



Ten Principles for a New Era of Multifamily Rental Housing

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Via Verde, 2013 ULI Global Awards for Excellence
Photo by David Sundberg/Esto

About the Terwilliger Center

Our Mission

Expand housing opportunity by leveraging the private sector and other partners to create and sustain mixed-income, mixed-use urban and suburban neighborhoods.

Our Work

- A multifaceted program of work organized into four broad categories:
 - (1) Research and education
 - (2) Publications
 - (3) Outreach and recognition
 - (4) Convenings
- Primary focus on state, regional and local programs/policies.

About this Presentation



- **Carolyn and Preston Butcher Forum:**

On January 16, 2014, ULI's Terwilliger Center for Housing, in partnership with the American Planning Association and the National Multifamily Housing Council, held the first annual ULI/Carolyn and Preston Butcher Forum on Multifamily Housing. Attended by 50 industry leaders, the event provided a forum to discuss the changing multifamily residential landscape and led to the development of a series of "big ideas" for expanding the availability of rental housing nationwide. The ten principles presented here are a summary of the ideas framed at this event.

- **Contributions:** Special thanks to Doug Bibby and Mark Obrinsky at the [National Multifamily Housing Council](#), who provided feedback on the development of the ten principles and assisted with some content of the presentation.

- **Author:** Michelle McDonough Winters is Senior Visiting Fellow at the ULI Terwilliger Center for Housing and president of Winters Community Strategies, a consulting practice focusing on the intersection of affordable housing and sustainable communities. Ms. Winters has been working for the past 20 years in the housing and community development field on issues ranging from housing finance and policy to nonprofit capacity building. She previously oversaw green strategies at NeighborWorks America, served as the program director for affordable housing preservation at the Local Initiatives Support Corporation, and as a director in policy and business strategy divisions at Fannie Mae.

The landscape for housing in America is changing



71% believe “buying a home is probably a good investment for me.”

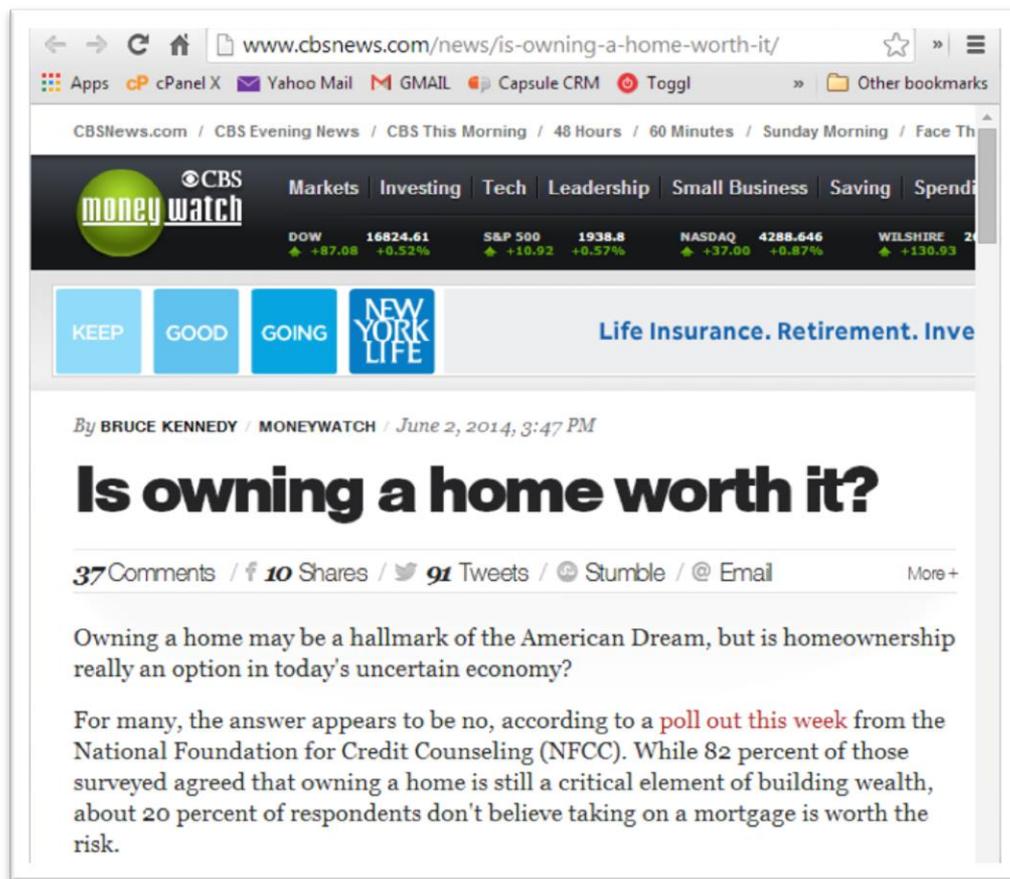
The Lure of Homeownership Remains Strong

But while homeownership is an important component of our society and a large portion of us strive to own homes one day...

the reality is that it is not always achievable and doesn't always make sense.

Source: [ULI America in 2013 Survey](#)

The financial case for homeownership isn't what we thought it was during the boom years



The screenshot shows a web browser displaying a CBS Money Watch article. The URL is www.cbsnews.com/news/is-owning-a-home-worth-it/. The page features a navigation bar with categories like Markets, Investing, Tech, Leadership, Small Business, Saving, and Spending. A market data table is visible, showing DOW at 16824.61 (+0.52%), S&P 500 at 1938.8 (+0.57%), NASDAQ at 4288.646 (+0.87%), and WILSHIRE at 130.93 (+130.93%). The article is by Bruce Kennedy, dated June 2, 2014, at 3:47 PM. The title is 'Is owning a home worth it?' and it has 37 comments, 10 shares, 91 tweets, and 1 Stumble. The article text begins with 'Owning a home may be a hallmark of the American Dream, but is homeownership really an option in today's uncertain economy?' and continues with 'For many, the answer appears to be no, according to a poll out this week from the National Foundation for Credit Counseling (NFCC). While 82 percent of those surveyed agreed that owning a home is still a critical element of building wealth, about 20 percent of respondents don't believe taking on a mortgage is worth the risk.'

Obtaining a mortgage is much harder now as lenders remain conservative after overextending during the boom

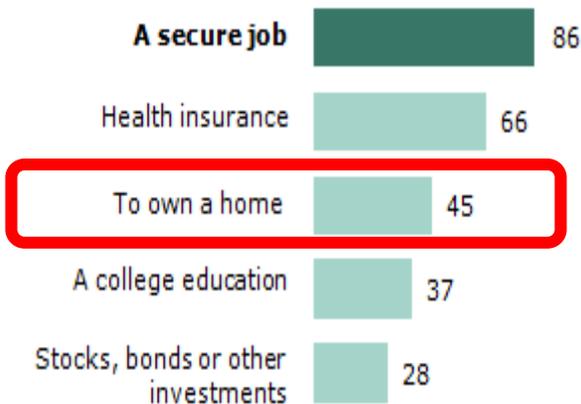
Other changes are making things more challenging, for example...

Student Debt: 7 out of 10 kids coming out of college have debt averaging close to \$30,000 per person, more than double the level 20 years ago.

Public perception of whether owning a home is even needed to be a part of the middle class has shifted

The Public's View of What It Takes to Be in the Middle Class Now ...

% saying Americans need ... to be considered part of the middle class



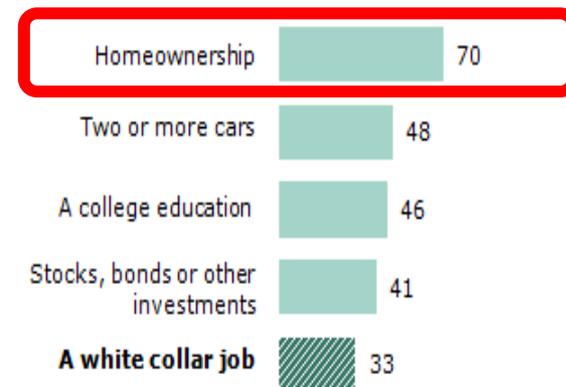
Note: Based on all adults, N=2,508

PEW RESEARCH CENTER

Q9a-e

... Is Much Different from Its View in 1991

% saying Americans need ... to be considered part of the middle class

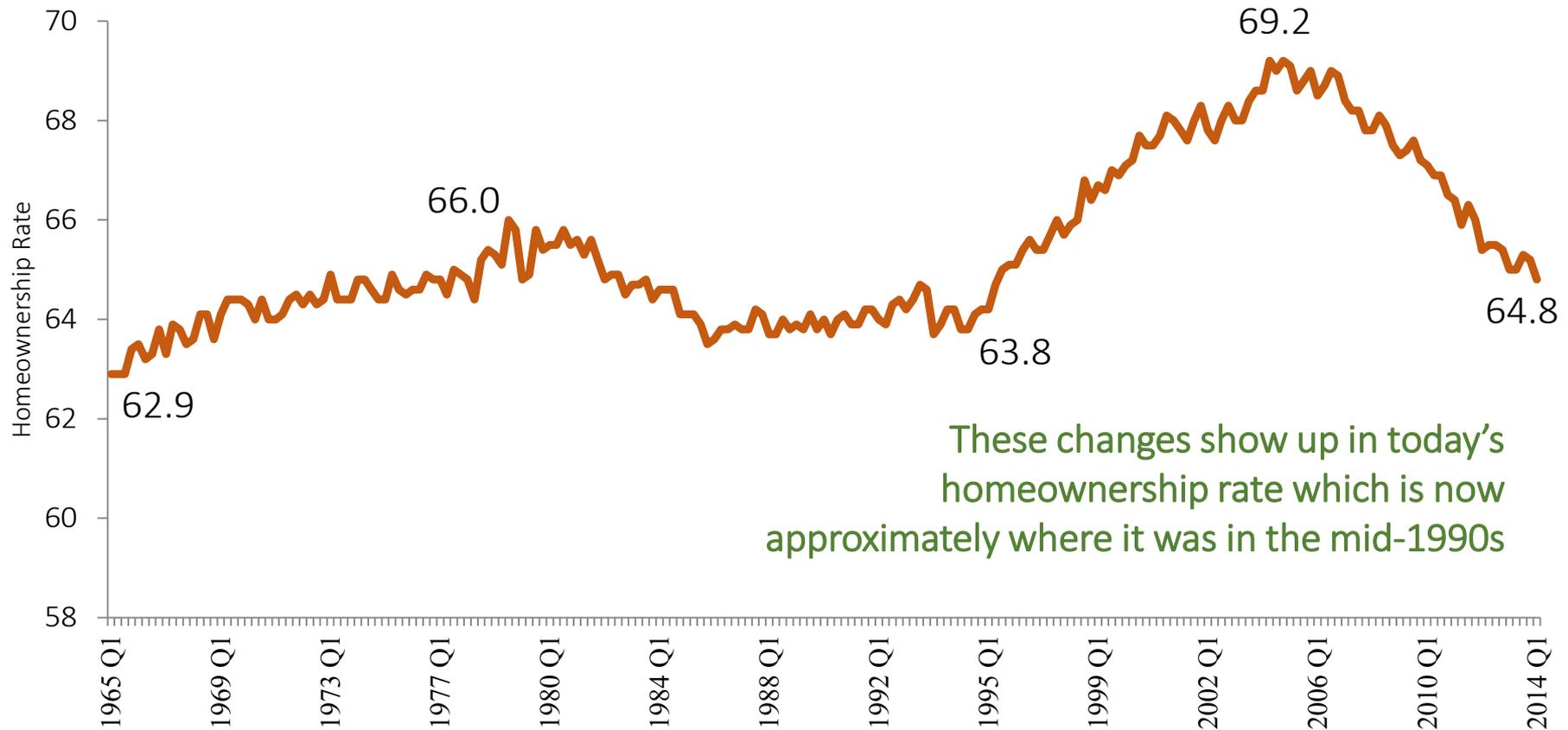


Note: Based on all adults, N=1,500

Source: Time/CNN/Yankelovich poll, conducted Dec 17-22, 1991

PEW RESEARCH CENTER

Trends are Reflected in Homeownership Rates

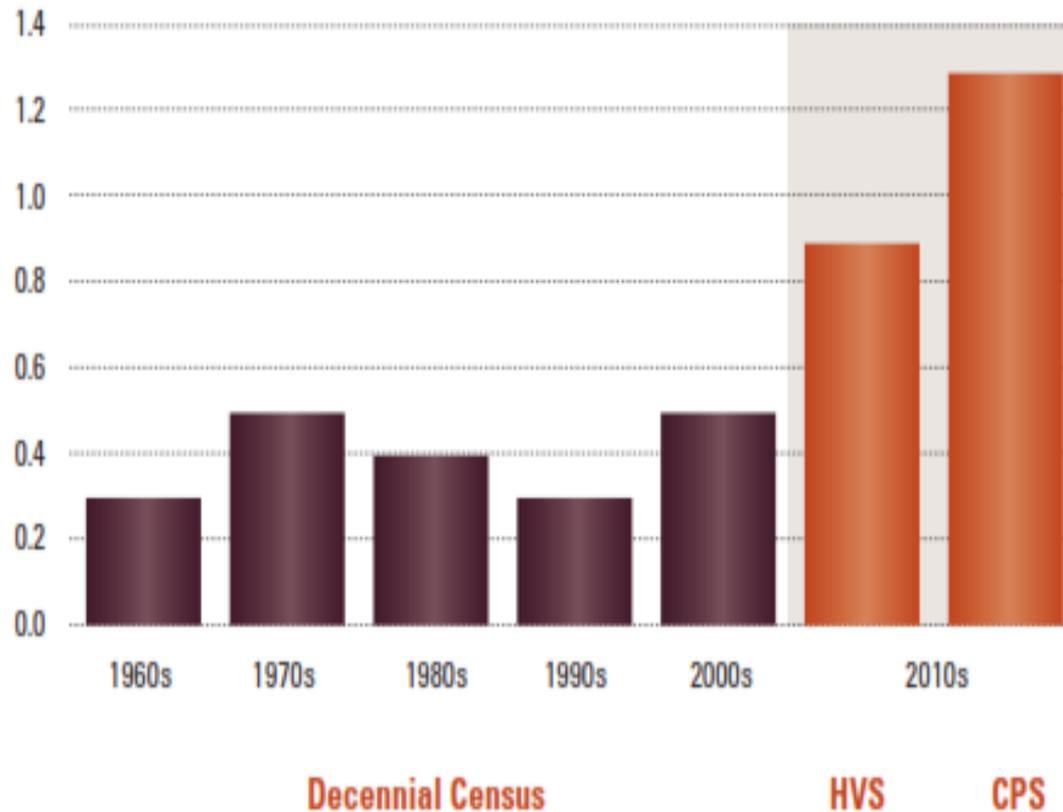


These changes show up in today's homeownership rate which is now approximately where it was in the mid-1990s

Source: US Census

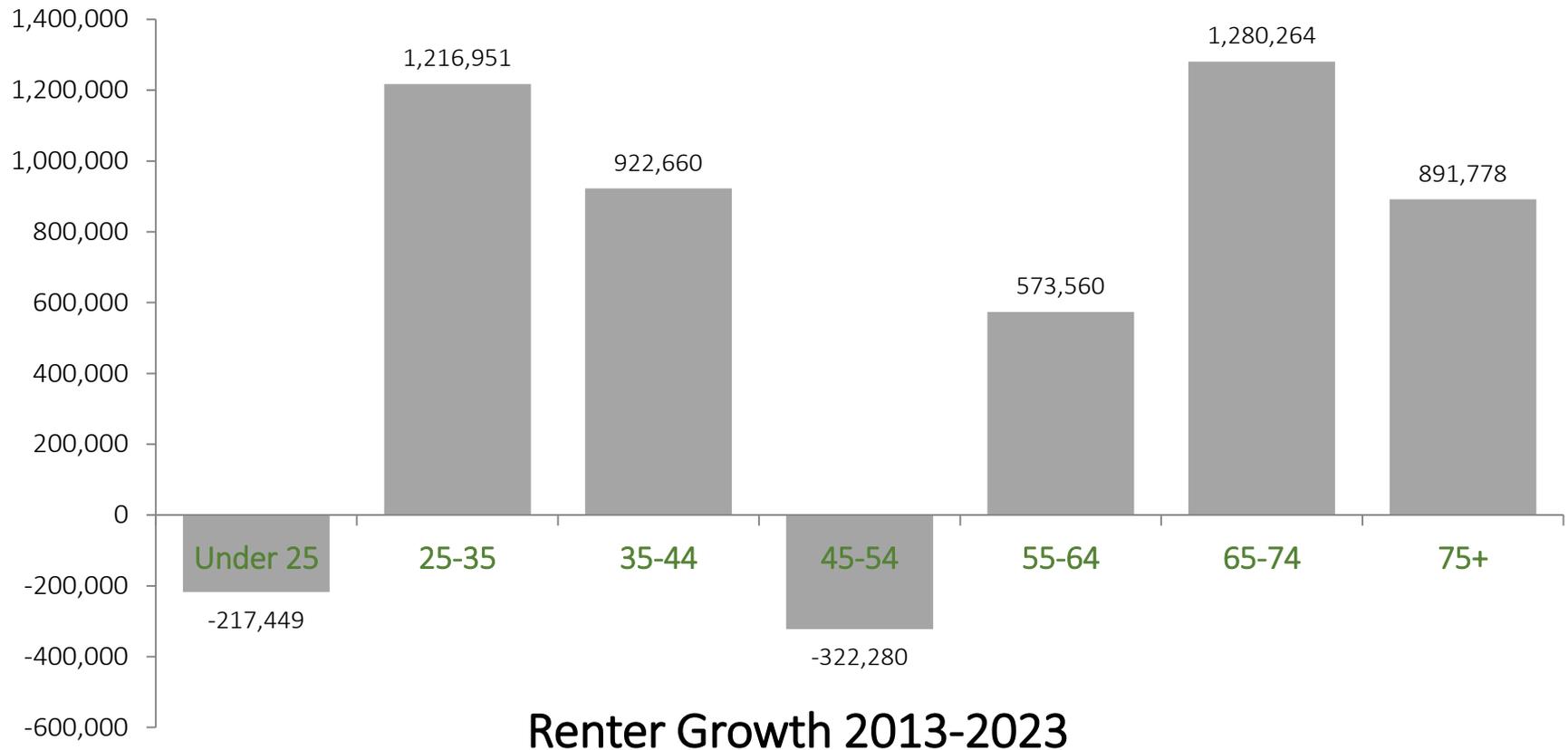
Surge in Renter Households Expected

Average Annual Growth in Renter Households (Millions)



Source: Harvard Joint Center for Housing Studies
[America's Rental Housing 2013](#)

Growth in Renters at Both Ends of Age Spectrum

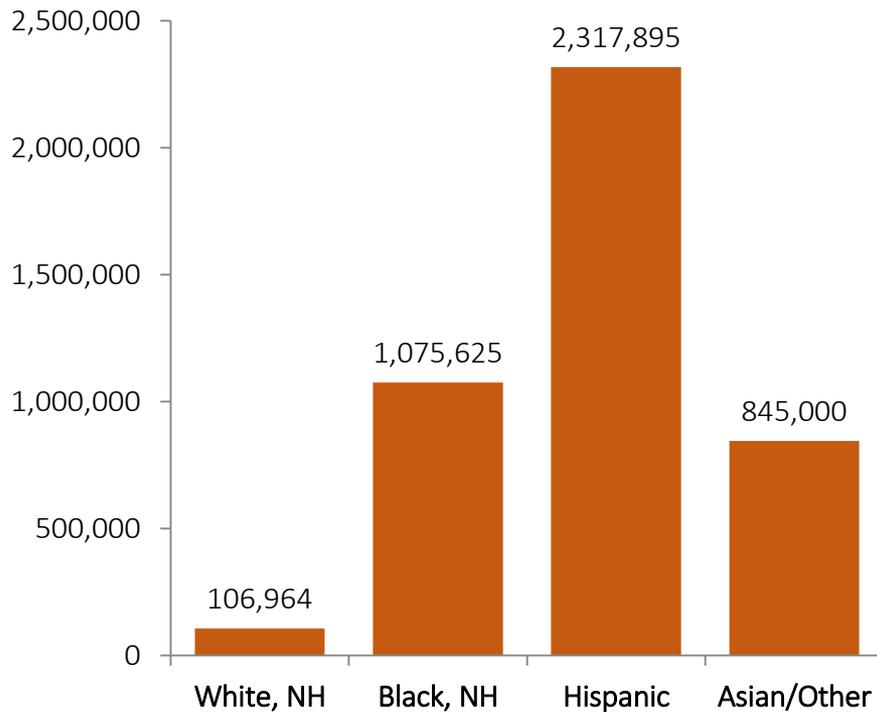


Renter Growth 2013-2023

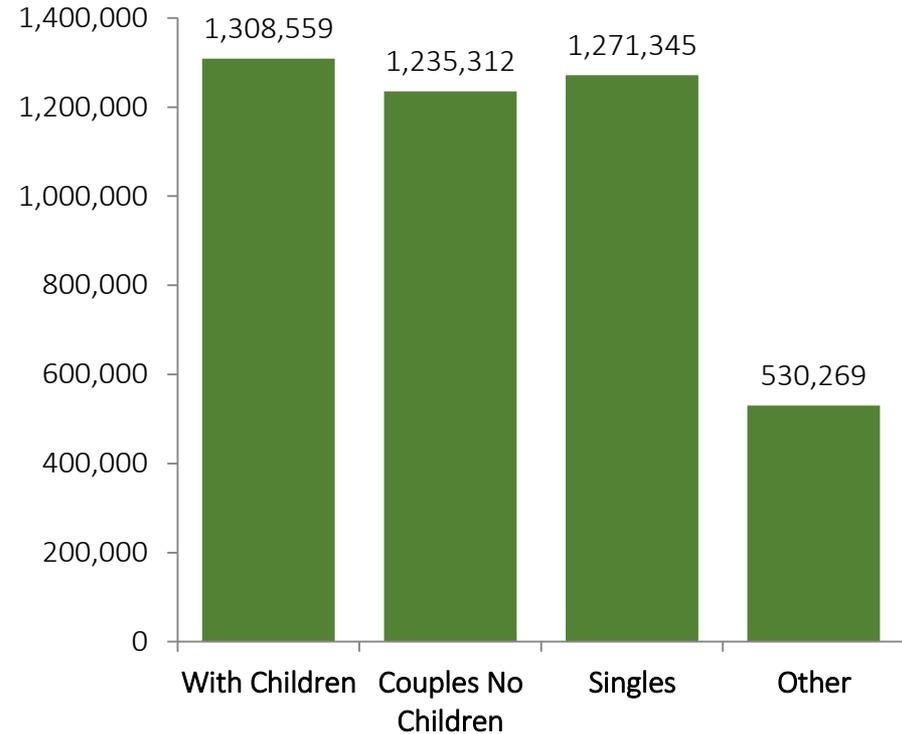
Source: Harvard Joint Center for Housing Studies
[America's Rental Housing 2013](#)

Components of Renter Growth, 2013-2023

Race/Ethnicity

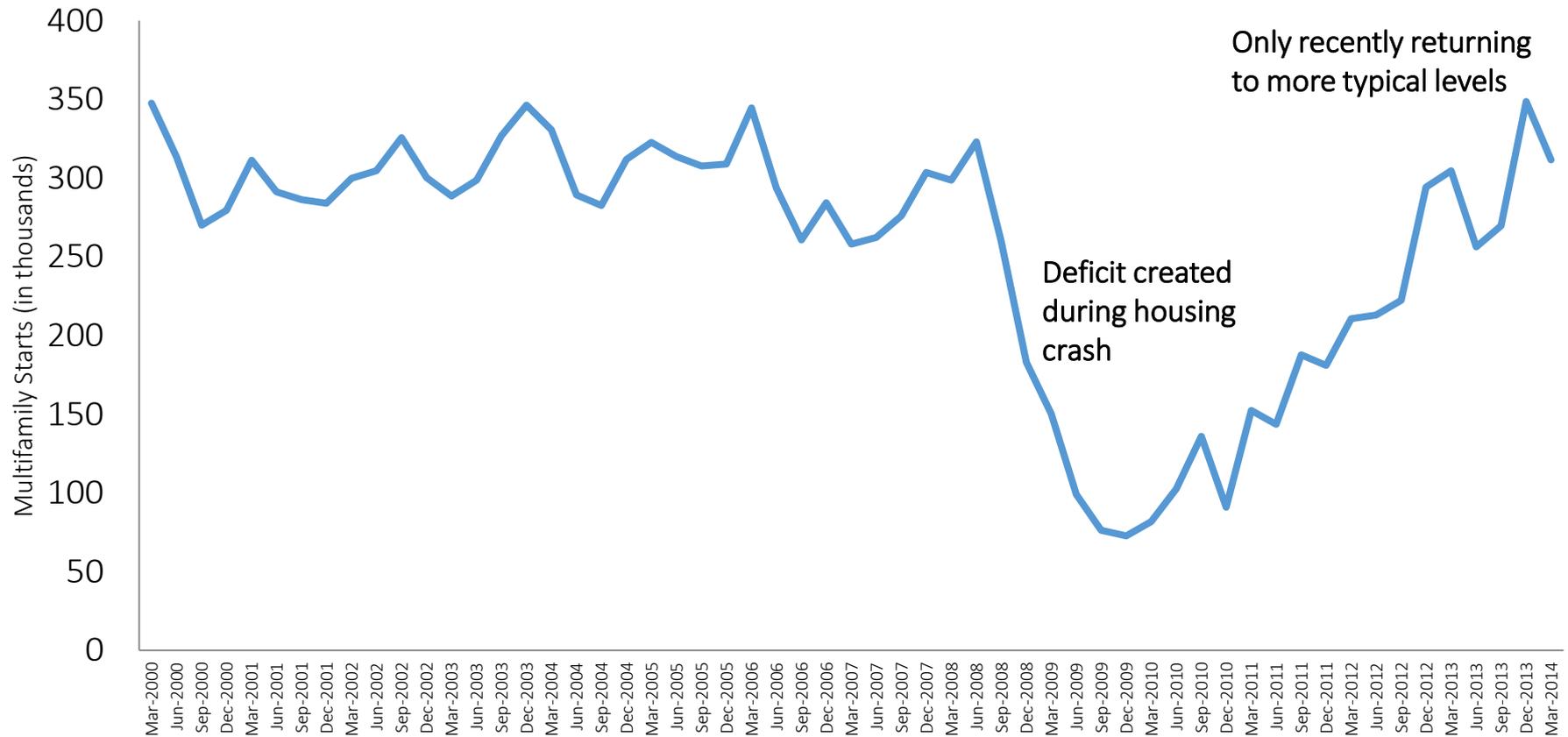


Household Type



Source: Harvard Joint Center for Housing Studies
[America's Rental Housing 2013](#)

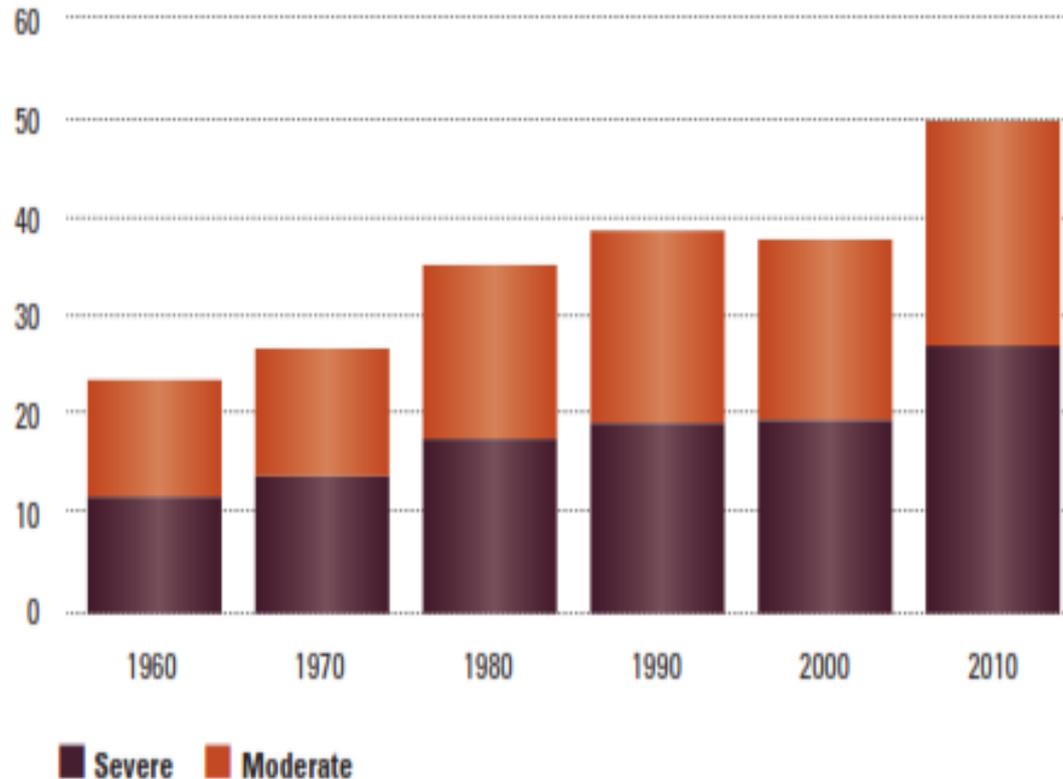
Multifamily Supply is Barely Keeping Up



Source: U.S. Census Bureau, [New Residential Construction](#). Showing the average of the seasonally adjusted annual rate for the 3 months in each quarter.

Renter Cost Burdens Spread at an Unprecedented Pace in the 2000s

Shares of Cost-Burdened Renter Households (Percent)



The share of cost burdened renter households has reached record levels.

Half of all renters are at least moderately cost burdened.

People who can't afford to buy homes are also struggling to pay rent.

Source: Harvard Joint Center for Housing Studies, [America's Rental Housing 2013](#).
Moderately cost burdened households pay at least 30% of income toward rent;
Severely burdened households pay at least 50% of income toward rent.

Ten Principles for a New Era of Multifamily Rental Housing

While most of these principles are not really new, we need a revitalized focus on them and **we need to bring new and innovative thinking to how we meet them.**

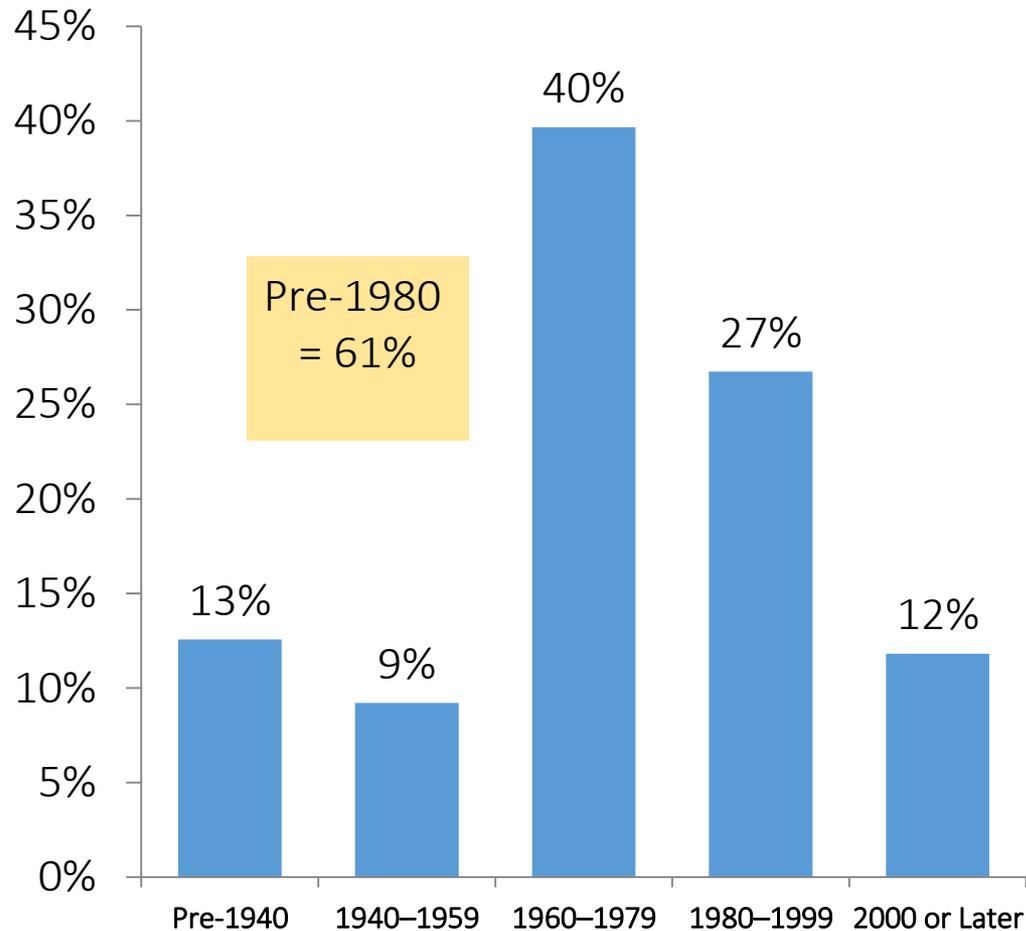
- 1 { • Preserve What's Already There
- 2 { • Support Inclusive Communities Upfront
- 3 { • Change the Dialog Locally
- 4 { • Make Room for Rentals
- 5 { • Simplify the Development Process
- 6 { • Develop Sustainable and Walkable Communities
- 7 { • Create a Community Not Just a Building
- 8 { • Embrace New Technologies
- 9 { • Leverage Financial Innovations
- 10 { • Develop New Sources of Subsidy

1

Preserve What's Already There

First look at what you have before you start to think about creating something new

Share of MF Rental Units by Year Built



Preserve affordability and diversity

- Older housing is a significant share of country's housing stock.
- When this housing is in revitalizing neighborhoods – such as near a transit stop or an up and coming neighborhood, it's vitally important to try to maintain as much of these outposts of affordability as we can.
- This housing helps us maintain a diversity within those communities that will help serve the new wave of renter households.

Preservation is Cheaper and Greener

The [National Housing Trust](#) reports that renovating an older property can be **one-third to one-half as expensive** as developing new housing

- Preservation saves energy through:
 - **Building Reuse** – avoids unnecessary demolition and construction waste
 - **Infrastructure** – doesn't require providing new infrastructure
 - **Green Space** – requires no new land to be developed
 - **Location** – well-located housing in existing areas near transit avoids car-centric development



Preservation Comes in Many Shapes and Sizes

- **Subsidized & Naturally Affordable**
 - We need to maintain “naturally affordable” housing in addition to subsidized housing. Both can be very challenging, but there are tools available.
- **“Scattered” Preservation**
 - Affordable housing preservation can mean splitting up the subsidies and spreading the subsidized units throughout other properties in the area.
 - This deconcentrates poverty and can encourage revitalization.



Preservation Strategies

- **Preservation-Focused Financing** programs allow recapitalization, renovation and extending affordability, or purchase by new owners that may be more committed to long term affordability
 - Points and preferences in programs such as Low-Income Housing Tax Credits address [preservation](#) and [transit-oriented development](#)
 - State and local [housing trust funds](#) and other flexible public funding
- **Cross-Sector Partnerships and Collaboration** such as in [Portland](#) and Chicago's [Preservation Compact](#) coordinate and track progress on specific at-risk properties

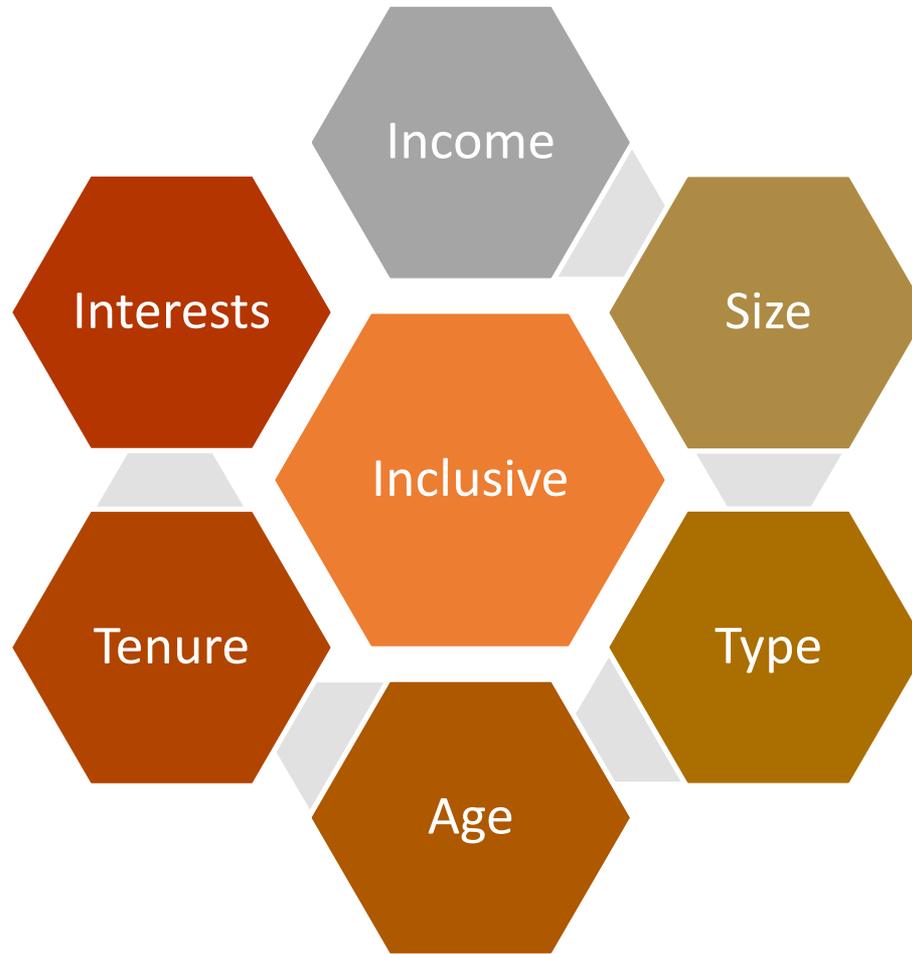
See the National Housing Trust and Novogradac & Co.'s www.PrezCat.org for more details on state and local preservation strategies

2

Support Inclusive Communities Upfront

There are far too many examples of great plans and investments, such as new transit stops, where creating inclusive communities was an afterthought

Inclusiveness is Multifaceted



Creating inclusive communities cannot be an afterthought

PLAN AHEAD

Inclusionary Housing Policies

- [Tyson's Corner](#) in Fairfax, VA created a higher density plan to go along with a new Metro line, including a requirement that 20% of the units be set aside as affordable and workforce housing.
- [The Columbia Pike Corridor Plan](#) in Arlington County, VA allows for the use of an optional form-based code, with requirements to provide 20-25% of net new units above the existing standard zoning as committed affordable housing.



Tapestry

EAST HARLEM, NEW YORK

Jonathan Rose Companies and Lettire Construction

■ At the foot of the Robert F. Kennedy Bridge in Manhattan, one block from Harlem's commercial and cultural corridor on 125th Street, stands the aesthetically pleasing high rise known as Tapestry. Located at a site where there were once vacant lots and a temporary storage facility, Tapestry is Harlem's first mixed-income residential building certified Gold under the Leadership in Energy and Environmental Design (LEED) rating program.

A 12-story structure designed by world-renowned architects, Tapestry is part of the 125th Street corridor rezoning, a major multiagency effort to revitalize this historic area of New York City. Using the city's 50/30/20 program, which seeks to generate housing opportunities for families with a broad range of income levels, the Jonathan Rose Companies developed an all-lease building affordable to local residents, including workforce families.

The project's low acquisition cost and the key role played by the city in providing all the long-term financing were instrumental to ensuring the project's affordability. The city sold five of the nine vacant lots on which Tapestry was built for just \$1 each, and the city's Housing Development Corporation provided a 20-year tax exemption. The first mortgage, covering 60 percent of the project's total development costs,



activity bonds and recycled bonds. The Housing Development Corporation and the city's Department of Housing and Preservation (DHP) also each provided low-cost second mortgages. The second mortgage from the DHP included a 35-year restricted covenant on Tapestry's workforce units.

In addition, Tapestry's developers received more than \$500,000 in grants from the New York State Energy and Research Development Agency in exchange for Tapestry's impressive commitment to green construction and sustainability. The building features a green roof that reduces stormwater runoff, rainwater harvesting that replenishes cooling towers, water-conserving toilets, low-flow fixtures, a highly insulated building envelope, and Energy Star-rated appliances.

The building's terraces have extensive plantings that connect residents to the natural environment and provide significant outdoor recreation space. The building also has a low-cost gym for residents and encourages, through facilities and even through signage, more active lifestyles that burn calories rather than electricity. Tapestry's location in East Harlem offers easy access for residents to mass transit providing links to downtown Manhattan and the two major New York airports.

Tapestry stands out as a striking example of how affordable workforce housing can make a significant contribution to the culture and character of a historic urban neighborhood while serving as a model of green construction and sustainability for the broader community.

Using the city's 50/30/20 program, which seeks to generate housing opportunities for families with a broad range of income levels, the Jonathan Rose Companies were able to create an all-lease building affordable to local residents, including workforce families.

Mixed-Income Financing

New York City's 50/30/20 Program

supports mixed-income projects that are:

- 50% market
- 30% middle income
- 20% low-income

Connecticut's Housing Finance Authority

provides subsidized loans for any projects with at least 20% of units affordable to low-income households.



Urban Land
Institute

Terwilliger Center
for Housing

“We try to build and design places that **all ages** will enjoy due to the **great planning, location, and design**. Experience has shown when you do this, you get a mix of people and a **vibrant community.**”

- ULI member

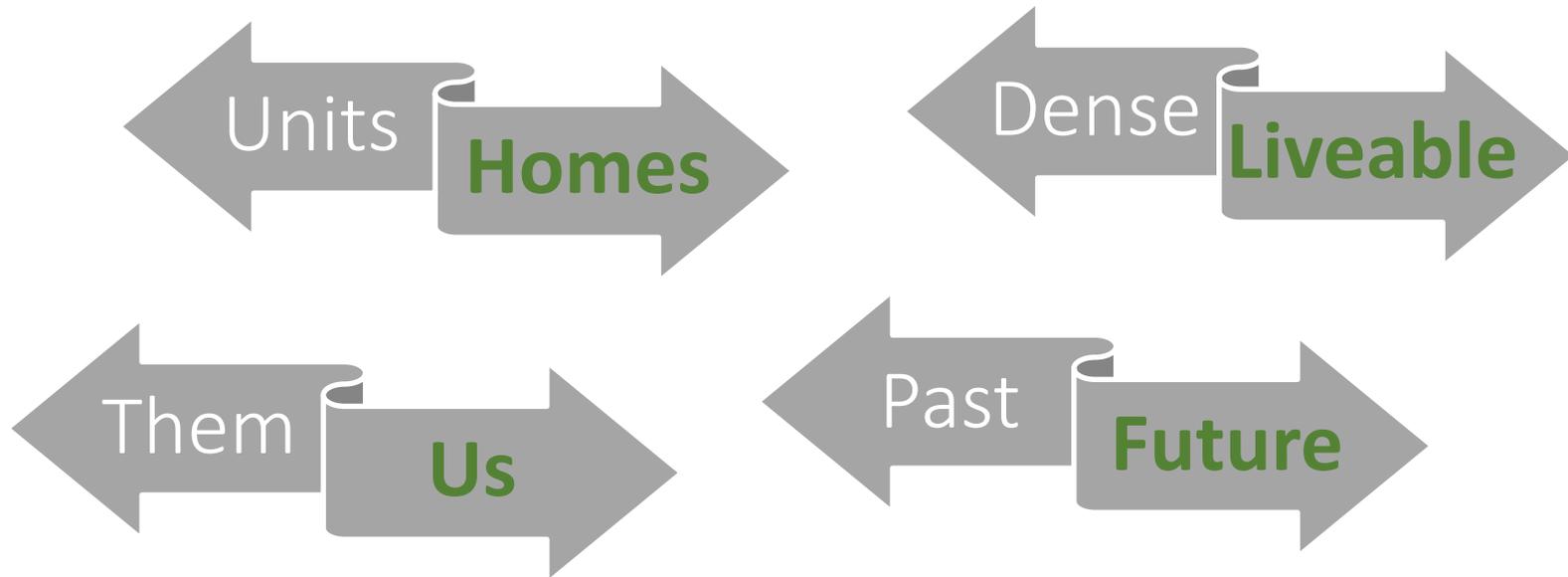
Source: [Residential Futures II: Thought-Provoking Ideas on What's Next for Multigenerational Housing and Intergenerational Communities](#)

3

Change The Dialog Locally

The more people think of renters as neighbors or family the more likely they are to be open to policies and developments that serve them

What Language Do You Use?



See examples of housing-related communications campaigns at the National Housing Conference's [Housing Communications HUB](#)

APARTMENTS WE LIVE HERE

SOUTH CAROLINA

<http://www.weareapartments.org/south-carolina>



349.6K
apartment residents



203.7K
apartment homes



\$8.5B
total contribution to the
state economy



204.3K
total jobs supported



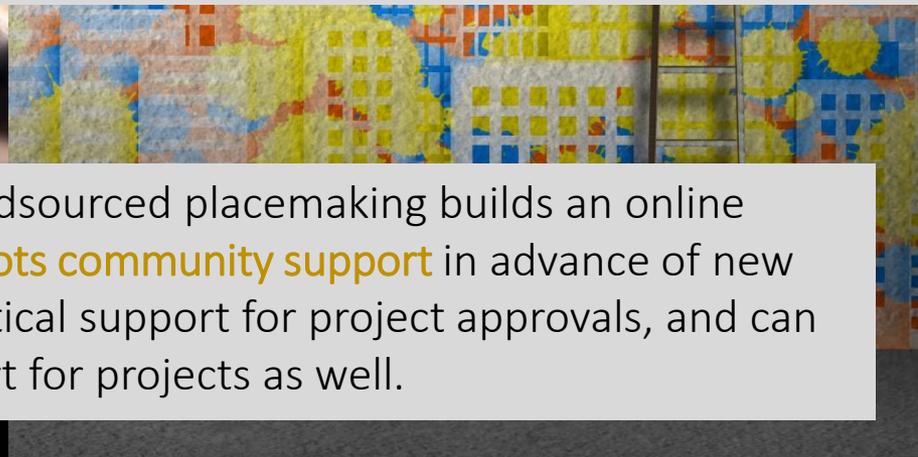
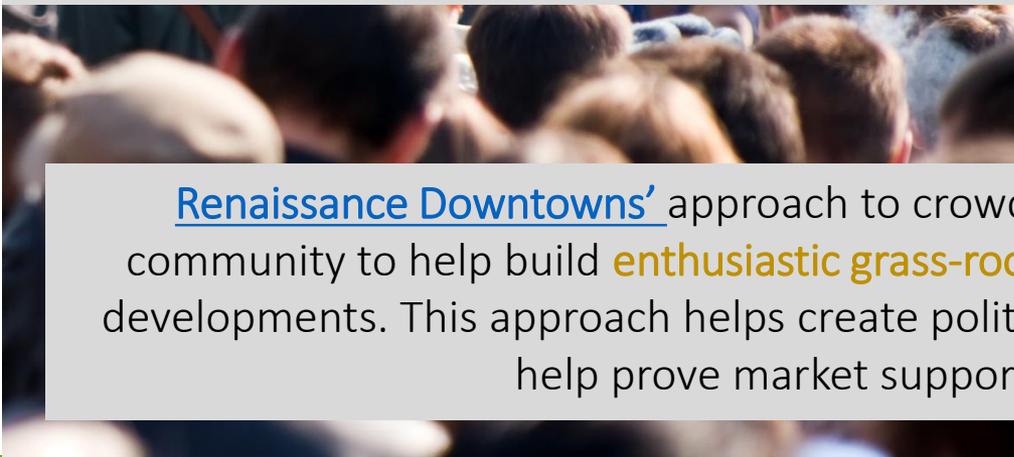
NMHC
NATIONAL
MULTIFAMILY
HOUSING
COUNCIL

NAA
NATIONAL
APARTMENT
ASSOCIATION

Visit www.WeAreApartments.org to calculate the economic contribution of an apartment community in your area.



Crowdsourced Placemaking



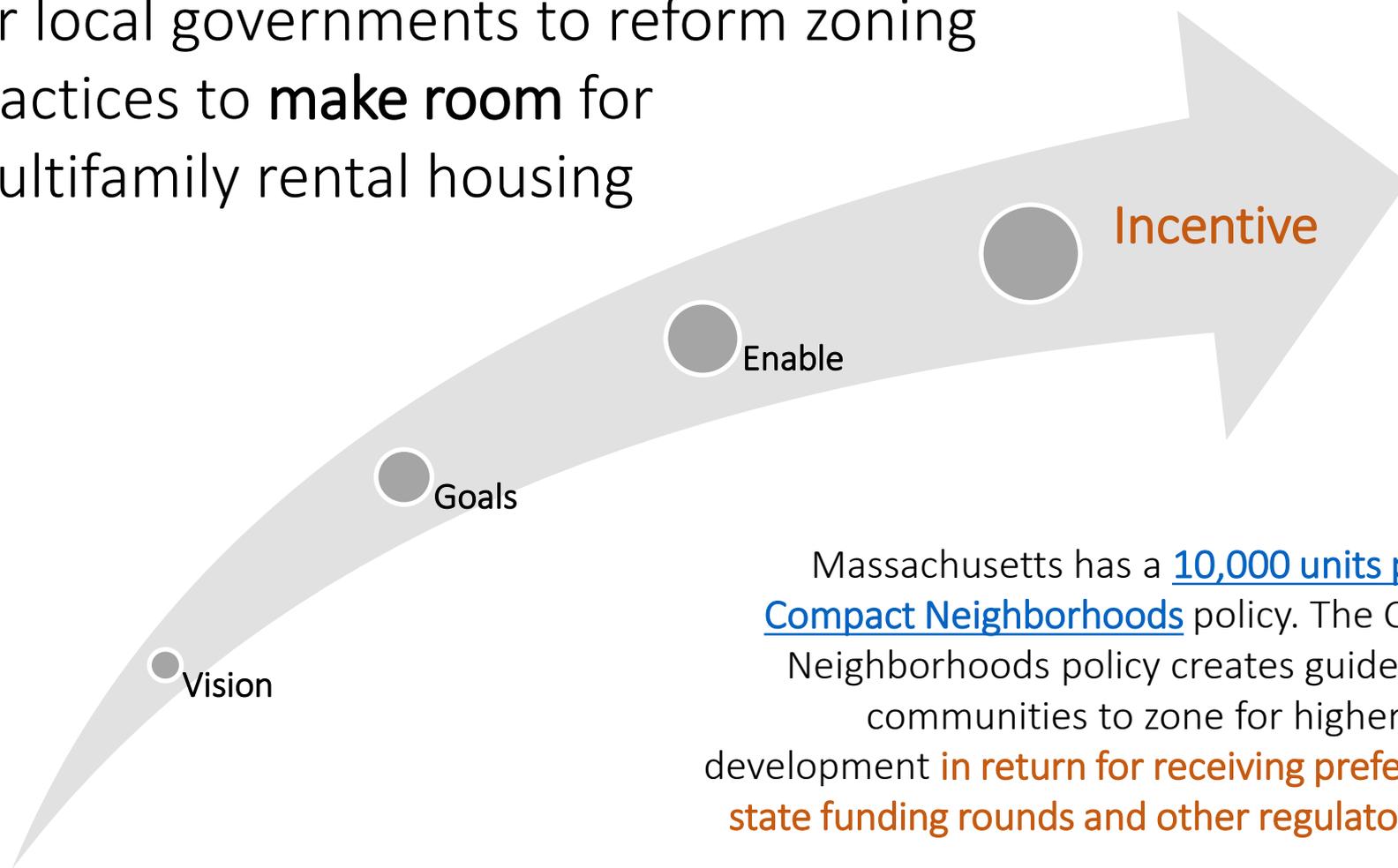
[Renaissance Downtowns'](#) approach to crowdsourced placemaking builds an online community to help build **enthusiastic grass-roots community support** in advance of new developments. This approach helps create political support for project approvals, and can help prove market support for projects as well.

4

Make Room for Rentals

Do our communities have room for this kind of housing within current zoning?

States can provide **meaningful incentives** for local governments to reform zoning practices to **make room** for multifamily rental housing



Massachusetts has a [10,000 units plan](#) and [Compact Neighborhoods](#) policy. The Compact Neighborhoods policy creates guidelines for communities to zone for higher density development **in return for receiving preference in state funding rounds and other regulatory relief.**

What if We Had a Race to the Top for Multifamily Rental Housing?

“...we will launch a ***Race to the Top*** that will prepare every child, everywhere in America, for the challenges of the 21st century.”

—President Barack Obama, July 24, 2009

5

Simplify the Development Process

Can't the process be simpler, more predictable, and more affordable?

Bending the Cost Curve

Solutions to Expand the Supply
of Affordable Rentals

Comprehensive Research on Cost Drivers and Potential Solutions

Barriers and drivers of cost include:

- Scale
- Parking requirements
- Unit size and amenity requirements
- Program inefficiencies
- Discouraging innovation

Potential solutions, for example:

- Reduce parking
- Rehab codes
- Enable by-right development
- Smart impact fees
- “First look” land disposal
- Property tax abatements
- “Green Tape”

Download the [full report and executive summary](#)

Redevelopment Ready Communities



Michigan's [Redevelopment Ready Communities®](#) program certifies communities that integrate transparency, predictability and efficiency into their daily development practices, such as –

- An updated master plan
- Mixed use development allowed by right
- Zoning allows for a variety of housing options
- Clear and consistent site plan reviews
- Publishing an online list of redevelopment ready sites in each community

ULI Minnesota created their own version of a [\(Re\)development Ready Guide](#) to advance best practices among local governments in the state.

Communities being evaluated under the Redevelopment Ready Communities® Program

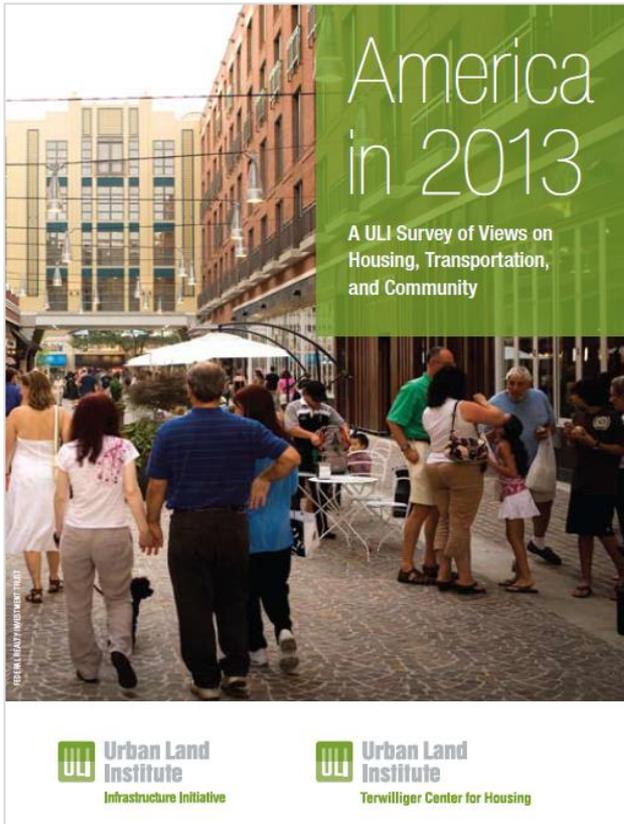
Revised March 2024



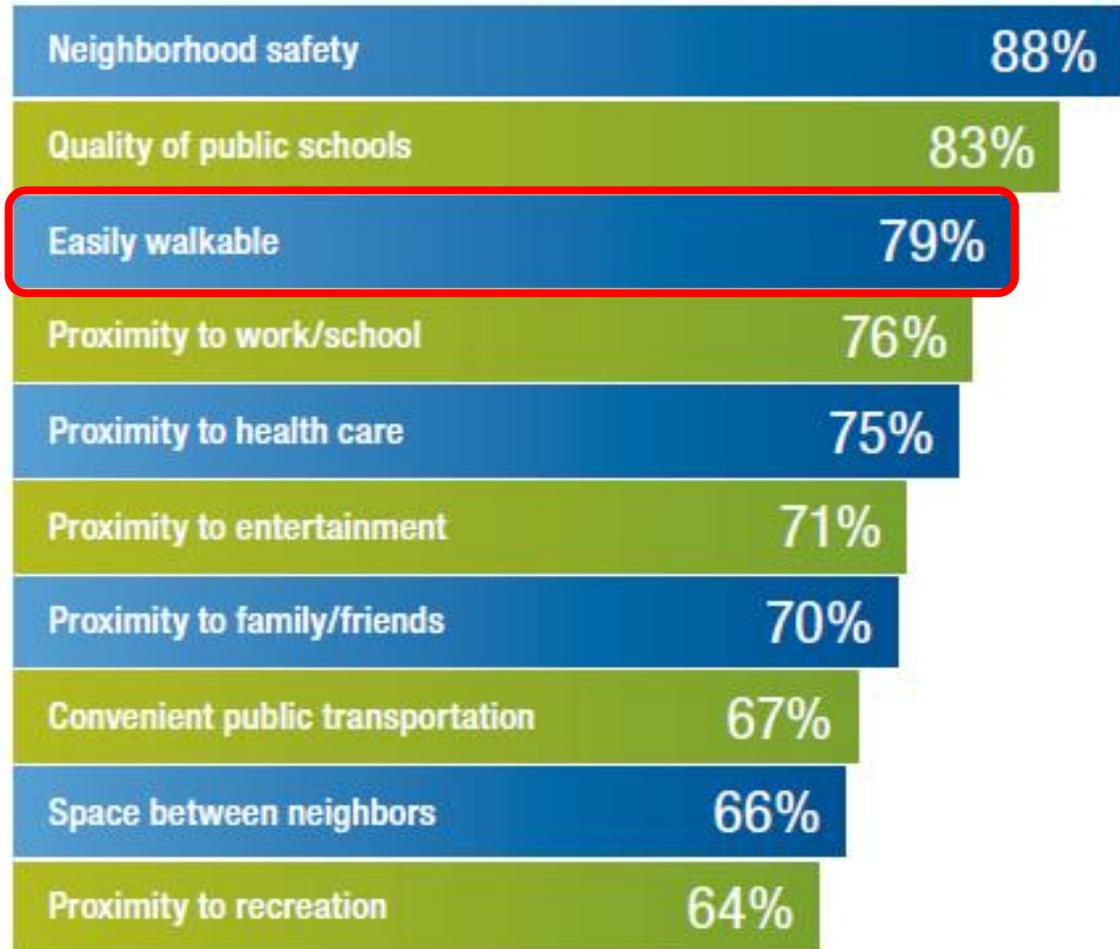
6

Develop Sustainable and Walkable Communities

The new era of multifamily rental housing will reflect a growing understanding of the importance of sustainability, and a growing desire for compact and walkable communities, even in suburbs



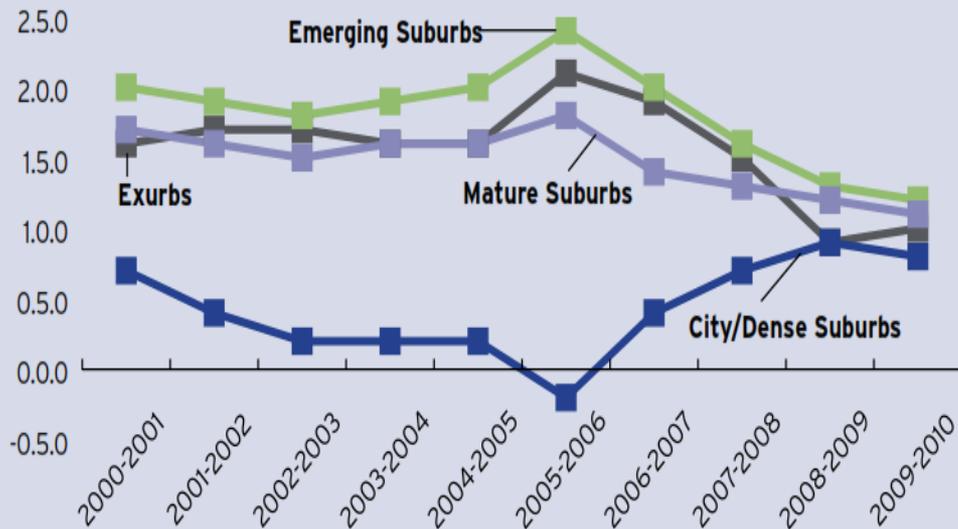
Percentage of Renters Giving Community Attribute a High Ranking in Importance



Source: [ULI America in 2013 Survey](#)

Data shows the dramatic shift toward urban or “urban-like” communities

Figure 5. Annual Growth Rate by County Urbanization, Large Metro Areas, 2000-2010



- During the housing boom years the suburbs were really where the action was happening. People wanted to buy homes, and homes were easy to build out in the greenfield areas of newer suburbs and exurban areas.
- Now that the bubble has burst, people are realizing that more dense areas are more sustainable from a market demand perspective, not to mention an environmental perspective.

Source: Bill Frey, [“Population Growth in America Since 2000: Putting the Volatile 2000s in Perspective.”](#) Brookings Institution, 2012.



“The future of real estate is intimately intertwined with TOD and walkable urban development in general. What used to be a niche market is now *the* market. For at least the next generation, the bulk of real estate development will be higher-density, walkable urban places, and much of it will be served by rail transit.”

- Christopher Leinberger

Niche Market



The Market

Source: [Transit Oriented Development Outlook](#), Urban Land, August 2012.



Reducing or even eliminating parking requirements may be warranted in more walkable areas, which can help keep costs of development down.

- San Francisco has eliminated minimum parking requirements downtown and has established the opposite – maximums – in some areas. Denver and Portland have similar policies.
- The [Metropolitan Transportation Commission's smart growth parking resources](#) provide many examples and resources from the Bay Area.

7

Create a Community Not Just a Building

Renters are looking for “authentic social spaces” within buildings or within walking distance – buildings will need more than an elevator lobby to create a community

“The architecture was award winning - but the lifestyle? There’s more going on at **local cemeteries.**”

- - Spiegel Online, describing City Nord, Hamburg (2010) – quoted in Design for Social Sustainability



Station Center, 2013 ULI Global Awards for Excellence
Photo by Bruce Damonte

Social Infrastructure

Hardware
(More Visible)

- Shared spaces
- Gardens
- Schools
- Shops
- Restaurants
- Public transport

Software
(Less Visible)

- Cultural events
- Communication networks
- Clubs
- Co-ops

For more on social infrastructure see [Design for Social Sustainability: A framework for creating thriving new communities](#), Future Communities 2011.

8

Embrace New Technologies

The new era of multifamily rental housing needs to be forward-thinking and innovative, not bogged down by old and out of date building types, construction methods, and technologies

Modular Housing – it's not just single-family homes anymore

- [Atlantic Yards B2](#) modular tower by Forest City Ratner in New York is going to be the world's tallest modular structure – 32 stories and 363 apartments.

Micro-units serve a clientele more interested in great places than big spaces

- Panoramic Interests built a [SMARTSPACE®](#) micro-unit project in San Francisco using modular construction with only a few days of onsite construction.



Both concepts in one project:

The Harriet, SMARTSPACE®
295 square feet micro apartments, LEED Platinum modular construction, located in downtown San Francisco

9

Leverage Financial Innovation

*In order for the new era to become a reality lenders and investors
can and should be partners in innovation*

New Investment Tools Can Enable Rental Housing Development and Preservation

- **Transit-Oriented Affordable Housing Funds**

- The [Bay Area the Transit-Oriented Affordable Housing Fund](#) partners are collaborating to encourage equitable TOD projects in the Bay Area and ensure that low-income families share in the benefits of more walkable neighborhoods and connections to the larger regional economy.
- The [Denver TOD Fund](#), allows for the purchase and holding of property to create affordable housing around anticipated transit stations resulting from the expansion of the Denver area's transit lines.

- **Social-Purpose REITs**

- Social-purpose REITs such as the [Housing Partnership Equity Trust](#) and The [Community Development Trust](#) provide investment to help preserve affordable housing properties for the long term. These REITs provide faster access to acquisition capital for the affordable housing developers who access the funds.

Financial Innovations Can Also Help Lower Costs

- **Entity-Level Finance**
 - For affordable multifamily housing developers who put together one deal at a time, each with its own complex financing, **moving from project-level financing to entity-level financing** would reduce the costs of development and shorten the development timeline.
- **More Efficient Use of Project Reserves**
 - Experienced affordable housing developers have a large amount of money tied up in project reserves. The Boston Foundation and the Massachusetts Housing Partnership created a [Housing Reserve Assurance Program](#) that replaces the traditional concept of project reserves with a credit facility that developers can buy into.

10

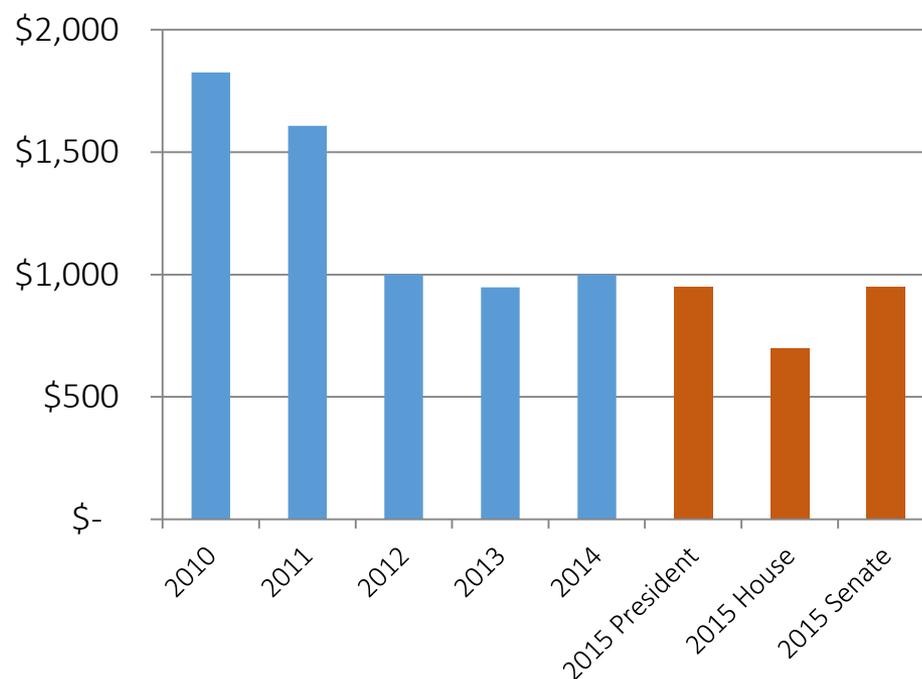
Develop New Sources of Subsidy

State and local subsidy sources are essential to help fill funding gaps

Significant Uncertainty in Federal Funding for Affordable Rental Housing

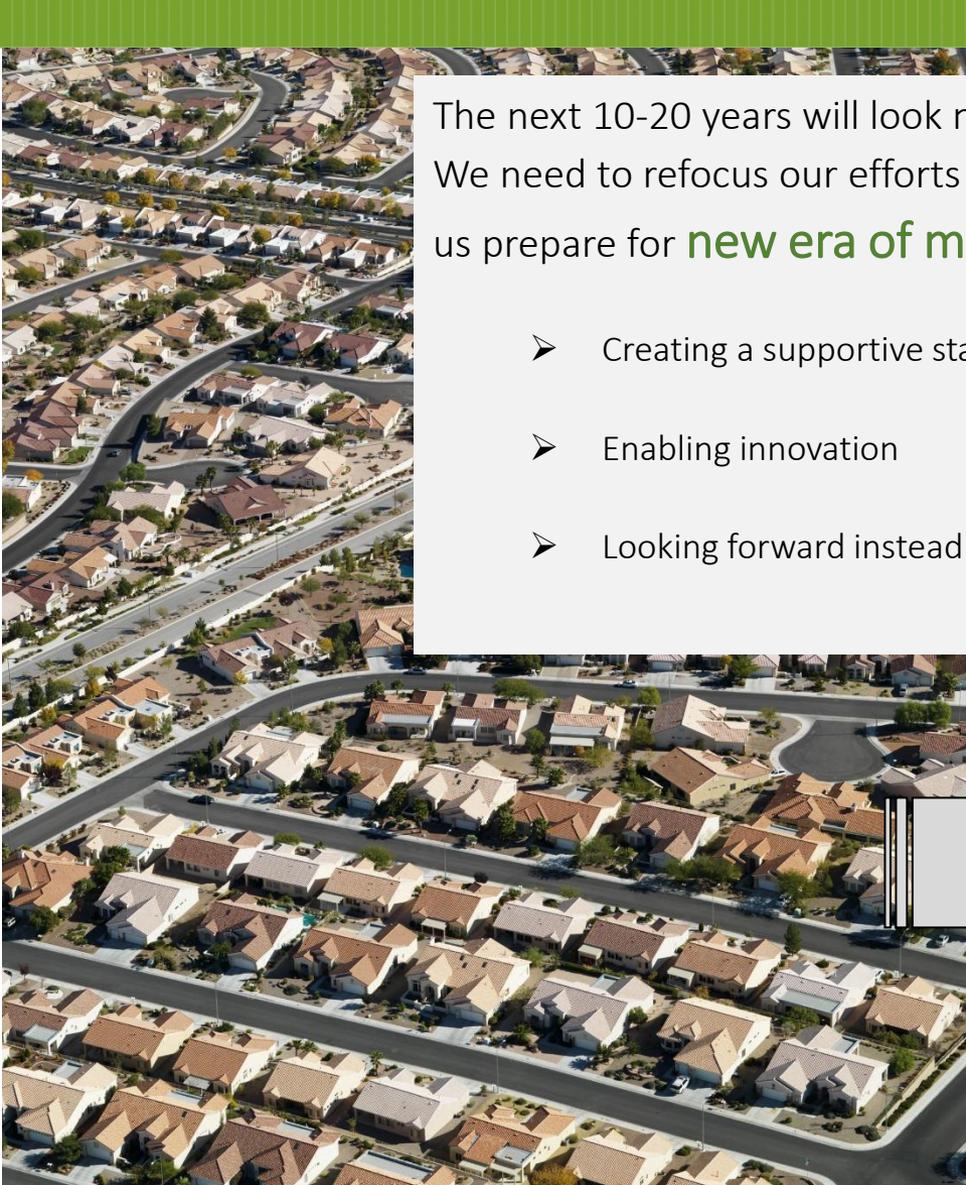
- HOME funding has declined significantly
- The Low-Income Housing Tax Credit could potentially be affected by tax reform
- [The National Housing Trust Fund](#) is enacted but not currently funded

HUD's HOME Program Has Declined



Trust Funds and State Tax Credits Can Fill Gaps

- Create a local, regional or state-level housing trust fund, typically funded by a dedicated source of revenue such as a portion of local real estate taxes.
According to the [Center for Community Change](#):
 - 47 states and Washington DC have their own State Housing Trust Funds.
 - 9 states have legislation that encourages or enables local jurisdictions to dedicate public funds to affordable housing. Only 25 of them actually have operating trust funds at the local level.
- State Low-Income Housing Tax Credits
 - 14 states have their own form of the Low-Income Housing Tax Credit: a [State-level LIHTC](#).
 - California, Illinois and Georgia's are substantial, providing over \$20 million in credits per year.
- General Obligation Bonds
 - Municipalities with bonding authority can issue bonds to fund affordable housing development and preservation.



The next 10-20 years will look nothing like the last 10 years. We need to refocus our efforts on what really matters to help us prepare for **new era of multifamily rental housing**.

- Creating a supportive state and local policy environment
- Enabling innovation
- Looking forward instead of backward



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