/4).
- Local zoning and regulations prevent communities from using land efficiently (achieving greater density) and providing enough life cycle housing. PUD approvals usually come with strings attached.
- Because local zoning and regulations limit density and design options, and because low-density development costs per unit are higher, the market is skewed toward pricier offerings. Moderate-income households are most negatively impacted.

Colorado Department of Local Affairs, *Reducing Housing Costs through Regulatory Reform* (2002)

www.dola.state.co.us

This report discusses how to promote affordable housing by reducing regulatory barriers while still accomplishing valid land-use and planning goals.

- Chapter IV outlines a variety of regulatory reform techniques that local governments can use to attempt to reduce barriers to affordable housing. These include:
 - Infrastructure Financing Mechanisms
 - Zoning and Subdivision Controls
 - Reforms to Building Codes and Construction Techniques
 - Processing and Permitting Improvements
 - Resource Protection Statutes.
- Chapter V is a "user's guide," with step-by-step guidance for communities interested in analyzing the impacts of their land development regulations.

US HUD, *Why not in our community? Removing barriers to affordable housing* (2005)

www.huduser.org/Publications/pdf/wnioc.pdf

This report describes the Affordable Communities Initiative, US HUD's work to help state and local governments identify regulatory barriers, and US HUD's work to promote affordable housing.

- Section I provides background, describing recent trends and the continuing problem of regulatory barriers to affordable housing.
- Section II reviews recent efforts by state governments to reduce regulatory barriers. Municipal strategies and reforms are discussed briefly.
- Section III identifies some of the major actions being implemented by US HUD:
 - Reviewing US HUD's own regulations, rules, handbooks, and notices.
 - Clearinghouse activities and Secretary's recognition of best practices.
 - Coalition-building, education and outreach.

US HUD, *Regulatory Barriers Clearinghouse* (on-going)

www.huduser.org/rbc/FirstTimer.html

The Clearinghouse is a centerpiece of Affordable Communities Initiative (described at www.hud.gov/initiatives/faq.cfm). The Clearinghouse catalogues thousands of publications and resources on barriers to affordable housing, as well as solutions and strategies, in 10 categories:

- Administrative Processes & Streamlining
- Building & Housing Codes
- Fair Housing & Neighborhood Deconcentration
- Fees & Dedications
- Planning & Growth Restrictions
- Redevelopment/Infill
- Rent Controls
- State & Local Environmental & Historic Preservation Regulations/Enforcement Process
- Tax Policies
- Zoning, Land Development Construction & Subdivision Regulations

Promoting affordable housing

American Planning Association: *Policy Guide on Housing* (April 2006).

www.planning.org/policyguides/housing2006.htm

This document is a resolution by the American Planning Association of policies and actions for addressing housing needs. Six general policies were adopted. Each general policy has 2 to 5 specific policy recommendations and discusses the Association's rationale for why the policy matters. The six policies are:

- Provide housing opportunity to households of all ages, races and income levels throughout the housing markets of the nation. Planners should identify and strive to change or eliminate planning policies, regulations, and programs that have a disparate, discriminatory impact.
- Promote better balance between the location of jobs and housing.
- Support measures to preserve the existing housing stock.
- Recognize the impacts of the housing/school linkage and support strategies to decrease segregation and poverty concentration in public schools.
- Implement residential development practices that result in more innovative housing options for diverse populations and which foster sustainable development.
- Coordination among federal, state, and local housing plans and programs. Additionally, planners need to protect as well as help expand existing housing resources, and support the establishment of new housing tools through education and advocacy.

Greater Minnesota Housing Fund, *Building Better Neighborhoods* (2001)

www.gmhf.com/Publications/bbn.htm

This report advocates "cost-reduction" and "value-added" strategies. The strategies to reduce cost include strategies for initial savings (what it costs to build and buy) and long-term savings (what it costs to maintain). These include:

- Site selection considerations
- Planning modest-sized lots
- Planning efficient streets and infrastructure
- Selecting economical home plans, building in volume, and using "value engineering."

Metropolitan Council, *Affordable Housing, Making it a Reality – the Report of the 2nd Mayors' Regional Housing Task Force* (October 2002)

www.metrocouncil.org/planning/housing/housingreport2002.pdf

This report offers 16 recommendations. Some recommendations involve public appropriations, bonding, and housing finance. The rest concerned construction techniques, regulation and planning:

- Support efforts to move promising new construction techniques and processes into the region's construction capacities more quickly.
- Accommodate new construction techniques by: 1) developing model ordinances for streamlined approval processes, or 2) establishing a statewide master uniform approval process for building codes.

- Identify what types of incentives might prove effective to spur new construction techniques
- Encourage cities to become more knowledgeable about land trusts and other mechanisms for preserving affordability of ownership housing.
- All cities should review their land use and zoning policies and development approval processes to ensure they enable, not impede, the development of affordable housing. Cities should consider adopting some of the model zoning ordinances that have been prepared around the region. Every city should be producing affordable housing, so every city should ensure its regulatory powers are aligned to do so.

Metropolitan Council, *Report to the Minnesota Legislature on Affordable and Life-cycle Housing* (annually updated)

www.metrocouncil.org/planning/housing/AFFHousingRpt/AffHousingRpt.htm

This annually updated report summarizes progress towards negotiated affordable and life-cycle housing goals. Metro area cities are surveyed on their actions and policies to facilitate affordable housing. Detailed responses of cities are included in Appendix F. A review of the data finds that the most often-cited city practices, tools, and tactics are:

- Reduced lot sizes
- Reduced setbacks and zero-lot-line housing
- Planning for a greater mix of attached and multi-family housing (increased building heights)
- Mixed-use development (and rezoning of commercial/industrial areas)
- Narrower streets and other neighborhood design tactics
- Ordinance change or variances to provide parking requirement relief
- Density, in many cases through PUDs, and density bonuses
- Affordable units inclusion rules (for example, 1/6 of units must be priced below-market)
- Redevelopment authority involvement and land write-downs.
- Housing land trusts
- TIF assistance
- Use of CDBG funds to promote physical preservation or rehab
- Inter-city or sub-regional cooperation or joint action to achieve program management economies of scale

National Association of Home Builders, *Guidebook to the Housing Affordability Resources Toolkit* (September 2006)

www.nahb.org/page.aspx/category/sectionID=997 (requires user account)

This Guidebook recommends locally-customized, targeted solutions for housing affordability. Different market segments may require different tools for improving affordability – from direct subsidies to better planning for housing and regulatory barrier removal strategies. The material is focused on root causes of housing un-affordability, potential solutions, and the role homebuilding plays in increasing housing affordability. NAHB's resources and resources from other organizations are catalogued in the Guidebook under six topic areas:

- Defining Housing Affordability
- Addressing NIMBY Attitudes
- Encouraging Fair Housing Issues

- Regulatory Barriers
- Funding Sources and Strategies
- Economics and Housing Affordability.

Urban Land Institute and Fannie Mae Foundation, *Best Practices in the Production of Affordable Housing* (March 2005)

www.uli.org/AM/Template.cfm?CONTENTID=58537&TEMPLATE=/CM/ContentDisplay.cfm

This report discusses affordable housing considerations for non-profit developers and for-profit developers specializing in affordable home-building. Best practices are grouped into three chapters:

- Predevelopment practices, including land banking, dialogue with local stakeholders, mixed-income housing development, and attention to compatible design.
- Financing practices
- Sustainability and growth of the non-profit or for-profit organization.

Model codes

American Planning Association: *Smart Growth Codes* (March 2006).

www.planning.org/smartgrowthcodes/phase1.htm

In the first phase of the project, APA reviewed existing model ordinances and locally enacted ordinances. APA prepared a narrative on the structure of development codes and how to evaluate and update them, particularly in light of smart growth principles. The Phase I report contains the following 11 model smart growth ordinances with commentary:

- Model Mixed-Use Zoning District Ordinance
- Model Town Center Ordinance
- Model Affordable Housing Density Bonus Ordinance
- Model Unified Development Permit Review Process Ordinance
- Model Transfer of Development Rights Ordinance
- Model Cluster Development Ordinance
- Model Pedestrian Overlay (POD) District
- Model On-Site Access, Parking, and Circulation Ordinance
- Model Shared Parking Ordinance
- Model Street Connectivity Standards Ordinance

Maryland Department of Planning, *Models and Guidelines for Infill Development* (October 2001)

www.mdp.state.md.us/planningact/download/infill.pdf

Maryland Statutes directs the State to develop models, guidelines and development codes to further promote infill development and “Smart Neighborhoods.” This report is best suited to cities considering re-write of plans and ordinances. The report includes:

- Design Elements of Successful Infill Projects
- Model Infill Ordinance
- Development Review Techniques

Minnesota Housing Finance Agency, *Model Zoning Technical Advisory Group Report* (August 13, 2003)

www.mnhousing.gov/idc/groups/secure/documents/admin/mhfa_004353.pdf

This report recommends ways that local government may simplify and reduce the cost of redevelopment in fully developed areas, and the costs of mixed-use and compact new development. Best practices are detailed in three categories:

- Changing comprehensive plan land use and zoning to guide compact or mixed-use development and redevelopment
- Streamlining and simplifying the permit and approval process
- Allowing flexibility in development requirements.

Tools and resources

Center for Neighborhoods and Metropolitan Design Center, *Corridor Housing Initiative – Minnesota Block Exercise* (2006)

www.housinginitiative.org/blockexercise.html

The Corridor Housing Initiative works to support neighborhoods as they explore housing choices for a mix of incomes and households. The Initiative reduces front-end costs for developers by providing community support for development through suggested development guidelines, neighborhood and City support for higher density development through zoning recommendations.

The Block Exercise is a hands-on opportunity to explore different development options and find out whether development ideas are financially viable. The process helps people understand the financial issues and tradeoffs a developer will be working with when considering options for a specific site (i.e. mix of residential and commercial uses, surface level or underground parking, amount of green space, number of units, integration of affordable housing, etc.). The goal is to give community members a greater working knowledge of what it takes to make a development project financially viable and to identify a range of preferred development concepts to help guide future development in the area.

Hennepin County Community Works, *Fiscal Impacts Model* (2006)

www.co.hennepin.mn.us/portal/site/HCInternet/menuitem.3f94db53874f9b6f68ce1e10b1466498

Requests for the Fiscal Impacts Model should be directed to Robert.Luckow@co.hennepin.mn.us

An Excel spreadsheet-based model for fiscal scenario analysis. The model provides the revenue and cost implications of different densities and types of housing development. Importantly, the model is designed for location-specificity: The inputs are city-specific revenue formulas (tied to valuations and property type) and population-variable expenditures. These inputs come from county-compiled data on local tax rates, State Auditor-collected budget data, and State Education Department budget data. The model could be extended to communities outside Hennepin County, if some organization was willing to adopt and maintain the model.

Pinellas County, Florida, *Affordable Housing Incentives offered through the Pinellas County Land Development Code* (brochure)

www.pinellascounty.org/Community/AffordableHousingGuide.pdf

and

City of Fremont, California, *Developing Affordable Housing* (web page)

www.ci.fremont.ca.us/Construction/DevelopAffordableHousing/

Numerous cities and counties have convened task forces and drafted recommendations. Once incentives are put in place, they need to be communicated publicly. Pinellas County (FL) and Fremont (CA) are two examples of local governments explicitly publicizing, *to developers*, affordable housing development incentives. City of Fremont's webpage offers: "We provide you with up to 3 of the following incentives depending on the percentage of affordable units:"

- Site identification assistance - City staff can help identify available locations.
- Marketing and applicant screening- initial renters and/or eligible homebuyers are selected by the City.
- Density bonus.
- Development standard modifications
- Streamlined processing of plans and permits.
- Consideration of other regulatory incentives or concessions proposed by the developer or the City, which can result in identifiable and actual cost reductions.