



Missoula Housing Summit: A Search for Solutions

Private Industry Solutions

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Prosperous Communities

Private Industry Solutions

Session Outline

- The Missoula MSA
- Housing and Private Industry
- Private Industry Solutions
- Moving from Ideas to Actions

Private Industry Solutions

Household Income

- Between 2000 and 2008, Household Income in Missoula MSA grew 24.55%.
 - \$34,454 in 2000
 - \$42,912 in 2008

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Home Prices

Median Home Prices Missoula, Montana		
Year	Median Price	Growth Rate Since 2001
2001	\$138,000	
2002	\$149,500	8.3%
2003	\$163,000	18.1%
2004	\$179,000	29.7%
2005	\$192,000	39.1%
2006	\$206,850	49.9%
2007	\$219,550	59.1%
2008	\$215,000	55.8%
2009	\$208,775	51.3%
Source: MOR Multiple Listing Service		

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Population and Housing Stock

Population and Housing Changes			
Missoula MSA			
	2000	2008	Percent Change
Population	95,802	103,120	7.6%
Total Housing Units	41,319	45,823	10.9%
Occupied Housing Units	38,439	41,759	8.6%
Owner Occupied Units	23,795	26,404	11.0%
Renter Occupied Units	14,644	15,355	4.9%
Source: 2000 Census, 2008 American Community Survey			

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Housing Burden

- 55% of renters in Missoula MSA pay more than 30% of their income for housing.
 - The national average is 50% of renters
- 40% of owners with a mortgage in Missoula MSA pay more than 30% of their income for housing.
 - The national average is 37% of owners

Private Industry Solutions

What is the Private Market?

- The “market” produces housing at the “market price.”
 - Demand
 - Population
 - Demographics
 - Supply
 - Available land
 - Costs of construction

- If housing is to be provided at below “market prices,” there needs to be some form of subsidy. The subsidy can:
 - Reduce construction/development costs
 - Facilitate increasing supply

Private Industry Solutions

What are Private Industry Solutions?

- Private industry solutions:
 - Regulatory changes that can help reduce costs of building housing.
 - Incentives to builders and others to increase the supply of housing.

- The Government's role is that of facilitator:
 - Remove barriers
 - Create incentives

Private Industry Solutions

- Accessory Dwelling Units
- Inclusionary Zoning
- Public Contribution
- Rezoning
- Transfer of Development Rights
- 40-B Regulations
- Housing Trust Funds

Accessory Dwelling Units (ADUs)

Overview

- Allow residents to create an additional apartment unit on their property.
 - Convert the garage or attic into an apartment
 - Create a separate, free standing building on the property
- Advantages:
 - Reuse existing municipal infrastructure
 - Minimal impact to a neighborhood
 - Source of income for property owners
- Accessory Dwelling Units are also known as “in-law apartments” or “granny flats.”

Accessory Dwelling Units

ADUs in Santa Cruz, California

- Santa Cruz is a college town on the Pacific coast south of San Francisco.
 - Very high home prices
 - Shortage of affordable housing
- Had a large number of properties where the owner's had illegally created ADUs.

Accessory Dwelling Units

ADUs in Santa Cruz, California

- Had a program that allowed the legal creation of an ADU if the unit was deed restricted as affordable housing.
- The economics of the deed restriction made the program unattractive homeowners.
 - The deed restriction negatively affected the value of the home.
 - The allowable rents were too low to cover the costs of construction.

Accessory Dwelling Units

Santa Cruz's New ADU Program

- Allows an owner to convert the garage to an apartment or construct a small, separate apartment on the property.
- The owner must live in one of the units.
 - If the owner does not live on the property, the apartment unit must be removed.
- Offered amnesty for existing ADU units.
- ADUs have no affordability restriction.

Accessory Dwelling Units

Santa Cruz's ADU Program - Implementation

- Had architects design seven sets of approved plans.
- Partnered with a local bank for financing.
- City staff is generally on-board with the program.
- Modified building regulations to allow the ADU to be created from a garage.
 - Parking regulations
 - Fire code

- Outcome - Create several hundred affordable units.

Inclusionary Zoning

Overview

- Inclusionary Zoning requires that a builder construct a percentage of housing in any new development as affordable or workforce housing.
 - E.g. – 10% of the units in the development must be affordable.
- The builder receives incentives designed to allow the construction of the affordable units.
 - Increased density (e.g. a 20% in density is allowed)
 - Reduced fees (low or no impact or permit fees)
 - Expedited processing

Inclusionary Zoning

Overview

- Inclusionary Zoning programs offer a builder several ways to comply:
 - Build the affordable units on-site
 - Build the affordable units off-site
 - Pay an in-lieu fee to the community's housing fund
- Deed restrictions are used to preserve affordability.
 - Affordable units must be resold to families with comparable incomes
 - Limit on the profits received upon resale

Inclusionary Zoning

Keys to Success

- The program requirements must be based on the local market.
 - Cannot just borrow the percentages from another community
 - Percentage and cost of inclusionary units must reflect the needs of the local market.
 - Builder incentives should reflect local costs.
- An effective inclusionary zoning program should:
 - Provide certainty to the builder.
 - For example, the density bonus is a right, not negotiated
 - Allow the builder to make a “normal” profit.

Inclusionary Zoning

Keys to Success

- Inclusionary zoning is a long term commitment for the local government/local housing agency.
 - Process to qualify to families for the inclusionary units
 - Policies and procedures for resales
 - Policy if the builder or homeowner cannot sell the unit
 - Monitor compliance
 - Requires staff resources

Inclusionary Zoning

Outcomes

- The most successful inclusionary zoning program is in Montgomery County, MD.
 - Created 12,500 units in 35 years (379 units per year)
- Approximately 300 communities have some form of inclusionary zoning requirements.
 - Unit production varies from a few units to a few hundred units.
- Inclusionary Zoning is best a part of a strategy, not the whole strategy.
 - Most Inclusionary Zoning units are built during housing booms.

Public Contribution

Overview

- Require that a builder create affordable or workforce housing units when there is a “public contribution” to the development.
- Require affordable/workforce units when a property is re-zoned.
- Require affordable/workforce units when a density increase is received.
- Require affordable/workforce units when any public money is used in the development.

Zoning Changes

Overview

- Update local zoning regulations to allow the construction of more residential units.
- Re-zone existing commercial or industrial property to residential use.
 - New York City rezoned many old manufacturing sites to allow residential development.
 - Re-zone the upper floors of downtown properties.
- Allow more mixed use properties.
 - Allow/require the addition of second floors on commercial/retail buildings.

Transfer of Development Rights (TDR)

Overview

- The transfer of development rights allows a property owner to sell the development rights to his/her property to a developer who will use those rights to develop additional units on a property elsewhere.
- Ranchers/farmers sell development rights.
- A developer purchases these rights and creates a denser development in the urban area.
 - Market mechanism to allocate density

Massachusetts 40-B Regulation

Overview

- The Massachusetts 40-B Regulation is a state regulation that allows developers to override local zoning regulations (density regulations) in certain instances:
 - The proposed development must include 20%-25% affordable units.
 - The regulation is applicable if less than 10% of the existing housing in the community is deemed affordable.

Massachusetts 40-B Regulation

Outcome

- Communities are more willing to negotiate with developers when affordable housing is involved.
 - The resulting density increase is a compromise between the community's regulations and the maximum density allowed under the 40-B regulations
- Builder is limited to a profit of 15% of costs.
- 40-B is credited with creating 29,000 affordable housing units in Massachusetts.

Housing Trust Fund

Overview

- Create a pool of money that can be used to assist in the development of affordable and workforce housing.
 - The source of the money can be from public or private sources.
- Construction financing for rental housing.
- Permanent financing for rental housing.
- Down payment assistance payments to homebuyers.
- Loans and grants to non-profit housing organizations.
- Operating support for the local housing agency.

Housing Trust Fund

Housing Trust of Santa Clara County

- Housing trust fund created by the businesses in Santa Clara County, California (Silicon Valley) to help workers purchase homes.
- Initially, the fund provided grants to assist workers in purchasing a home.
- Currently, the fund provides loans to facilitate the development and rehabilitation of rental housing.

Housing Trust Fund

Other Examples

- Federal Housing Trust fund (currently unfunded)
- State Housing Trust Funds
 - Funded from real estate transfer tax
- Local Housing Trust Fund
 - Funded from sales tax, lodging tax, impact or inclusionary zoning fees
 - Common in resort communities (Aspen, Whistler)

Other Interesting Solutions

- Community Land Trust (CLT)
- Develop a tie-in with local foundations.
 - Create a program to allow land donations to the community.
 - Appeal to a people who care about the community.
- “Homes on the move”

Moving from Ideas to Actions

What Next?

- How do you turn your ideas into actions?

Moving from Ideas to Actions

The Beginning

- Formed a committee
- Have a housing needs assessment
- Have included housing as a component in your comprehensive plan
- Many ideas on the table

Moving from Ideas to Actions

The Action Plan

- Receive input from key constituencies
- Create a written action plan

- The plan becomes your roadmap
- The plan becomes your measuring stick

- Do not make the plan too long
- Do not sit the plan on the shelf

Action Plan – Key Components

1. Set Goals
2. Assign the Goals
3. Marketing and Public Relations
4. Funding
5. Staff

Action Plan – Key Components

Set Specific Goals

1. Relate the goals of the plan to the housing need
 - The plan should include rental goals and ownership goals
 - There should be goals for each income sector
 - The goals should be explicit
 - (e.g. X units of this type, Y units for this income)

Action Plan – Key Components

Identify How to Achieve Those Goals

2. Assign specific responsibility for the goals to individuals and organizations
 - Program X will generate Y units
 - Agency A will create/preserve Z units using programs X and Y
 - Having vague goals in the overall comprehensive plan is not enough!

Action Plan – Key Components

Marketing and Public Relations

3. Develop a marketing and public relations plan for your housing efforts
 - Make people aware of the need
 - Obtain buy-in to address the need
 - Control the message
 - Control expectations

Marketing and Public Relations Examples

- Keep workforce housing on the front page
 - Bold goals - “1,000 houses in 1,000 days”
 - Op-ed pieces
 - Expert presentations (future trends, new solutions)
- Highlight successes
 - Ground breakings, families moving in, volunteer activities, fund raising events
- Combat NIMBY
 - Today’s workforce housing (vs. Cabrini-Green)

Action Plan – Key Components

Funding

4. Identify multiple sources of funding

- State and federal programs may come with restrictive income limits
- Consider local taxes and local fees
- If you are a resort area, tax the tourists
- Consider charitable donations and employer initiatives

ps – there never will be enough money, you need to remain creative

Action Plan – Key Components

Qualified, Professional Staff

5. Plan to hire, pay, and retain qualified, professional staff
 - Staff is an ongoing program operation cost that needs an ongoing source of funding.
 - Staff needs to understand the in's and out's of the housing process and the political process

Moving from Ideas to Actions

Other Considerations

- There are many solutions, not one. You must use a blend of programs.
- Identify land use and zoning constraints, and create strategies to modify the constraints.
- Build community will
- Build political will

Moving from Ideas to Actions

Biggest Hurdles

1. Marketing and Public Relations

- Usually not even in the housing plan
- If marketing is in the plan, there is minimal funding and expertise

The objective of the marketing and public relations is to make workforce housing as necessary as Coca-Cola.

Moving from Ideas to Actions

Biggest Hurdles

2. Changing Zoning and Land Use rules

- Technical issue
- Hot issue in the community and politically
- Takes time
- Often requires a mandate from higher level of government

Moving from Ideas to Actions

Biggest Hurdles

3. Assigning goals to individuals and organizations
 - Huge step for the individuals, organizations and the community to move from vague goals to specific deliverables.
 - The benefit is, “what gets measured gets done.”

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