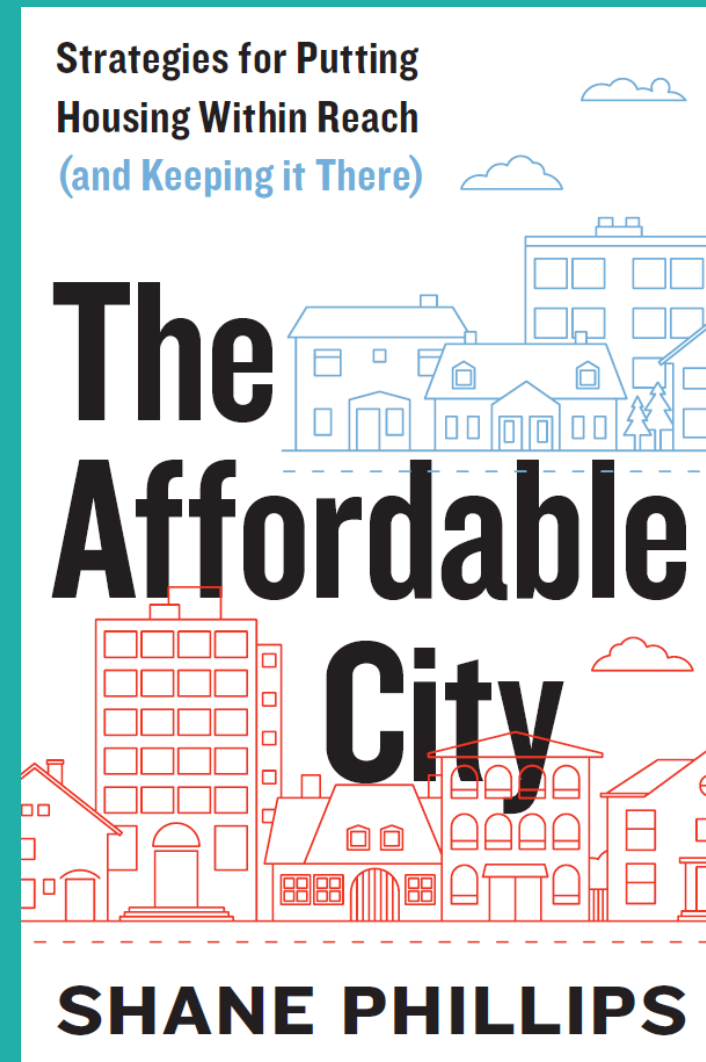




# The Affordable City: Supply, Stability, and Subsidy

And Lessons Since 2020

Smart Growth Webinar, 2024



# Earn AICP credit listening to our podcast:



- An eight-part series on homelessness (causes, demographics, solutions)
- Community land trusts
- Right to counsel
- Undervaluation of homes in Black neighborhoods
- Social housing in Vienna
- Upzoning in New Zealand
- Inclusionary housing, minimum lot size reform, the Fair Housing Act, landlord motivations, suburbanization in Mexico, Singapore's public housing, bundled parking, transit-induced displacement, homelessness interventions, vacant housing, real estate transfer taxes, public housing and tenant power, rent control, immigration and housing precarity, ADUs, homeownership...

The image features a stylized cityscape illustration. The top half shows buildings in blue outlines, including a multi-story apartment building and several smaller houses. The bottom half shows buildings in red outlines, including a tall skyscraper and various residential structures. A dashed blue line separates the two halves. The text 'The Affordable City' is prominently displayed in the center, with 'The' and 'City' in a smaller font and 'Affordable' in a very large, bold font.

# The Affordable City

## Presentation outline

1. Book motivation
2. Supply, stability, subsidy
3. What we've learned since 2020 (and are still learning)



6220

RESTAURANT

RESTAURANT

# THE YUCCA-ARGYLE

40 rent-stabilized units replaced by 200 new apartments, including 40 income-restricted

**That's a huge improvement!**

But what happens to the existing tenants?

We need these projects and the benefits they bring, but we also need an answer for unlucky individuals who may pay their costs

¿A donde irás cuando no puedas pagar la renta en tu barrio?

¿Por qué no luchar para quedarte?



# “Pro-housing” and “Pro-tenant”

Facing change, one group wonders how people will benefit, the other asks who will be harmed

Both questions matter, and asking both will lead to better policymaking

“IF YOU  
CAN'T SOLVE  
A PROBLEM,  
ENLARGE IT.”

- Housing markets are complex, and most policies have both positive and negative impacts
- Enlarging the problem means acknowledging that unintended negatives are inevitable, and then adding complementary solutions

“IF YOU  
CAN’T SOLVE  
A PROBLEM,  
ENLARGE IT.”

- E.g., if permitting more housing raises concerns about gentrification and displacement, the solution isn’t to permit less housing – which we need – it’s to tackle those unintended consequences head-on, both in the ways we encourage development and with protections and mitigations against harm



# Worried upzoning will displace vulnerable renters?

## Instead of opposing the upzoning:

- Pair it with displacement protections and mitigations
- Upzone broadly to avoid concentration of redevelopment
- Encourage development on parcels that don't already have multifamily buildings

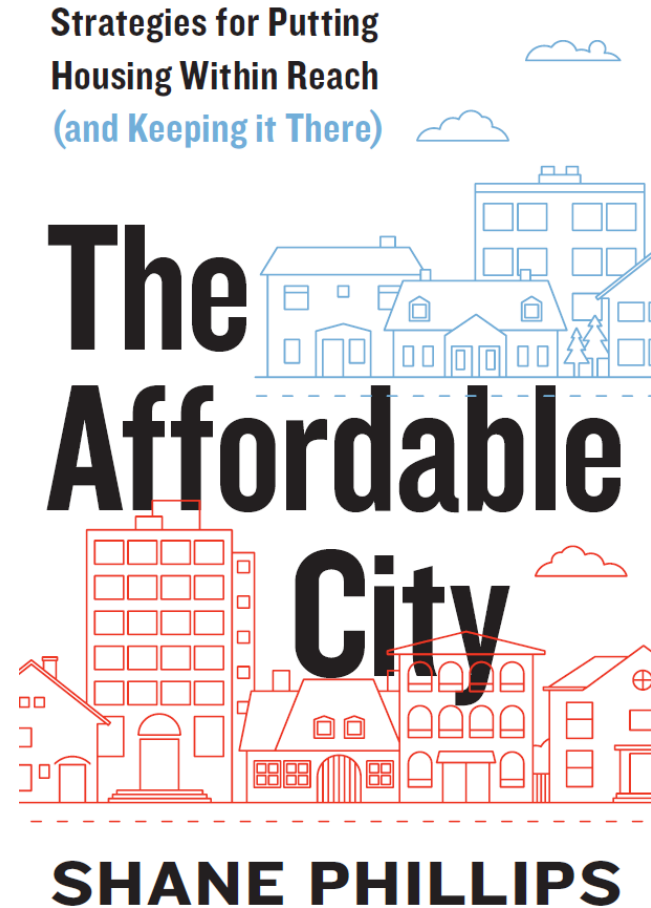
# Worried rent stabilization will suppress supply?

## Instead of opposing the protection:

- Pair with upzoning to create capacity elsewhere
- Increase speed and certainty of housing approvals
- Exempt units for 15-20 years (“rolling” rent control)

# THE THREE S'S

- Supply
- Stability
- Subsidy



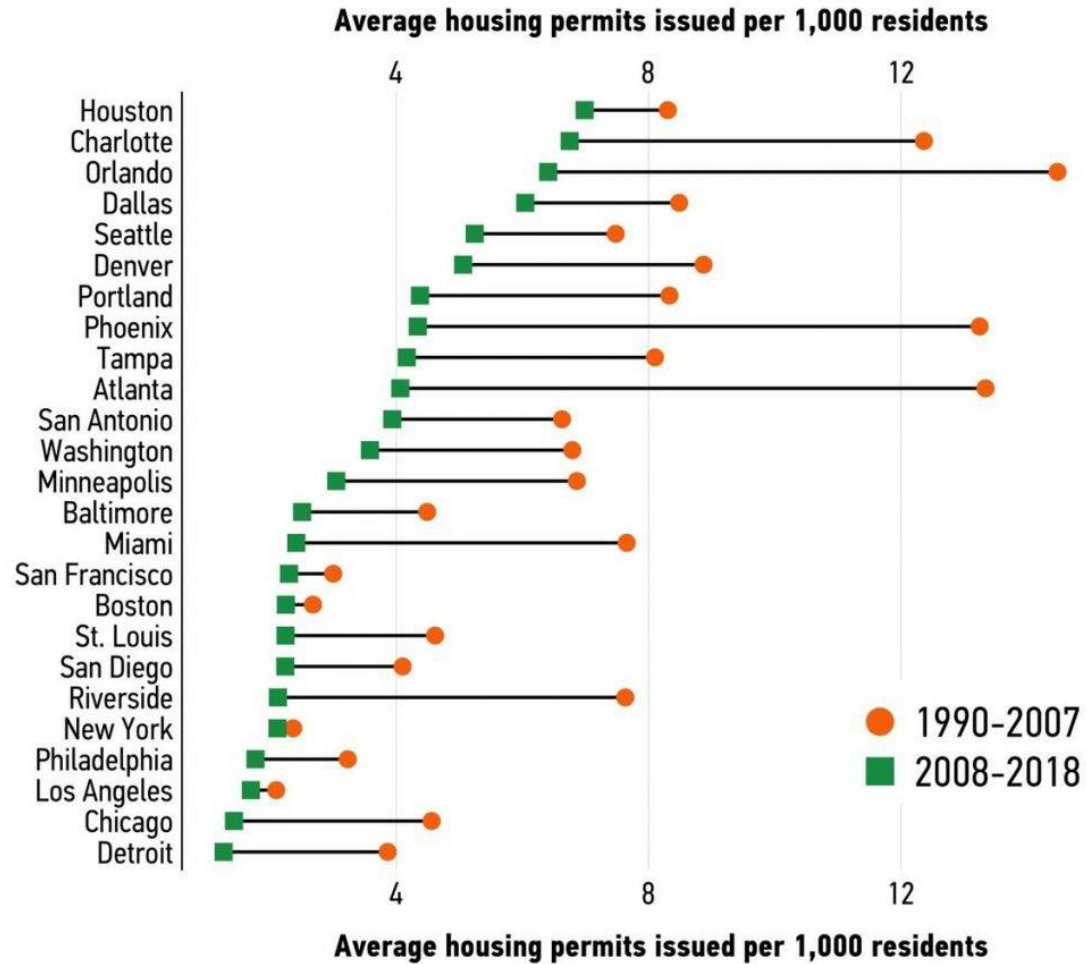
# Supply

**Physical constraint:** Growing and changing populations require a growing and changing stock of homes

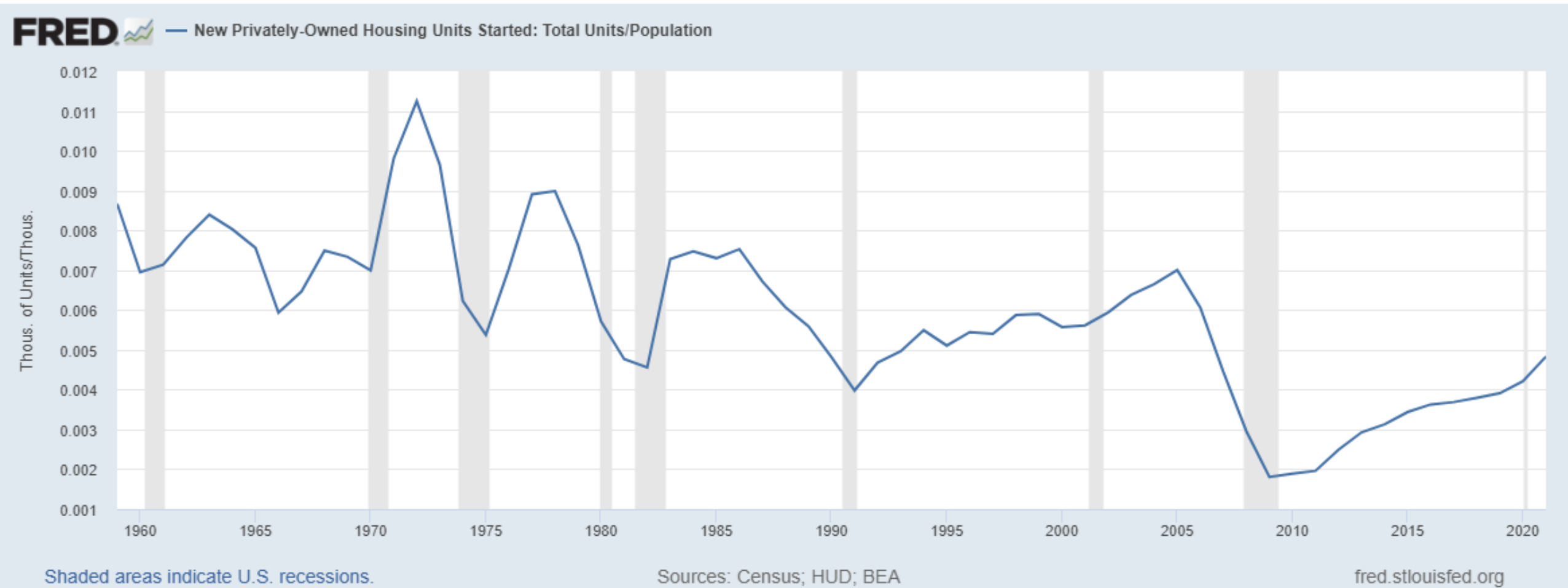
**Economic constraint:** When housing is scarce, homeowners and landlords get rich at the expense of homebuyers and renters

# Housing scarcity is worsening

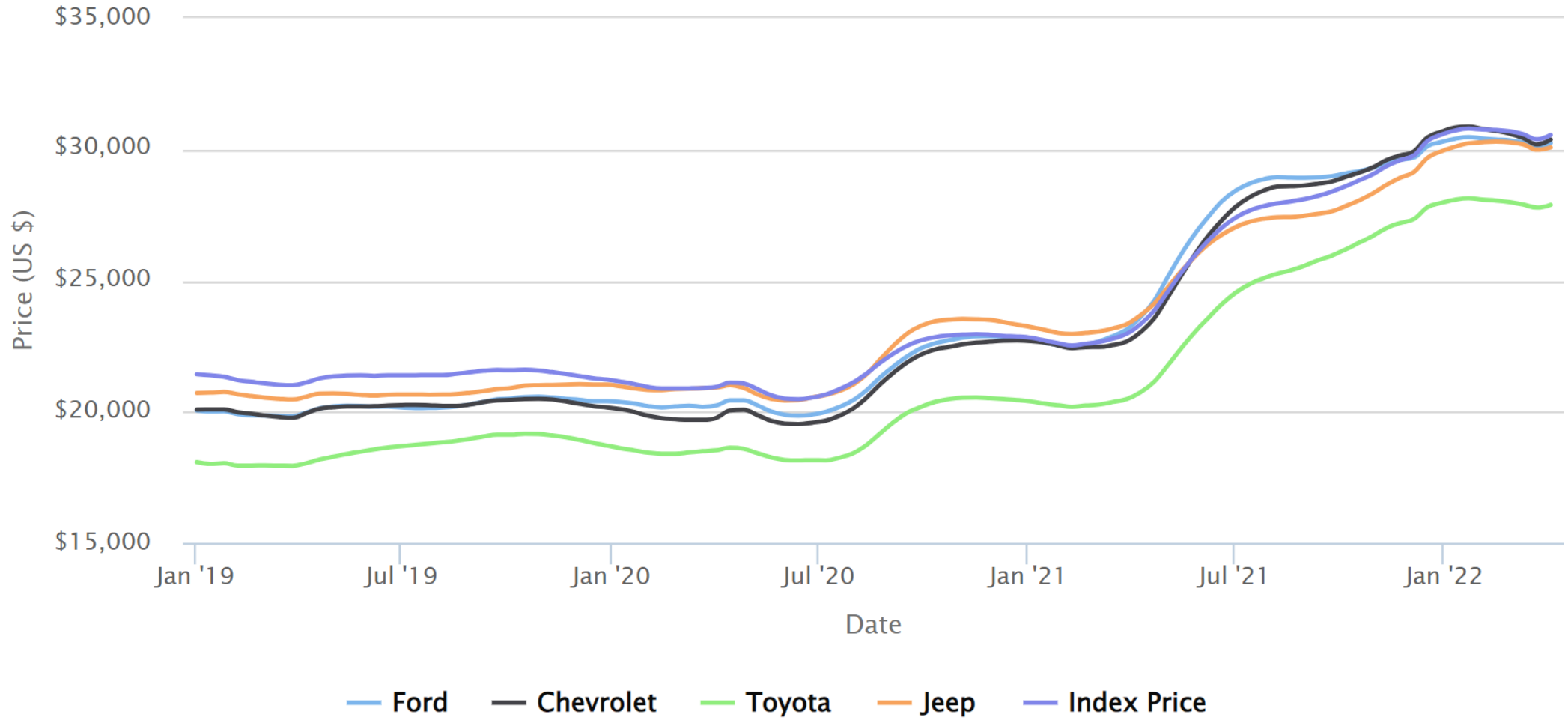
## Every major U.S. metro is building less housing



# Housing scarcity is worsening



# Learning from the used car market

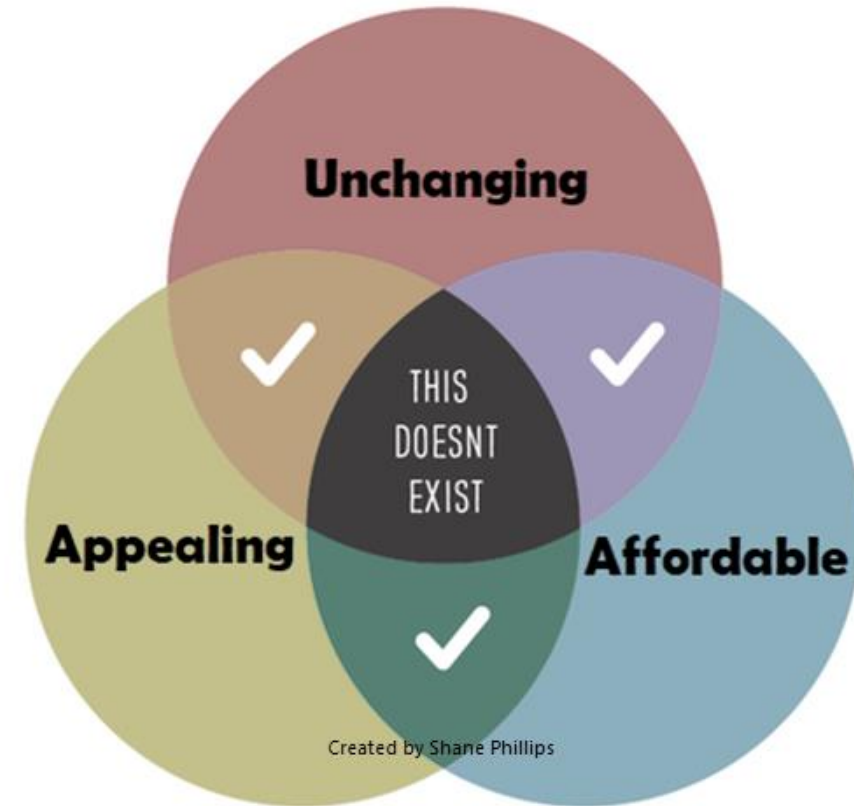


# There's no such thing as "no growth"

Cities and towns generally have three paths:

1. Growing housing stock
2. Growing housing prices
3. Stagnation and decline

**EVERY CITY CAN ONLY PICK TWO**



**WHICH PATH WILL YOU TAKE?**



# Supply Policy Examples

- Build up commercial corridors and centers, where residential displacement is unlikely
- “Broadly upzone” wide swathes of cities and towns
  - Missing middle, mid-rise, high-rise, small lots, micro-units, townhomes, stacked flats
- Make homebuilding “by-right” — increase certainty, lower cost
  - In other words, do quality planning up front, then stick to the plans you’ve made
- Reduce or eliminate parking minimums

# Stability

What are our moral obligations?

How do we ensure dignity and a reasonable level of security for every household, regardless of tenure?

# Stability Policy Examples

- Rent-stabilize older housing
  - It won't make housing more affordable, but it will give tenants more certainty about the future and shield them from rapid changes in the market
  - Must be paired with just cause eviction protections
- Limit “low-yield” redevelopments
  - Replacing four old apartments with five (or three) new apartments rarely improves affordability
- Require negotiated buyouts or “right of return” for displaced households
  - This increases the cost of development, but it can be offset by allowing sufficiently dense replacement projects

# Subsidy

What gaps aren't being fully addressed by supply or stability policies?

How can funds be generated in ways that also incentivize helpful behavior?

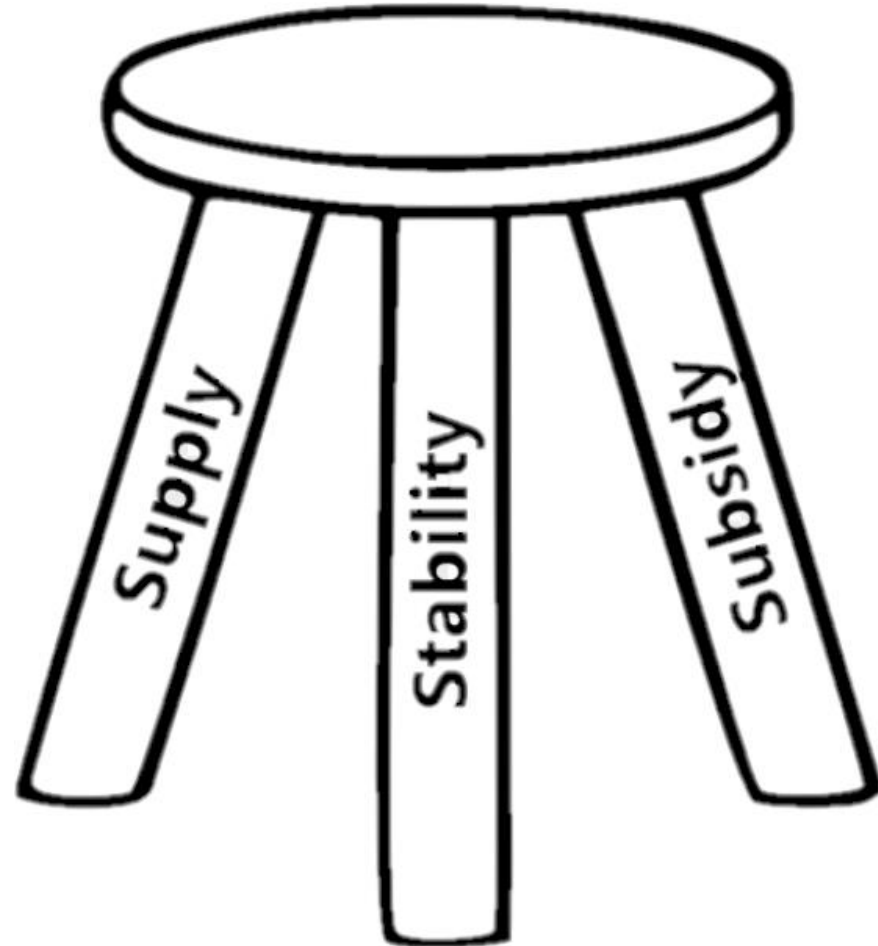
# Subsidy Policy Examples

- Adopt progressive real estate taxes
  - Home value appreciation isn't "creating" wealth, it's transferring it from renters to owners and younger to older generations
  - Capture some of that wealth and direct it toward the people who need it most
- Tax underutilized property
  - Not just empty units, but empty or underutilized land
- Invest in public land – and acquire it when necessary
  - If private owners won't move on underutilized land, and you need to build more homes, take the initiative

# A Three-Legged Stool for Affordability

Supply, Stability, and Subsidy work better in combination, mutually reinforcing each other

Remove any, and it topples right over



# What's New?

Evolving thinking and new research since 2020

# Research supporting the essential role of supply keeps rolling in

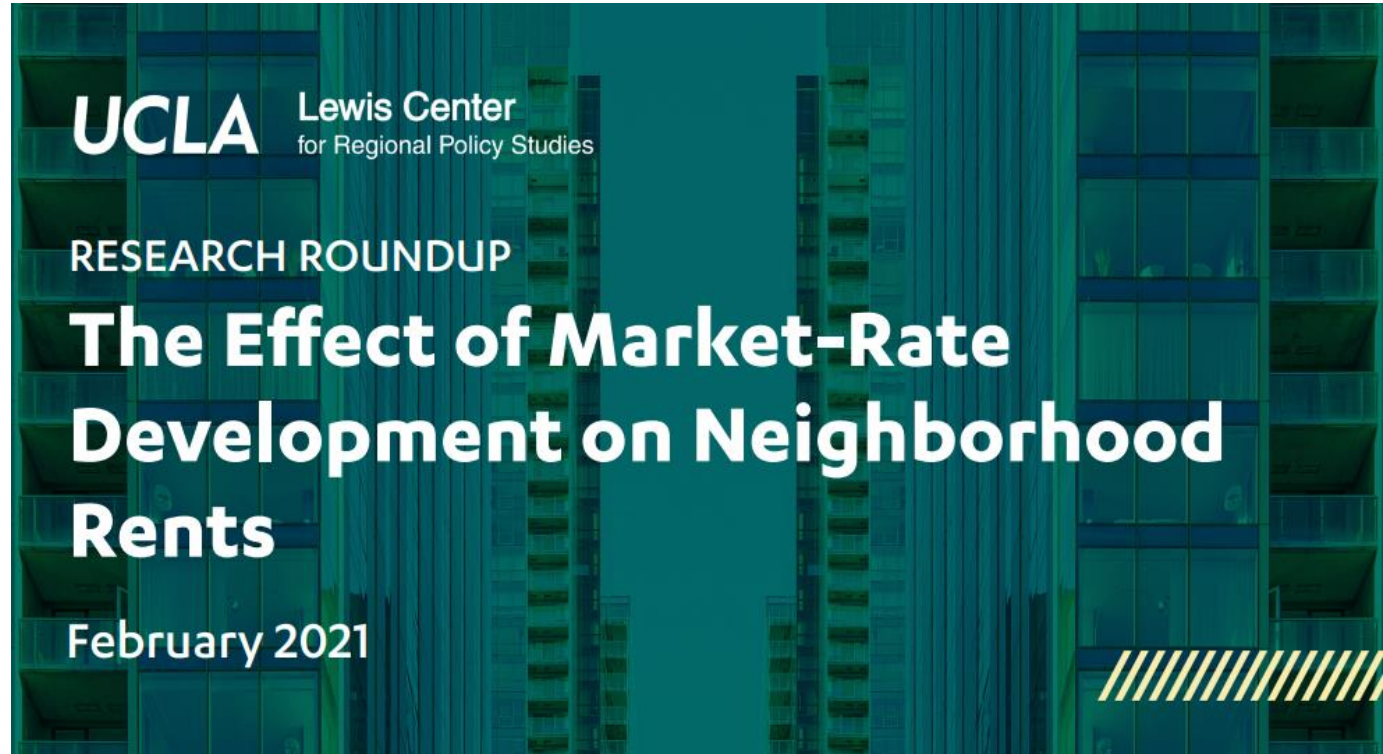
NYU  
Furman  
Center

Working Brief | August 2023

## A Summary of Supply

### Skepticism Revisited:

A Review of the Latest Research on the Relationship Between Housing Supply and Affordability

A graphic with a teal background featuring a grid pattern and a building facade. The text is white and yellow. At the bottom right, there is a yellow and black diagonal striped pattern.

**UCLA** Lewis Center  
for Regional Policy Studies

RESEARCH ROUNDUP

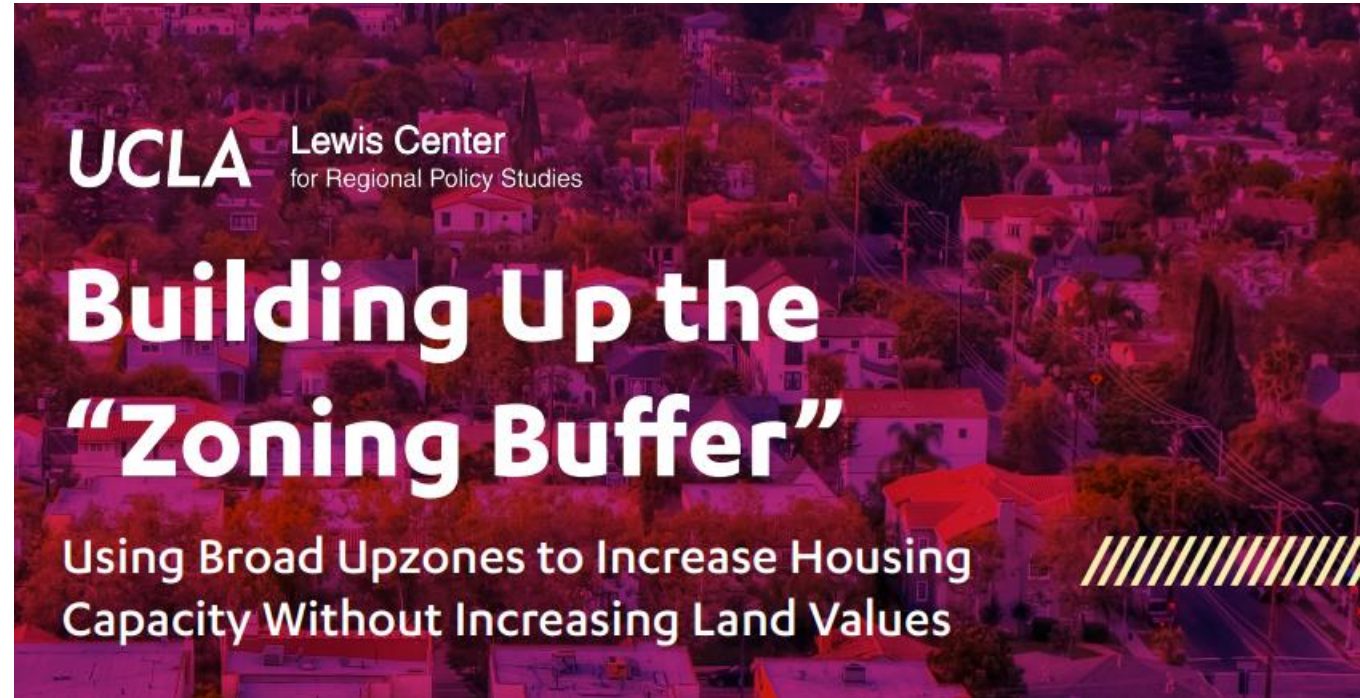
**The Effect of Market-Rate  
Development on Neighborhood  
Rents**

February 2021



# Broad upzoning is being tried out, and seems to be living up to its promise

**Theory:** If upzoning is widely dispersed, land owners won't have leverage to demand huge premiums on affected parcels. We can upzone without substantial "land value uplift," and we can also attract smaller developers into the market.



# Broad upzoning is being tried out, and seems to be living up to its promise

## Practice:

Auckland, NZ upzoned 75% of the city. Production boomed, rents and home prices stabilized, and land prices climbed on underdeveloped parcels, encouraging more homes (Greenaway-McGrevy, Pacheco, and Sorenson 2020)

Spokane, WA upzoned 2/3 of the city, increasing housing capacity by at least 600%. Since then, home prices have fallen faster than in other Washington cities and the state as a whole, instead of climbing



# We've quantified some of the benefits of by-right approval processes

Los Angeles implemented a by-right process for some transit-oriented developments, and they were approved faster and with less variation than similar discretionary projects, saving time and money

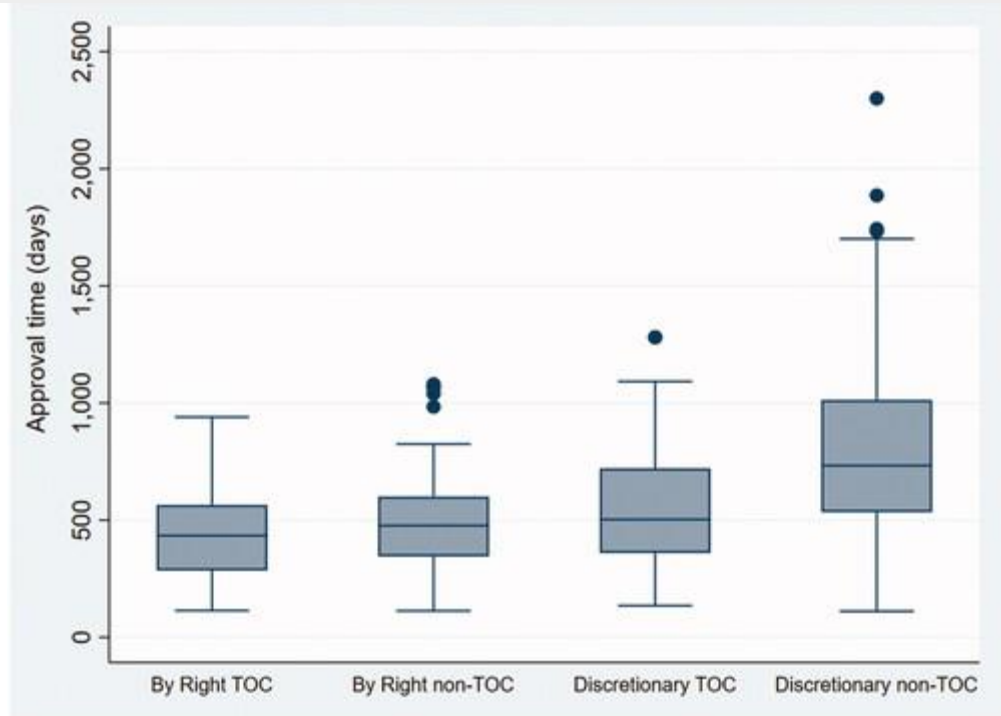
Articles

## Does Discretion Delay Development?

*The Impact of Approval Pathways on Multifamily Housing's Time to Permit*

Michael Manville , Paavo Monkkonen , Nolan Gray & Shane Phillips

Pages 336-347 | Published online: 15 Nov 2022

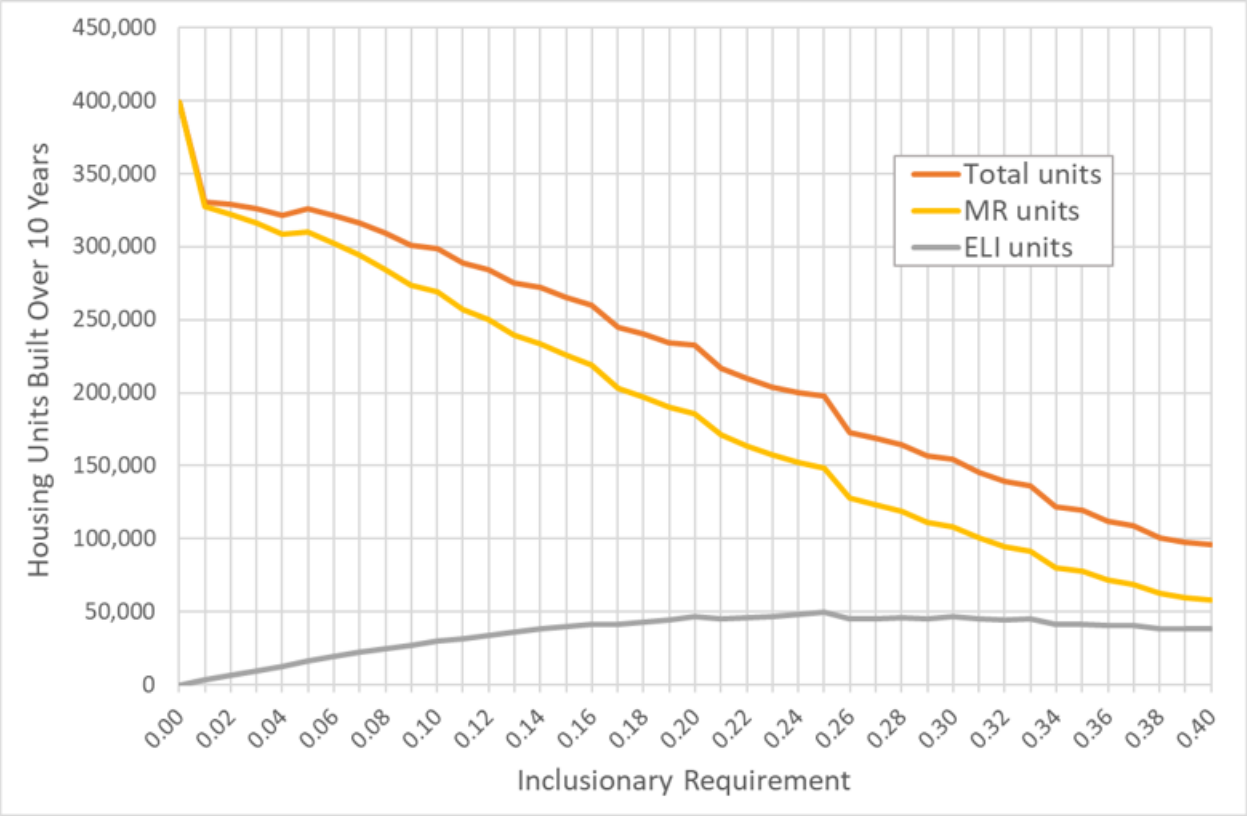


# I've become more pro rent stabilization

- Housing supply is critical for affordability, but the world can change faster than homes can be built
- **The COVID-19 pandemic showed us just how quickly**
- In many markets, rents rapidly climbed, then a year or two later they rapidly fell
- Rent stabilization would have led to a similar destination while preventing a whole lot of misery along the way

# I've become more anti inclusionary zoning

Figure 1. Dashboard model outputs of 10-year housing production for inclusionary scenarios ranging from 0% to 40% IZ.



(From a forthcoming analysis)

Table 5. Incremental rent increase (multiplicative, above 4% baseline annual increase) needed to raise rents for private market renters by an amount equal to the value of private subsidy of ELI units under different IZ scenarios.

IZ Requirement	5% IZ	11% IZ	16% IZ	25% IZ
Reduction in MR units (compared to 0% IZ baseline)	(71,300)	(142,000)	(180,000)	(250,500)
<b>Incremental annual rent increase needed to negative private subsidy of ELI units</b>	<b>0.3%</b>	<b>0.6%</b>	<b>0.8%</b>	<b>0.9%</b>

# I've become more pro state intervention (and so have many state elected officials)

- In particular, Western states including California, Washington, Oregon, and Montana have passed major housing packages
- These reforms follow decades of inaction, or insufficient action, on the part of local jurisdictions
- In matters of supply, stability, *and* subsidy, state mandates and programs ensure that everyone meets a minimum standard, and everyone contributes

# But I've also appreciated the role of cities as test beds for innovative policy

- States are needed to scale up effective housing policies, but cities are where they're first evaluated and deemed effective
- In the California legislature, density bonus reforms, approval streamlining, and parking requirement abolition all were inspired by local examples, and relied on positive results in those jurisdictions to generate political support

# I've identified more questions than answers on the issue of infill infrastructure requirements

- When developers build suburban greenfield communities, we require them to provide all the infrastructure — as we should
- Most jurisdictions apply a similar model to infill development, but replacing or upgrading existing infrastructure benefits the whole community, and the city budget
- These requirements are more costly and inconsistent in infill contexts, discouraging housing where it's needed most



# Seriously, give it a listen!



**Ep 5:** Market-rate housing development

**Ep 45:** Auckland's upzoning

**Ep 36:** Rent control

**Ep 31:** Inclusionary zoning

**Ep 59:** Discretionary and by-right approvals

**Ep 13 and 54:** State housing policy mandates

# Telling the Story

How do we communicate the need for and value of housing reform?

# Thoughts on communication

- **Make the stakes clear:** Doing nothing doesn't prevent change, it keeps us on the current trajectory
- **Learn what motivates people, and speak to their interests:** Housing reforms can improve affordability, access to opportunity, mobility, economy, health, environment, and more — take your pick
- **Stay positive:** Unaffordability is a byproduct of demand — embrace the fact that people want to be your neighbors, contributing their time and resources to making your community even better

# THANKS!

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