Land Lines

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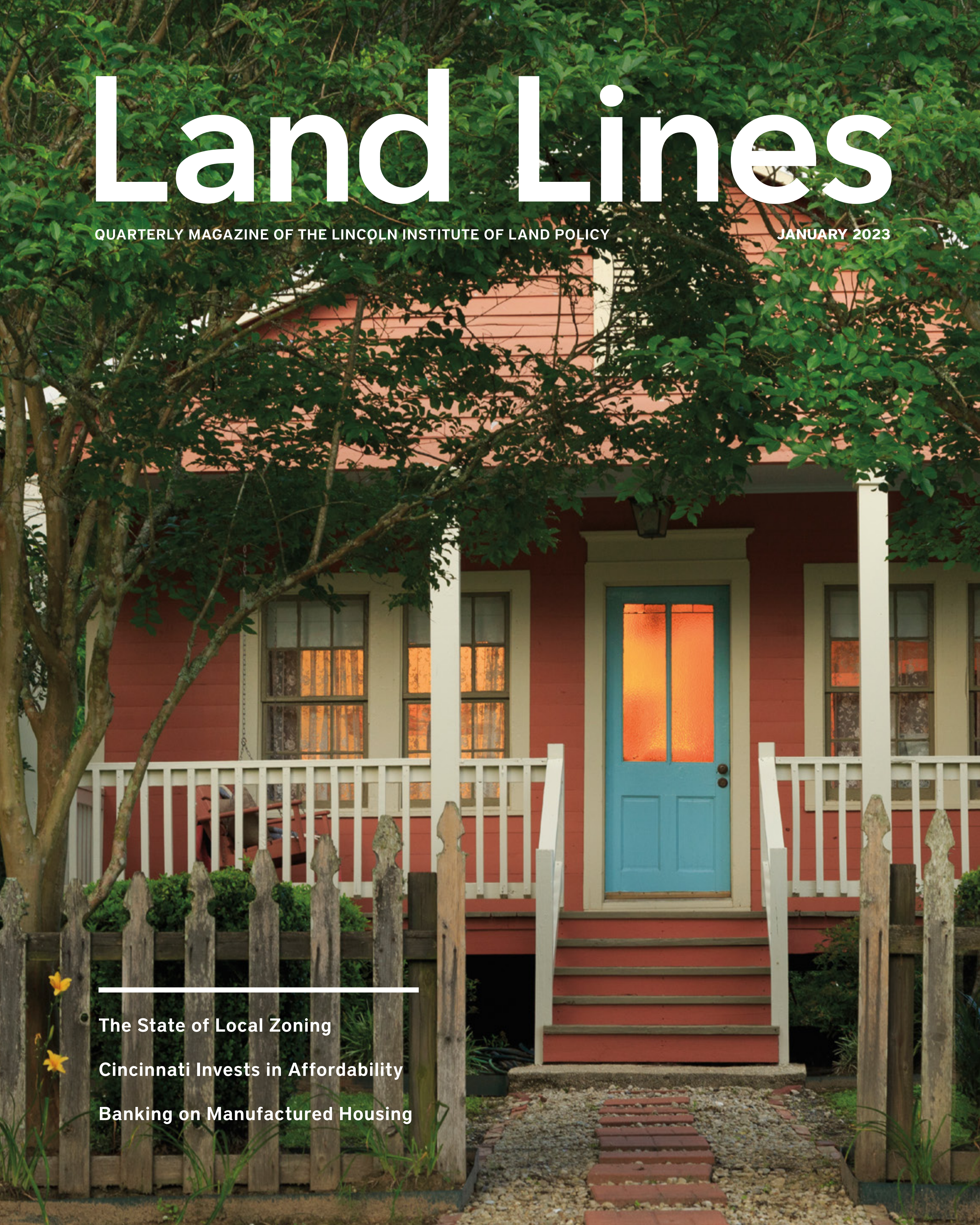

The State of Local Zoning

Cincinnati Invests in Affordability

Banking on Manufactured Housing

Land Lines

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LINCOLN INSTITUTE
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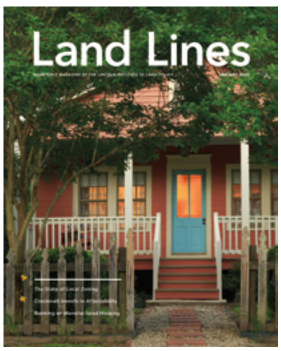


Credit: Jon Lovette via Stone/Getty Images.

PRESIDENT'S MESSAGE GEORGE W. MCCARTHY

Make Way for Mixed Use

IN PAST ISSUES, I have frequently bemoaned our cultural affinity for simple solutions to complex problems and reminded readers that there is no easy fix for the housing affordability crisis. But in the spirit of New Year's resolutions—and recognizing that it's easy to pillory "flavor of the month" solutions and harder to put forth viable alternatives—I'll take a stab at describing an approach to housing that I think *can* be effective.

Complex problems need to be attacked on multiple fronts. To confront the affordable housing crisis, we need to do three things, at a minimum. First, we must defend and preserve our current stock of affordable housing. Second, we must identify and fix systemic problems that impede our ability to produce new housing. Third, we need to identify and cultivate new opportunities, incentives, and approaches that expand our productive potential and facilitate production.

We need to build a portfolio of solutions with multiple policies in each of these categories. This issue of *Land Lines* documents a few ways policy makers are doing that. It includes a feature on the increasing calls for zoning reform at the state level—and local resistance to those calls—by Anthony Flint. Loren Berlin offers a story on a heroic undertaking by the Port of Cincinnati to keep the city's single-family housing stock available for purchase by local families and out of the hands of outside investors. Jon Gorey examines efforts to preserve and expand manufactured housing, a mostly overlooked but critical component of the nation's affordable housing supply. For my part, I'll offer a contribution to the third category, a land-centric approach with great potential to expand production: adaptive reuse of commercial buildings.

According to the commerce industry organization ICSC, there are 115,857 shopping centers in the United States. This includes 1,220 large malls (with an average of around 900,000 square feet of retail space and 70 acres of land); 68,936 strip malls (averaging 13,000 feet of retail space and two acres of land); and thousands of other discount centers, factory outlets, and neighborhood centers (accounting for more than 4 billion square feet of retail space and 400,000 acres of land). Even before the pandemic, a significant share of these centers was imperiled by online retail. Real estate insiders have long predicted that one-quarter of large U.S. malls were at risk of closing, and the pandemic only accelerated this decline. Although vacant malls became convenient sites for mass COVID testing and vaccinations, insiders began to predict that more than one-third of large malls would be vacant or abandoned in the next few years.

Crisis and opportunity are frequent bedfellows. The retail crisis offers what might be our best opportunity to solve the housing crisis.

Crisis and opportunity are frequent bedfellows. The retail crisis offers what might be our best opportunity to solve the housing crisis. For example, in the San Francisco Bay Area, one of the toughest housing markets in the country, Peter Calthorpe estimates that we could build a quarter of a million new housing units by repurposing underutilized retail space along a single roadway—El Camino Real—that runs some 40 miles from San Jose to San Francisco through 16 municipalities. This would help alleviate the severe housing shortage in the region, and it would create sufficient residential density to support public transit, contributing to state and national efforts to mitigate the climate crisis. And the residential growth might generate sufficient foot traffic to support multiple commercial uses. With this three-fer, the big question is, why hasn't redevelopment of El Camino Real already begun? Mostly because of multiple manmade, complicating factors.

As I've noted before, redevelopment is much harder than development on greenfield sites. One needs to undo whatever had been done on the site, while orienting multiple stakeholders with different interests toward a shared vision. To make matters worse, there are significant manmade roadblocks. First, adverse fiscal incentives interfere with jurisdictions' willingness to consider changing land uses. Commercial property generates a big share of local revenue, not only through property taxes, but also through the local share of the sales tax and other fees and charges. Residential redevelopment might replace only a small share of the lost revenue. Second, redevelopment projects are difficult to finance. New visionary projects might excite developers; they signal uncertainty and risk for lenders and underwriters. Third, redeveloping a commercial corridor into residential or mixed-use requires zoning changes, which are notoriously fraught. In the case of El Camino Real, 16 zoning boards would need to approve rezoning for the project to proceed. While it might not require unanimous participation among all 16 cities and towns, a critical mass would be needed for the redevelopment to manifest its potential.

Just because it is hard does not mean redeveloping commercial properties into higher-density, mixed-use developments cannot be done. Each of the noted obstacles can be overcome, and all have been overcome in other places. For example, one of the largest development projects in the country, the Tysons Partnership in Tysons, Virginia, is redeveloping a 2,700+-acre commercial district into a transit-friendly, mixed-use development. The project has been underway for more than a decade and already includes 11 multifamily residential buildings. The Partnership plans to quadruple the residential population of the formerly prototypical "edge city," which housed around 25,000 people but employed around 125,000. They are leveraging four new stops on the Silver Line of the Washington Metro to become the urban center of Fairfax County,

The opening celebration of Crosstown Concourse, a mixed-used development in a former Sears distribution center in Memphis. Credit: Crosstown Concourse.

hoping to become the poster child for the "new new urbanism."

In Memphis, a Sears distribution center that was abandoned for almost three decades was redeveloped into a "vertical urban village" called Crosstown Concourse. The 10-story building on 16 acres of land now hosts a charter school, a performing arts center, more than 600,000 square feet of commercial space, and 270 apartments. It is already catalyzing new development in the neighborhoods that surround it.

Outside of Seattle, developers are building a new anchor tenant for the suburban Alderwood Mall—300 apartments with underground parking. This will compensate for the loss of their former anchor, Sears; provide much-needed housing in a hugely stressed housing market; and provide a base of consumers to shop in the remaining stores in the struggling mall.

Although they might not be as lengthy as El Camino Real, there are hundreds and hundreds of underutilized commercial corridors across the country. If we could redevelop them as medium-density, mixed-use developments, we could put a huge dent in the current national housing deficit. There is also no shortage of abandoned or underutilized commercial buildings like Sears Crosstown; half-vacant commercial districts like Tysons; and struggling or abandoned megamalls like Alderwood that offer similar prime opportunities for redevelopment.

By my very conservative estimates, if we redevelop 20 percent of these commercial sites to low- to medium-density mixed-use standards (10 homes per acre), we could add 1.1 million new housing units and preserve millions of square feet of commercial space with a better shot at vibrancy. If we redevelop 25 percent of the sites at 15 homes per acre, we could add 2.1 million housing units. And if we could redevelop 30 percent of the sites at 20 homes per acre, we could add 3.4 million new housing units.

This is not a technical challenge. We cracked the code on adaptive reuse decades ago. We need to simplify the process to facilitate scaled redevelopment and establish new, more effective public-private partnerships to get it done. The public sector needs to step up to de-risk projects through accelerated permitting, co-financing, and smart financial incentives. The private sector needs to quit trying to build on virgin land and find more creative ways to redevelop obsolete sites. If you want to visualize the kinds of developments that are possible, look no further than Julie Campoli's masterpiece *Made for Walking,* published by the Lincoln Institute in 2012. With thousands of sites to choose from, we can establish how to produce and reproduce the kinds of neighborhoods described in the book and reduce the perceived risks of development with each successful project.

The beleaguered commercial sector offers most of the elements needed to address our current housing crisis. It has land that is already served by basic infrastructure—water, sewer, power—and that is usually accessible to transit or otherwise surrounded by parking. It often sits in prime locations. By mixing uses, we offer two huge benefits for the commercial side: workers and customers. But the societal benefits are even more profound. So let's pursue this strategy, along with single-family zoning reform and affordable housing preservation, and see if we can resolve the national housing crisis once and for all.

This mixed-use redevelopment in Tysons, Virginia, includes retail, apartments, and lodging. Credit: Tysons Partnership.

The Building Blocks of the Future

Construction of the Ascent in Milwaukee, the world's tallest mass-timber building. Credit: Courtesy of C.D. Smith Construction.

WHEN YOU THINK ABOUT innovations in development and construction, wood probably doesn't leap to mind. It is, to put it mildly, an old-school material. But mass-timber construction—which involves wood panels, beams, and columns fabricated with modern manufacturing techniques and advanced digital design tools—is sprouting notable growth lately. Advocates point to its potential climate impact, among other attributes: using sustainably harvested mass timber can halve the carbon footprint of a comparable structure made of steel and concrete.

According to wood trade group WoodWorks, more than 1,500 multifamily, commercial, or institutional mass-timber projects had either been built or were in design across all 50 states as of September 2022, an increase of well over 50 percent since 2020. The *Wall Street Journal*, citing U.S. Forest Service data, reports that at least 18 mass-timber manufacturing plants have opened in Canada and the United States since 2014.

The building blocks of mass-timber construction are wood slabs, columns, and beams. These are much more substantial than, say, the familiar two-by-four, thanks to special processes used to chunk together smaller pieces of wood into precisely fabricated blocks. The end result includes glue-laminated (or "glulam") columns and beams, and cross-laminated (or CLT) panels that can run a dozen feet wide and 60 feet long.

Using sustainably harvested mass timber can halve the carbon footprint of a comparable structure made of steel and concrete.

The larger panels are mostly used for floors and ceilings, but also for walls. The upshot, as the online publication Vox put it, is "wood, but like Legos." Major mass-timber projects tend to showcase the material, resulting in buildings whose structural elements offer a warmer, more organic aesthetic than those made from steel and concrete.

Both the process and interest in its potential have been building momentum for a while. Pioneered in Austria and used elsewhere in Europe since the 1990s, mass timber has gradually found its way to other parts of the world. In an often-cited 2013 TED Talk, Vancouver architect Michael Green made a case for this new-old material: "I feel there's a role for wood to play in cities," he argued, emphasizing mass timber's carbon sequestration properties—building a 20-story structure of concrete would emit more than 1,200 tons of carbon, while building it with wood would *sequester* more than 3,000 tons—as well as its ability to withstand earthquakes and fire.

> The perception of wood's potential has been getting a fresh boost thanks to a spate of eye-catching projects . . . and proposals for even taller buildings.

When Green gave his talk, the tallest mass-timber structures were nine or 10 stories high. But Green argued this new fabrication process could be successfully used in structures two or three times that height. "This is the first new way to build a skyscraper in probably 100 years, or more," he declared, adding that the engineering wouldn't be as hard as changing the general perception of wood's potential. Lately that perception has been getting a fresh boost thanks to a spate of eye-catching projects—including a 25-story residential and retail complex in Milwaukee and a 20-story hotel and cultural center in northeastern Sweden—and proposals for even taller mass-timber buildings.

Because mass timber is prefabricated in a factory and shipped to the site, unlike concrete structures made in place, the design details must be worked out precisely in advance, requiring intense digital planning and modeling. This can ultimately make construction processes more efficient, with fewer workers and less waste. Most mass-timber projects still incorporate other materials, notes Judith Sheine, an architecture professor at the University of Oregon (UO) and director of design for the TallWood Design Institute. TallWood is a collaboration between UO's College of Design and Oregon State University's Colleges of Forestry and Engineering that focuses on advancing mass-timber innovation. "But mass timber can replace steel and concrete in many, many applications, and it's becoming increasingly popular," she says. "That's due to new availability, but also to an interest in using materials that have low embodied carbon."

TallWood has run dozens of applied research projects and initiatives, addressing everything from code issues to supply chain challenges to building performance in an effort to help get more advanced and engineered timber into use. The institute is part of the Oregon Mass Timber Coalition, a partnership between research institutions and Oregon state agencies that

At 20 stories high, Sweden's Sara Kulturhus (Sara Cultural Center) is among the world's tallest mass-timber buildings. Credit: Courtesy of White Arkitekter.

recently received $41.4 million in grants from the U.S. Economic Development Administration's Build Back Better Regional Challenge. That funding is meant to back research initiatives tied to increasing the market for mass timber.

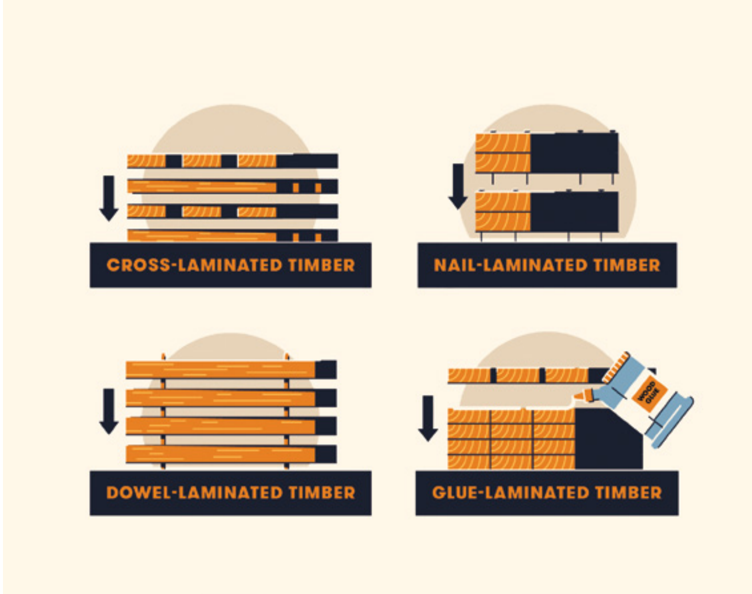
Of course, part of the newfangled material's environmental promise depends on the back-end details, notably how and where the timber is harvested. Advocates of the sector argue that its expansion won't cause undue pressure on forests, in part because mass-timber products can be made from "low-value" wood—like smaller-diameter trees that are already being culled as part of wildfire mitigation, diseased trees, and potentially even scrap lumber.

Conservation groups and other experts are proceeding more cautiously. The Nature Conservancy undertook a multiyear global mass-timber impact assessment in 2018, researching the potential benefits and risks of increased demand for mass-timber products on forests, and is developing a set of global guiding principles for a "climate-smart forest economy"—best practices that will help protect biodiversity and ecosystems as the mass-timber market grows.

Often, builders and developers who specifically want to tout the use of mass-timber materials insist on sourcing that's certified as sustainable, according to Stephen Shaler, professor of sustainable materials and technology in the University of Maine's School of Forest Resources. "That demand is in the marketplace right now," he says.

Beyond an interest in sustainability, there's another reason for the proliferation of mass-timber projects: biophilia, or the human instinct to connect with nature. "Being in a wood building can just *feel* good," Shaler says. That's not just a subjective judgment; small studies have shown that wood interiors can improve air quality, reduce blood pressure and heart rates, and improve concentration and productivity.

The developers of the 25-story Milwaukee building, the Ascent, reportedly opted for mass timber largely for aesthetic reasons, and for the promotional value of its distinct look. As the tallest mass-timber building in the world, the Ascent has been a centerpiece of press attention.



Mass timber can be made in several different ways, with cross-laminated timber (CLT) the most commonly used type. Credit: Image originally from Mass Timber by BigRentz (https://www.bigrentz.com/blog/mass-timber).

And there's another value to that public exposure: while the 284-foot-high Ascent and other high-rise projects may not portend the future of all skyscrapers, they demonstrate the possibility of safely building with mass timber at large scale. That might help sway regulators and planners, particularly when it comes to approving the smaller-scale buildings that could be more important to proving mass timber's real potential. "The majority of the use is likely going to be in the mid-rise, six- to eight-story kind of project," Shaler predicts.

The International Building Code permits wooden buildings up to 18 stories; the Ascent developers obtained a variance partly because their final design incorporated two concrete cores. As Sheine and Shaler both underscore, most mass-timber projects still incorporate at least some concrete, steel, or other materials. That's just fine, Shaler adds: mass timber should be viewed as a comparatively new option that can help improve carbon footprints, not a full-on replacement for traditional materials. And new options are always useful—even when they're as old-school as wood.

Rob Walker is a journalist covering design, technology, and other subjects. He is the author of *The Art of Noticing*. His newsletter is at robwalker.substack.com.

Top: Freetown, Sierra Leone. Credit: Michael Duf via Shutterstock.
Inset: Yvonne Aki-Sawyerr. Credit: City of Freetown.

Mayor Yvonne Denise Aki-Sawyerr took office in Freetown, Sierra Leone, in May 2018, after serving as head of the Freetown City Council. A finance professional with over 25 years of experience in the public and private sectors, she had previously been involved with the campaign against "blood diamonds" and was instrumental in the response to the Ebola crisis in 2014. She has delivered two TED Talks, about turning dissatisfaction into action and about the capital city's initiative to plant a million trees, and has been named to the Time100 Next list of emerging leaders and the BBC's 100 Women list.

A leader in the C40 Cities global network, Aki-Sawyerr launched the Transform Freetown initiative and appointed Africa's first chief heat officer. She holds degrees from the London School of Economics and Freetown's Fourah Bay College. She spoke with Senior Fellow Anthony Flint in the fall; their conversation, which has been edited for length and clarity, is available as a *Land Matters* podcast: www.lincolninst.edu/publications/podcasts-videos.

Cultivating Climate Resilience in Sierra Leone

ANTHONY FLINT: *Could you talk about the Transform Freetown initiative as a planning and action framework, and your assessment of its progress?*

YVONNE AKI-SAWYERR: I ran for office in 2018, motivated by concerns around the environment and sanitation. My campaign message, "for community, for progress, for Freetown," translated into Transform Freetown. It focuses on four categories: resilience, human development, healthy city, and urban mobility.

Resilience includes environmental management; it also includes urban planning, because you cannot separate the two, and revenue organization, because sustainability will only come from the city's ability to sustain and generate revenue itself. The healthy city cluster includes sanitation, which goes very closely with environmental management for Freetown and many African cities. If you think about climate change, our teeny-weeny contribution to climate change, a lot of it actually comes from methane, from open dumping, but that also has huge health implications. So in the healthy city category was sanitation, health, and water.

What we did was, having come into office with those high-level areas of concern, we had 322 focus groups with about 15,000 residents to get their views on affordability, accessibility, and availability of services across those sectors. We invited the public sector, private sector, and the international community via development partners and NGOs to participate in roundtable discussions.

Out of that process came 19 specific, measurable targets that we're working toward under Transform Freetown. We report against them every year back to the city, back to our residents. It really has been a way of introducing greater accountability, of holding our own feet to the fire, and it's very much community owned and community driven.

AF: *Among all the climate threats the city faces, you appointed a chief heat officer. Why was a chief heat officer necessary, and what have been the results thus far?*

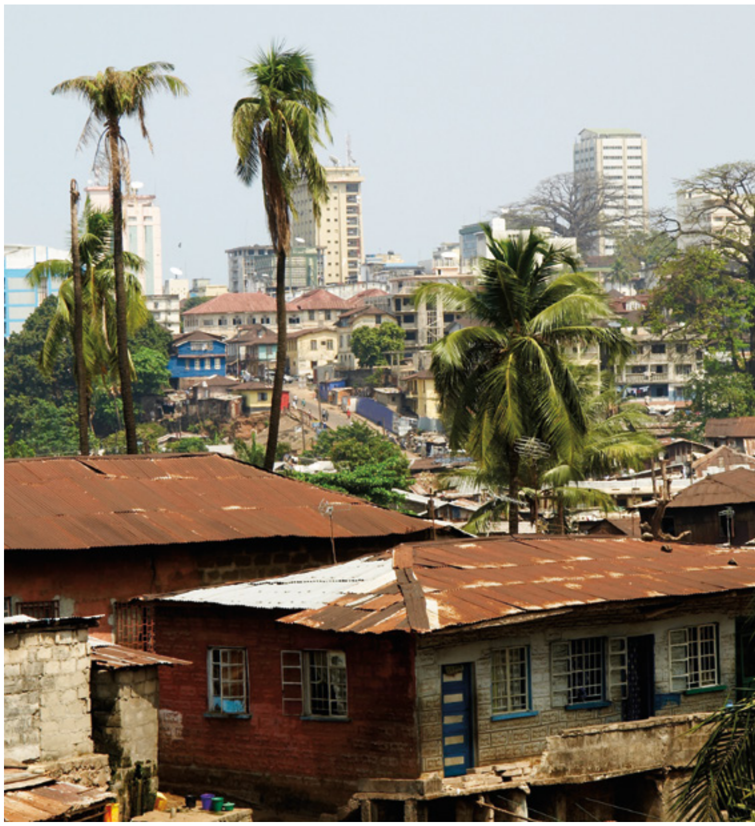
YA: I'm asked often, how do you get ordinary people interested in climate change? In our case, it's not hard, because the consequences of climate change are intensely felt in our parts of the world, and we suffer greatly from flooding and landslides, hence my concern with the environment and being able to mitigate those impacts.

The [Arsht-Rockefeller Foundation Resilience Center] really got us thinking about the fact that there are more deaths from extreme heat than there are from the more visible and tangible disasters like floods and landslides. Extreme heat, particularly where water is in short supply, is a major impact of the warming climate.

In our case, the vulnerable are mainly those living in informal settlements. That's 35 percent of our city's population, and in those informal settlements, the housing structures are typically made from corrugated iron. With increased temperatures, you're effectively living in an oven. The other aspect of that is we have an informal economy. Around 60 percent of women in our city are involved in trading. Most of our markets are outdoor, so you're sitting in the sun all day long. Doing that under the intense heat exacerbates other negative health consequences.

"I'm asked often, how do you get ordinary people interested in climate change? In our case, it's not hard, because the consequences of climate change are intensely felt in our parts of the world."

With the chief heat officer, we now are going to be able to embark on some research, collecting data to identify the heat islands; anecdotally, we have a sense of where those are, mainly in the informal settlements, but potentially also in the middle of the city. We need to be able to make arguments to challenge what's going on with the lack of building permits, and land use planning being devolved to the city, and the massive deforestation that continues unabated.



Informal settlements are home to 35 percent of Freetown's population. Credit: Abenaa via iStock/Getty Images Plus.

"Around 60 percent of women in our city are involved in trading. Most of our markets are outdoor, so you're sitting in the sun all day long. Doing that under the intense heat exacerbates other negative health consequences."

The chief heat officer has worked with market women and gotten funding from Arsht-Rockefeller [and Atlantic Council] to install market shade covers in three of our open markets. It's great to see the enthusiasm of the women and them saying, "Are we going to get this all the way along the market? We can see where it's starting, where it stops, but we need it too."

AF: *What are your hopes for other climate mitigation projects, including the initiative to plant a million trees? How did that come about, and how is it going?*

YA: Well, it came about because there's an appreciation that we were losing our vegetation, and that [worsens] the effect of extreme weather events, [as when heavy rains led to massive mudslides in 2017]. The lack of forestation is a major part of that. The goal is to increase vegetation cover by 50 percent.

Planting the million trees is the long-term plan, but in the meantime, you still have the runoff from the mountains filling the drains with silt. Our annual flood mitigation work identifies the worst of these areas, and clears the silt so that when the rains come, the water can still flow. On a smaller scale, we've also been able to build something like 2,000 meters of drainage in smaller communities. Beyond that, we've invested heavily in disaster management training and capacity building.

The thing about climate change impacts is they are really pervasive. If people are experiencing crop failure outside of Freetown, it will eventually drive a rural-urban migration because they're unable to sustain their livelihoods and they're going to come to the city looking for some means of making a living.

That pressure of population growth in the city is something else that we have to deal with, whether it's introducing the cable car to improve transportation and reduce greenhouse gas emissions [or encouraging] the government to devolve land use planning and building permit functions so that we can actually introduce land management actions—which save life and save property, but also protect the environment and prevent people from building properties in waterways and streams and canals, which currently happens. All of this is made worse by not using legislation and urban management tools such as land use planning and building permitting in a constructive manner.

AF: *Could you describe Freetown's property tax reform efforts, and the outcomes you've seen, in the overall context of municipal fiscal health?*

YA: We worked on this property tax reform starting with 37,000 properties in the database of a city that's a capital city with at least 1.2 million to 1.5 million people—37,000 properties. When I came in, it was clear that that was not reflective of reality, but also the manual system that they operated, literally with a ledger book, was not really fit for purpose in the 21st century.

Newly installed shades in the markets of Freetown, part of an effort to combat the extreme heat of climate change. Credit: City of Freetown.

Mayor Aki-Sawyerr, center, helps celebrate the installation of marketplace shades. Credit: City of Freetown.

"We've been able to test and to see how much can be achieved if one is given the space to do so. We know that so much is possible, and so we keep going."

One of our 19 targets is to increase property tax income fivefold by 2022. To go about doing that, we secured funding and partnerships to digitize. We changed from an area-based system to a point-based system. We worked on that by taking a satellite image of the entire city and building an algorithm to give weightings to features [like roofs, windows, and location], then comparing that against a database of 3,000 properties whose values were determined by real charter surveyors. We got the old-type assessment done. We were able to identify outliers and refine the model and eventually build a model which we now use as our property base.

Through that process, we moved from 37,000 properties to over 120,000 properties. That meant we were able to meet our target of increasing our property tax revenue from [$425,000 to over $2 million]. That in itself is the pathway to sustainability and being able to invest. A big part of fiscal health is that sustainability, but . . . unfortunately, the Ministry of Local Government [halted collections while developing national tax reform guidelines]. We were without revenue for about a year. We have started collecting again, but as you can imagine, compliance levels will take a long time to recover.

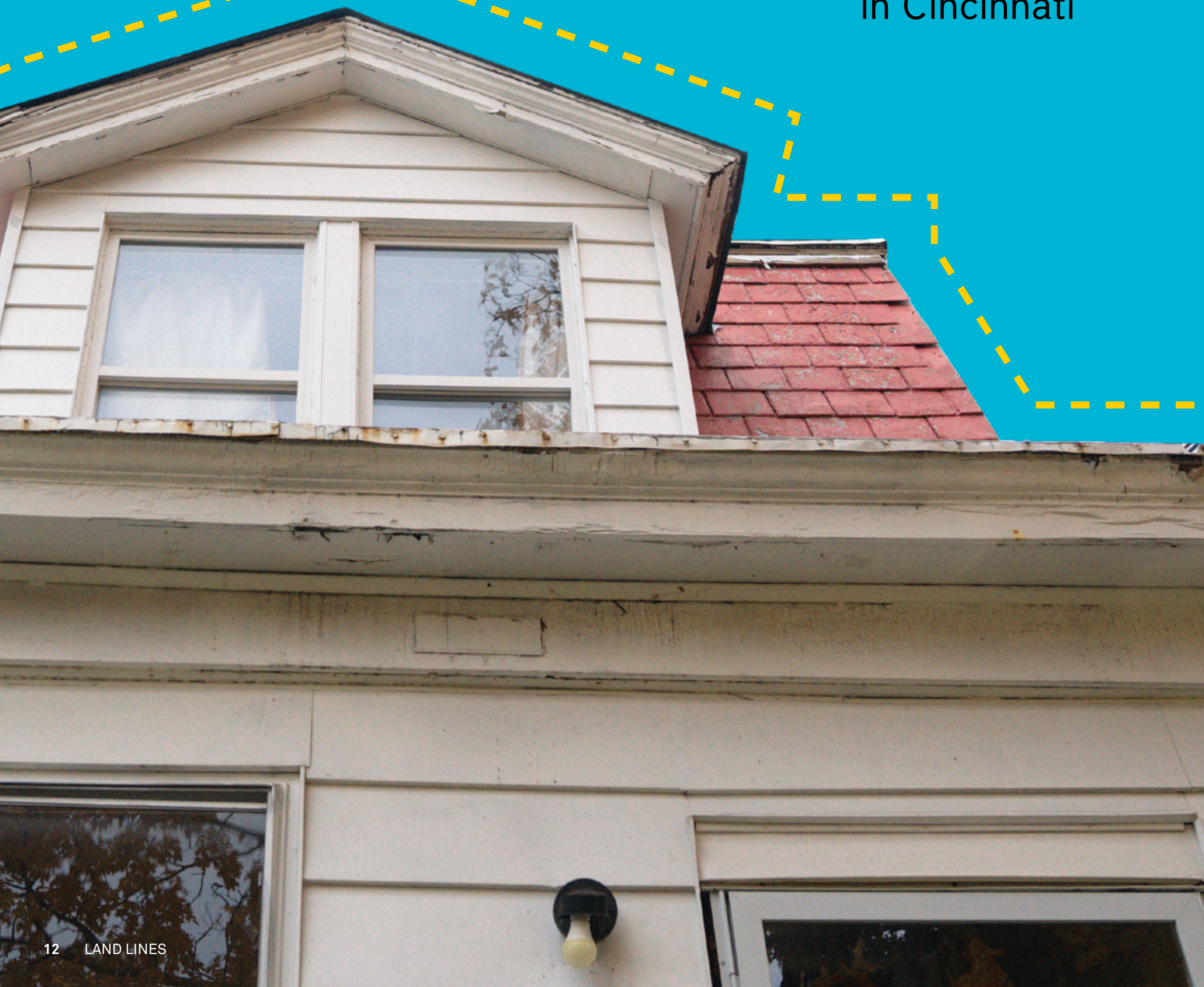
AF: *Where do you find inspiration in the face of so many challenges?*

YA: From the fact that we have been able to make a difference in the lives of Freetonians. We've been able to test and to see how much can be achieved if one is given the space to do so. We know that so much is possible, and so we keep going.

Anthony Flint is a senior fellow at the Lincoln Institute, host of the *Land Matters* podcast, and a contributing editor to *Land Lines*.

A BID FOR AFFORDABILITY

Notes from an Ambitious Housing Experiment in Cincinnati



By Loren Berlin

EVERY YEAR, THE BOARD OF DIRECTORS of the Port of Greater Cincinnati Development Authority makes dozens of resolutions. Most relate to buying or renovating specific properties, approving budgets, creating committees, and other standard orders of business. But in December 2021, the board issued a different kind of decision. Resolution 2021-34 authorized the agency, commonly known as the Port, to proceed with an unprecedented and ambitious plan: securing and spending up to $16.25 million to purchase and rehabilitate a portfolio of 194 single-family rental properties in a handful of largely low- and moderate-income neighborhoods in and around Cincinnati.

It would be a bold move for any local government authority to buy so many properties at once, but especially for an agency without experience owning occupied homes. The Port, jointly established in 2000 by the City of Cincinnati and Hamilton County to promote economic development in the metro area, operates a land bank that manages hundreds of properties at any given time, redeveloping them and returning them to productive use; it also invests in the construction and renovation of single-family homes and commercial and industrial properties. But this would be something altogether different. The vast majority of these homes would come with tenants.

Then again, that was the point: to try something different, to fight back against the institutional investors who have been buying up the area's affordable housing stock. Today, outside investors purchase about one in five single-family homes in Cincinnati. This mirrors a national trend: institutional investors made 24 percent of single-family home purchases in 2021. The results of this property grab are the same in Cincinnati and across the country: higher rents, lower rates of individual homeownership, and less affordable neighborhoods.

The Port took action because it wanted to keep these 194 properties—which are located throughout the city and county, with many concentrated in the neighborhoods of Price Hill, Westwood, and Springfield Township—out of the hands of corporate buyers. The agency also wanted to preserve the pathways to affordable homeownership that these homes could offer current tenants and other local residents.

A dozen private investors were bidding on the portfolio, and the Port was concerned that most intended to continue with the previous owner's business model of absentee landlords, bare-minimum maintenance, market-rate rents, and hostile eviction practices, a cash-cow approach for investors that wreaks havoc on local housing markets. The Port team knew it would need to act quickly and aggressively to win the bid.

This is the story of how a local, quasi-public agency pulled off a bit of a coup against powerful market forces, of what comes next when that agency suddenly becomes a landlord, and of the lessons the Port's experience could offer other cities grappling with increasing corporate ownership of the nation's limited supply of affordable homes.

This is the story of how a local, quasi-public agency pulled off a bit of a coup against powerful market forces, of what comes next when that agency suddenly becomes a landlord, and of the lessons the Port's experience could offer other cities grappling with increasing corporate ownership of the nation's limited supply of affordable homes.

Credit: Jeff Dean.

Predatory Investors in Legacy Cities

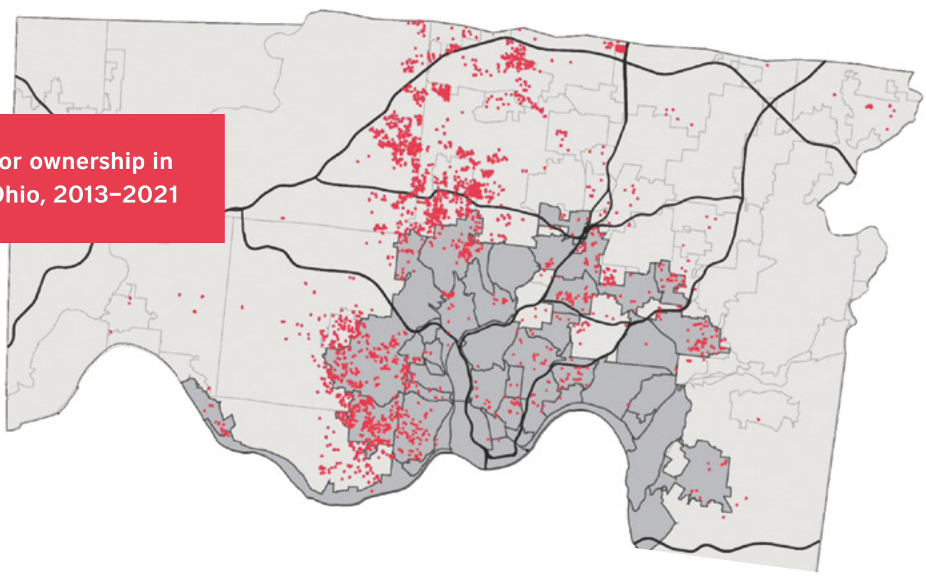
To understand how the Port came to own these properties, it's important to consider what was happening in Cincinnati when the portfolio became available. The local housing market was, and still is, one with relatively low home prices. In October 2021, the median home sale price was $213,000 in Cincinnati, compared to $378,000 nationally (Redfin 2022).

This creates the perfect market conditions for institutional investors to swoop in, says Alison Goebel, executive director of the Greater Ohio Policy Center. "Investors think they will get a good return here, especially the ones who are coming from outside of Ohio and are used to seeing higher home prices," Goebel says. "They see that the home prices here are low enough that they can afford to buy a bunch of properties and make money on the rents, but the prices aren't so low as to give them pause. They see it as a good deal."

By analyzing property records from the Hamilton County Auditor's office, the Port discovered that institutional investors owned more than 4,000 homes in the area.

These market conditions are not unique to Cincinnati, says Goebel, who has coauthored two Lincoln Institute Policy Focus Reports on the challenges and opportunities facing postindustrial cities in the United States (Hollingsworth and Goebel 2017; Patras, Goebel, and Elam 2021). Also known as legacy cities, such places experienced substantial economic and population decline in the second half of the 20th century. Most of these former economic powerhouses are in the Midwest and Northeast; they vary significantly in size, from very large cities like Detroit and Baltimore to smaller ones like Gary, Indiana, and Worcester, Massachusetts. Roughly 17 million people live in legacy cities, with per capita and household incomes that tend to be lower than those in non-legacy cities, making access to affordable homeownership both more critical and further out of reach.

Both the Port and the Greater Ohio Policy Center are participants in the first national community of practice established by the Lincoln Institute's Accelerating Community Investment initiative (ACI), which seeks to mobilize investment in low- and moderate-income communities and bring new partners to the community investment ecosystem (see sidebar). "Building stronger community investment ecosystems is essential for achieving more equitable redevelopment in places across the



Institutional investor ownership in Hamilton County, Ohio, 2013–2021

Credit: The Port of Greater Cincinnati Development Authority.

In Hamilton County, Ohio, home prices below the national average created an opportunity for institutional investors to swoop in. Credit: Cathy via Flickr CC BY-NC 2.0.

nation," says Robert J. "R.J." McGrail, senior research fellow at the Lincoln Institute and director of the ACI initiative. "This work is especially important now, when low-income and moderate-income communities are facing new challenges from deep-pocketed institutional investors."

The staff at the Port had long been aware of the increasing presence of outside investors in the local housing market. In early 2021, they decided to do some digging. By analyzing property records from the Hamilton County Auditor's office, the Port discovered that institutional investors owned more than 4,000 homes in the area. As was the case in cities across the country, many single-family homes that had been registered as owner-occupied a decade earlier were now listed as rental properties.

Further research also confirmed a troubling suspicion: an opaque connection seemed to exist among the most negligent property owners. The Port team was able to map networks of limited liability corporations (LLCs), many of which were related to just a few central entities. In some

ABOUT THE ACCELERATING COMMUNITY INVESTMENT INITIATIVE

The Lincoln Institute launched the Accelerating Community Investment (ACI) initiative in 2021 to mobilize investment in low- and moderate-income communities, especially those that have been excluded from access to mainstream financial and wealth-building resources. ACI began by convening a national community of practice, with more than 40 agencies and institutions participating from 14 states; the group has met virtually and in person to build partnerships, identify new investment opportunities, and share experiences and advice.

The initiative has also held three Local Investor Challenges, spotlighting community investment opportunities in Cincinnati, New Orleans, and Texas. These sessions provide community of practice participants the chance to pitch investment-ready projects to the local investment community and get direct feedback—on the pitch and the projects—from potential investors. "The investor summit ACI held in Cincinnati led to a lot of relationships that could potentially allow us to scale our investment much more significantly," says Laura Brunner, CEO of the Port of Greater Cincinnati Development Authority. "The relationships I have made through them have been invaluable."

In the year ahead, ACI will complete the initial eight-session run of its community of practice and share results, hold additional Local Investor Challenges, and make plans for new activities that support its goal of accelerating community investment across the nation.

To learn more about ACI, contact program director Robert "R. J." McGrail: **ACI@lincolninst.edu**.

Downtown Cincinnati from East Price Hill, where many of the homes purchased by the Port are located. Credit: Courtesy of East Price Hill Improvement Association.

cases, properties were transferred between LLCs multiple times a year. These investor-owned properties were primarily concentrated in low- to moderate-income neighborhoods.

The Port staff and board were still digesting this information when a call came from Colliers, which was managing a portfolio of foreclosed rental homes. The properties had most recently been owned by Raineth Housing, an institutional investor based in Los Angeles that had gained local notoriety for being delinquent on its property taxes and neglecting maintenance to the point where its properties had become, in the words of a lawsuit filed by the city in 2019, a “public nuisance.” Now they were going up for sale. Would the Port want to bid on them?

“My deep conviction is that we should use the powers and expertise of this agency to make the biggest positive impact we possibly can,” said Laura Brunner, president and CEO of the Port. “So when we were suddenly faced with the opportunity to do something that was possible and where, in this case, we saw a moral imperative to act, there was no chance in the world that we would say no.”

Putting a Plan Together

Neither the Port’s budget nor its strategic plan included the acquisition of nearly 200 occupied single-family homes, so the staff had to move swiftly to pull together a bid. After securing informal support from the Port’s board, Brunner and her team met with more than a dozen area organizations active in the housing space to confirm that what the Port wanted to do made sense from their respective positions in the community. Those groups included the Legal Aid Society of Greater Cincinnati, the nonprofit community development corporation Price Hill Will, the Cincinnati Metropolitan Housing Authority, the Home Ownership Center of Greater Cincinnati, and Working in Neighborhoods, a nonprofit founded by the Catholic community Sisters of Charity.

The Port pledged that it would keep rents at their current rates for a year—the average rent for the homes was $750—and work with tenants who were behind on their rent, rather than evicting them. Port staff also reassured the organizations that their commitment to supporting the tenants and their path to homeownership was sincere. The purchase is an important part of

“My deep conviction is that we should use the powers and expertise of this agency to make the biggest positive impact we possibly can. So when we were suddenly faced with the opportunity to do something that was possible and where, in this case, we saw a moral imperative to act, there was no chance in the world that we would say no.”

the Port's effort to address the racial homeownership gap in Cincinnati, where roughly 33 percent of Black households own their homes, compared to 73 percent of white households.

"The racial wealth gap is the biggest problem we have in this county," Brunner says. "We believe that real estate is the fastest way to solve it."

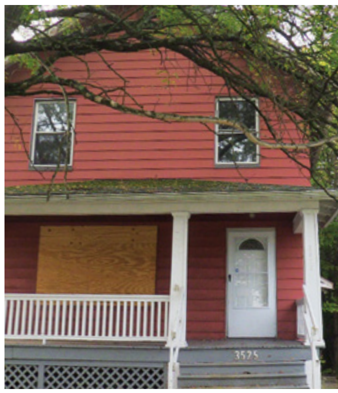
With support from the nonprofits and after confirming that the portfolio—which included thousands of homes in St. Louis, Kansas City, and Cincinnati—could be broken up to allow the Port to bid only on the 194 in the Cincinnati area, Brunner approached her board of directors for formal approval. She says the board—which has 12 members representing the business sector, half appointed by the city and half by the county—was "incredibly supportive from the beginning." One of the big questions, though, was how to finance the deal.

"We knew we couldn't look at every home. But we got some history on the financials, which gave us an idea of what we were dealing with," says Todd Castellini, the Port's vice president of public finance and industrial development. Castellini estimates that Port staff got to inspect about 30 of the properties. "We knew the homes weren't in perfect condition, so we made a very conservative assumption as to what the homes needed. Some needed a lot, some needed a little, and some needed everything in between. Then we did some cash-flow analysis, and then made it even more conservative, and that's how we got comfortable with the deal. We approached the deal not looking to make money on it but to break even, and we are confident we can do that."

Port staff concluded that they needed to borrow $16.25 million—$15.5 million to purchase the homes and $750,000 for repairs and improvements, though the Port planned to cover the bulk of those deferred maintenance expenses with rental income. For the financing, the Port issued bonds with a term of 30 months, which would allow adequate time to assess, upgrade, and eventually begin selling the properties.

The Port was able to sell the bonds quickly, with the entire issuance purchased by a local entity that has been buying Port-issued bonds for the last several years. This longstanding relationship was critical, says Castellini: "They understand us. They've seen our financials. They know how we work. So it was easy for them to analyze us and the deal and to act quickly."

Having secured a buyer for the bonds, Brunner and her team submitted an offer to buy the portfolio for $15 million. On the morning of the final bid, at the suggestion of the board, they increased their offer by $500,000 to make it more competitive. Critically, the Port offered a short timeframe for closing the deal, which worked to its advantage. Though three private equity firms also each offered $15.5 million, those bidders required a longer due diligence period, positioning the Port's offer as the highest and best. Not only had the Port won the sale, but this quasi-public agency had foiled a dozen institutional investors, a nearly unprecedented feat in the world of real estate investment.



The Port purchased 194 houses, which were in varying states of repair and occupancy. Credit: The Port of Greater Cincinnati Development Authority.

"Honestly, I think the acquisition—the whole project, really—is emblematic of many things we have done," says Brunner. "I'd be wracked with guilt if we had just said that it was too hard or too risky or all the 'what ifs.' We have years of history of smaller examples, and this is just a more dramatic one."

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Taking Ownership

Since closing on the deal, the Port's staff has learned a great deal about the portfolio. Many more of the homes were vacant than was represented, creating both opportunity—it's easier to fix up empty houses—and challenge, since rental income was part of the financing formula. And many of the occupied homes are in worse shape than expected. Consequently, Brunner estimates that the Port's improvement costs will likely be at least double what they originally anticipated, bringing the project total closer to $17 million.

LyDonna Turner, who lives with her children and grandchild in one of the houses now owned by the Port, confirmed that she had told the previous landlords about a broken garage door, a collapsed cabinet under her kitchen sink, and a problem with mice, but they never addressed the issues. Her situation is just one example of a backlog of 160 maintenance problems waiting to be addressed when the Port took ownership.

"On the one hand, that's a financial challenge," Brunner concedes. "On the other hand, those conditions really reinforce that we needed to be the buyer. We can't just have all of these houses that are literally deteriorating in these neighborhoods."

To maintain transparency and gain advice on a multitude of topics, from eviction prevention to homeownership training to potential tenant sourcing, the Port established an advisory committee. The agency also hired an experienced property manager who will handle operations and provide residents with the kind of attention and support they hadn't received in the past. "It took us a long time to find a property manager willing to be as empathetic and responsive as we are," Brunner says.

The Port has also partnered with local organizations to offer tenant credit counseling and homeownership preparation initiatives. Goebel notes that the city has a particularly

The Port hired a property manager to address a backlog of 160 maintenance requests and to handle operations. Credit: Jeff Dean.

A contractor hired by the Port examines the condition of one of the agency's newly purchased houses. Credit: Jeff Dean.

strong nonprofit sector, and says that ecosystem of partners will be essential to helping current tenants become homeowners or finding new homebuyers.

At least 80 percent of the occupied properties were behind on rent payments when the Port took over the portfolio, with roughly 20 percent at least one year delinquent. The Port was able to provide rental assistance to close that gap, thanks to $600,000 of American Recovery Plan Act (ARPA) funds provided via the county's Community Action Agency.

Though the houses may end up selling for closer to $130,000 than to the initially projected $120,000, they will still cost significantly less than Cincinnati's current median single-family home price, which has continued to rise and had reached $230,000 by late 2022 (Redfin 2022). And this will all happen without subsidies, Brunner is quick to add.

"Every other house we have ever sold we have had to subsidize," she said. "Typically, that's the way we have lived. But our pro forma shows that we can pay off our debt with a combination of rental income and the sale of the homes. Honestly, it boggled our minds for quite some time that 200 houses can be converted to homeownership without public subsidy. But they can."

Nevertheless, Port staff are exploring the possibility of securing grants from the City of Cincinnati and Hamilton County for down payment assistance and to help lower the homebuyers' purchase price.

The demand is certainly there, says Turner, who hopes to buy her own home one day. "I do have a couple of friends who have been looking to buy homes but haven't been successful. So I think it's a good idea for the Port to buy these homes and to offer them to the tenants first."

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> "We are less concerned with how long the buyer stays in the home and more concerned with who they sell it to. . . . We don't want these homes sold back to investors."

Credit: The Port of Greater Cincinnati Development Authority.

Building Out the Portfolio

Since news of the Port's purchase broke—and spread, earning coverage in national outlets including NPR and the *Wall Street Journal*—the agency has heard from receivers and property owners interested in discussing similar deals. At press time, the team was working to acquire a second portfolio of foreclosed homes, and it is eager to expand as much as the realities of financing allow.

With a property manager on board and tenant counseling in place, "it [would be logistically] easy for us to add properties to our portfolio," Brunner says. "Honestly, I would like nothing more than to buy all 4,000 investor-owned properties that are in our county and get them all out. We may not be there yet, but the opportunity to add that many new homeowners to our market is significant."

But building out the portfolio in a meaningful way will require corporate or philanthropic involvement, Brunner says. Last year, Brunner and her team participated in an ACI Local Investor Challenge, where they pitched the idea of a fund that could finance more opportunistic investments and, Brunner says, made connections that could help make that fund a reality.

Even as the agency explores the possibility of scaling up, questions remain about the current portfolio. For example, how can the agency ensure that properties remain affordable over the long term? According to Brunner, the Port is considering deed restrictions but has not yet settled on the best strategy for ensuring affordability—and, perhaps more critically, sustaining resident ownership. "We are less concerned with how long the buyer stays in the home and more concerned with who they sell it to," she says. "We don't want these homes sold back to investors."

The Port is also reexamining how best to finance mortgages once the time comes. Port staff initially assumed that partner organizations would originate and service the mortgage loans. They are now considering keeping those activities in house to allow for more flexible underwriting guidelines and more "compassionate" collections, Brunner says. By self-servicing mortgages, the Port could help the individual mortgage holders establish a stronger borrowing and repayment history, and could eventually issue mortgage revenue bonds to repay the debt from the acquisition of the homes. Replacing the acquisition financing with a more traditional mortgage-backed security structure would allow the Port to reach a larger potential market of mission-oriented buyers.

That kind of shift could create a more sustainable business model for the Port and others interested in following the agency's lead, says McGrail of ACI. "If the Port can move the financing out of the public sector and into the capital markets without risk to the mortgage holder, that becomes a strategy that is fully a market solution, and that feels potentially transformative to me in the bigger picture," he says. "That feels like an actionable, testable, provable solution for getting the wrong type of property owners swapped out for the right ones."

A Replicable Model?

For all Brunner's enthusiasm, she is nevertheless aware of the David and Goliath dynamic underpinning the project and what that could mean for its scalability or replicability. "On the one hand, our acquisition of this portfolio is a big deal. On the other hand, we are talking about 200 houses and $15.5 million. That's small potatoes in the grand scheme of this national challenge. And the fact that the purchase stands out so dramatically makes me wonder a lot about who the entities are out there that can move the needle on this problem."

Brett Theodos, senior fellow and director of the Community Economic Development Hub at the Urban Institute, has a few ideas on that front. "There are land banks and sophisticated community development corporations and some development finance agencies that could serve this function," he says. "With different actors there are different constraints. Most of them can issue bonds, but the question is whether they would work to push this sort of project forward. For those agencies, it isn't altogether a new flavor combination so much as a willingness to say, 'Yes, we have this purpose, too, and we are willing to put in the muscle to make it happen.'"

"That feels like an actionable, testable, provable solution for getting the wrong type of property owners swapped out for the right ones."

As part of its effort to increase local homeownership, the Port has partnered with local nonprofit Working in Neighborhoods (WIN) to provide classes for tenants and prospective homebuyers. Credit: Jeff Dean.

In other words, the Port's acquisition is likely neither the story of a one-off victory for the public good, nor an easy formula that other cities can follow to facilitate these sorts of acquisitions. But housing experts agree that while some of the circumstances in Cincinnati may be rare, the fundamental strategy is replicable.

"It's important to remember that this was a portfolio that was [in] foreclosure, so it was essentially a fire sale," says Goebel. "These types of sales do happen, whether due to foreclosure or because the owner wants to retire, but they aren't dependable. I'd say that in Ohio, we hear about these sorts of portfolios of single-family rental properties popping up for sale every 12 to 18 months." When they do become available, it's not a given that the broker or others involved would think to alert a quasi-public agency.

The Port's acquisition is likely neither the story of a one-off victory for the public good, nor an easy formula that other cities can follow. But housing experts agree that the fundamental strategy is replicable.

A second relatively unique piece of the story is the Port's statutory construct, says McGrail. "The Ohio port authority statute has amongst the most robust set of powers I've ever seen in a public finance entity," he explains. "In addition to giving port authorities the typical public finance powers needed to issue bonds, Ohio's legislature has given them broad tax powers, allowed them to operate as land banks, and empowered them to be able to hold and redevelop a range of real estate across asset classes, including both commercial and residential property."

He is quick to add that those powers are made more meaningful by the way Brunner and her senior leadership team use them. "They are a dynamic, multi-credentialed team that has adopted a community-first lens in a way that I think is a little unique for a quasi-public agency, because they do a lot of asking and listening before acting—and that understanding of local needs creates more tolerance for pursuing risk-adjusted goals."

The Port's board of directors deserves credit too, says Goebel. They could have easily stopped the project in its tracks. Instead, they not only approved it but also provided crucial guidance on

Laura Brunner, CEO of the Port, describes the damaging impacts of institutional investors on local communities for an interview with NBC News in November. Credit: The Port of Greater Cincinnati Development Authority.

“The tide—these investors—is coming in quickly, and we are swimming very much upstream. The Port is reacting in real time to directly address the problem, which is exactly what we need. We need it again and again, every number of months, and in every city.”

The view from the porch of a Port-owned home. Credit: The Port of Greater Cincinnati Development Authority.

the structure of the Port’s bid. “They need as many kudos for that as they can get,” she notes.

As this experiment continues to unfold in Cincinnati, Theodos urges other cities and investors to consider taking action, noting that plenty of housing markets need this sort of intervention. “The tide—these investors—is coming in quickly, and we are swimming very much upstream,” he says. “The Port is reacting in real time to directly address the problem, which is exactly what we need. We need it again and again, every number of months, and in every city.”

Loren Berlin is a writer and communications consultant specializing in housing and economic opportunity. Read more about her at www.lorenberlin.com.

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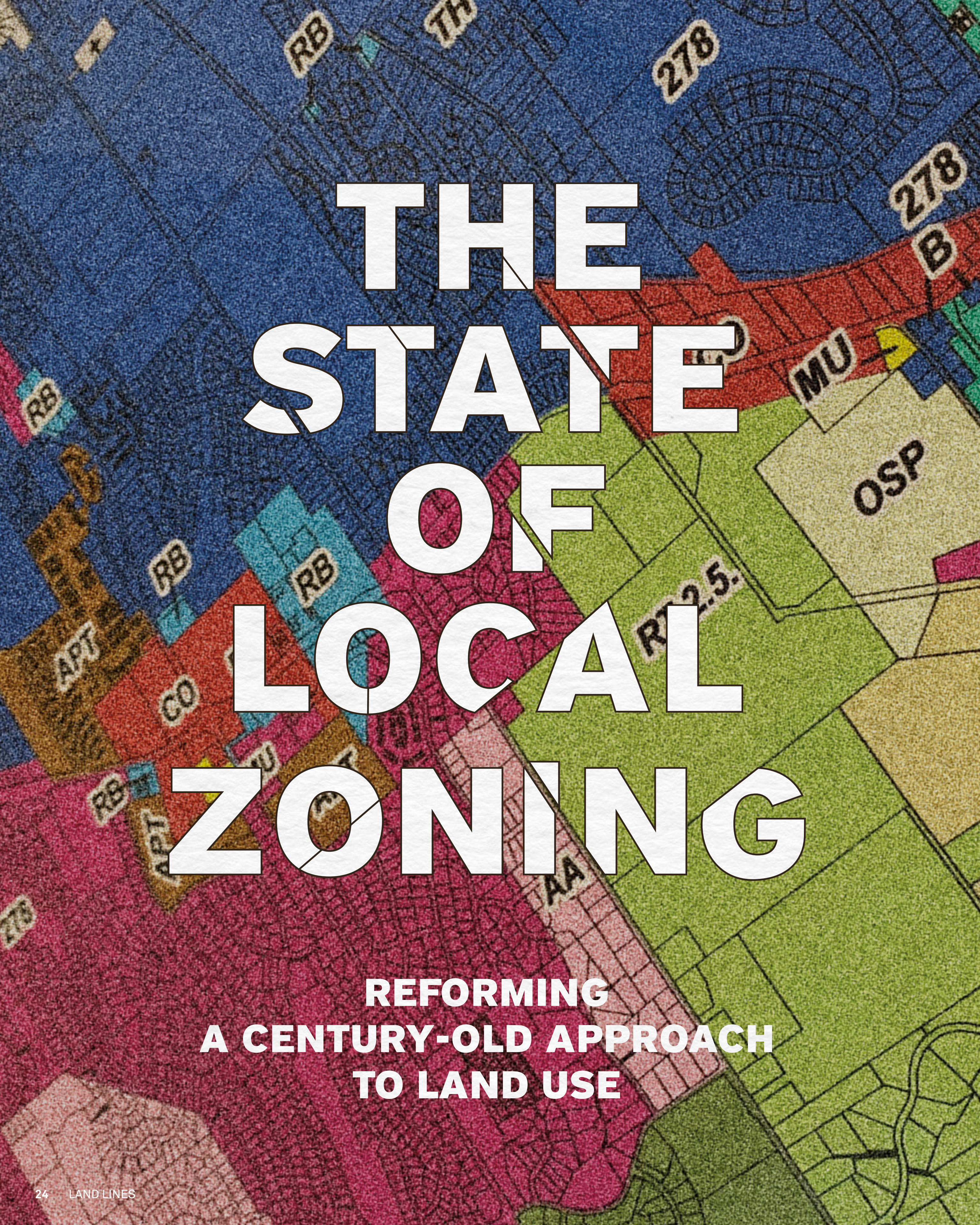


THE STATE OF LOCAL ZONING

REFORMING A CENTURY-OLD APPROACH TO LAND USE

By Anthony Flint

MAKING THE CASE that antiquated rules governing development in the United States are driving up housing prices amid a growing affordability crisis, advocates for statewide zoning reform are seeking to build on recent successes from California to Connecticut. But statewide mandates are encountering resistance from those defending local control of land use, a system that has prevailed for a century.

While the rule changes being implemented or considered are at a technical level previously only familiar to urban planning professionals, they could have an outsized impact—and not just on the availability of housing. Zoning, its critics say, has also locked in racial segregation and perpetuated environmentally unsustainable land use patterns.

The changes in question include banning single-family-only zoning; allowing multifamily housing in more places, including adjacent to transit stops; reducing or eliminating costly minimum parking requirements; and lifting prohibitions on accessory dwelling units (ADUs).

Efforts to reform zoning have gained momentum in part because the issue is surprisingly bipartisan, attracting supporters ranging from free market conservatives who favor streamlining government regulation to progressives concerned about homelessness and seeking to right racial wrongs.

Not only blue states along the coasts, but others regarded as red, such as Utah, are engaged in some type of zoning reform. In Virginia, Republican Governor Glenn Youngkin has been speaking out against NIMBYism, the "not in my backyard" opposition by established residents to new housing development. To address the rising costs residents face, he said shortly after taking office in 2022, "we must tackle the root causes: unnecessary regulation, overburdensome and inefficient local governments, restrictive zoning policies, and an ideology of fighting tooth and nail against any new development."

The biggest driver of reform has been the lack of affordable housing, which is wreaking havoc with local economies. Home prices rose more than 20 percent nationwide from March 2021 to March 2022. In June 2022, Realtor.com reported that rents in the country's 50 largest metro areas had jumped 26.6 percent since 2019, the latest in a string of record increases. According to the Harvard Joint Center for Housing Studies, 30 percent of all U.S. households had unaffordable rent or mortgage payments in 2020, defined as exceeding 30 percent of monthly household income; a growing number of Americans spend half their income on housing (Harvard 2022). Workers often can't live near their places of employment; outright homelessness is increasingly visible.

Advocates for statewide zoning reform are seeking to build on recent successes from California to Connecticut. But statewide mandates are encountering resistance from those defending local control of land use, a system that has prevailed for a century.

"Even people who are the beneficiaries of the California housing crisis, maybe folks who bought a home a few decades ago [and have seen their home values appreciate], they're finding that their adult children can't live within two or three hours of them. They're finding that if they want to retire, they probably have to leave the state," said M. Nolan Gray, author of *Arbitrary Lines: How Zoning Broke the American City and How to Fix It* (Gray 2022). Whether in California or Utah, Gray said, residents are confronting similar "housing affordability issues that are affecting the middle class—and they're looking for solutions."

Credit: Courtesy of the Town of Perinton, New York.

Still, the effort to apply new standards statewide is facing fierce political opposition at the local level, where land use decisions have historically been made, and where the right to set zoning has been heavily guarded since higher levels of government granted that power a century ago. The resistance warns against "imperialistic rezoning from state capitals," in the words of one critic, framing the mandates aimed at increasing housing supply as inappropriate state preemption.

Responding to those who oppose any change in local regulations for development, state lawmakers have watered down statewide reform efforts by adding opt-outs or removing penalties for noncompliance. In some cases, the stirrings of reform have been shut down entirely. In Nebraska, a bill requiring municipalities with over 5,000 residents to allow fourplexes and other "missing middle" housing was replaced by a measure requiring only evidence that local jurisdictions were working on creating more affordable housing. (See page 28 for a state-by-state guide to recent reforms.)

In Massachusetts, the program known as MBTA Communities—signed by Republican Governor Charlie Baker in 2021—requires cities and towns to allow multifamily housing near transit stations by right, with a minimum density of 15 units per acre. But many communities have challenged that mandate—and have indicated they are prepared to do without the state funding that will be withheld if they don't comply.

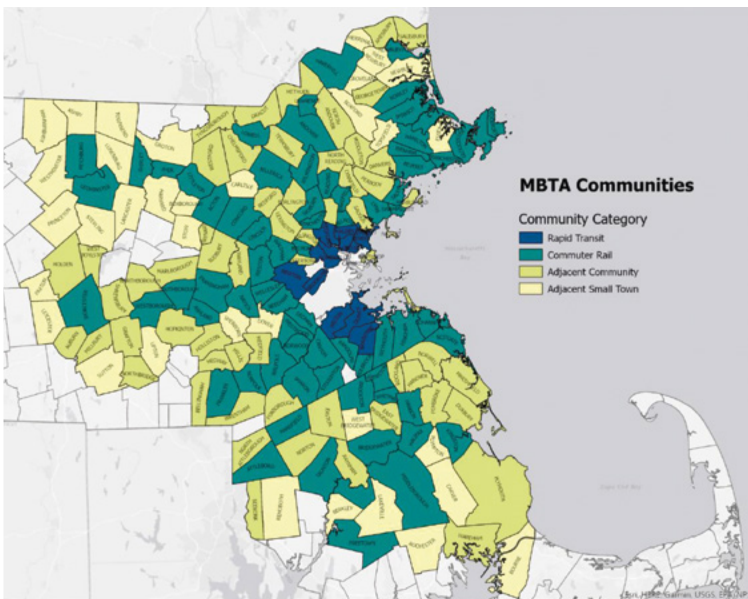
If the key to any public policy reform lies in implementation, that may be especially true with something as entrenched as local control over land use. States intent on reform must convince localities that changing zoning in targeted ways is achievable and will be beneficial. Technical assistance and education, facilitated by state agencies and nonprofit organizations, will help, said Massachusetts-based researcher Amy Dain, who has conducted research for the Lincoln Institute and has documented how suburban communities around Boston have erected a "paper wall" of bureaucracy that hobbles attempts by developers to build multifamily housing (Dain 2021, Dain 2022).

In the case of the MBTA Communities act, she said, "the state is giving cities and towns lots of flexibility in deciding how to draw districts [of greater density] and how to write the requirements. It's at the local level that the sites for transit-oriented multifamily housing development are selected and the dimensional requirements for new housing are established."

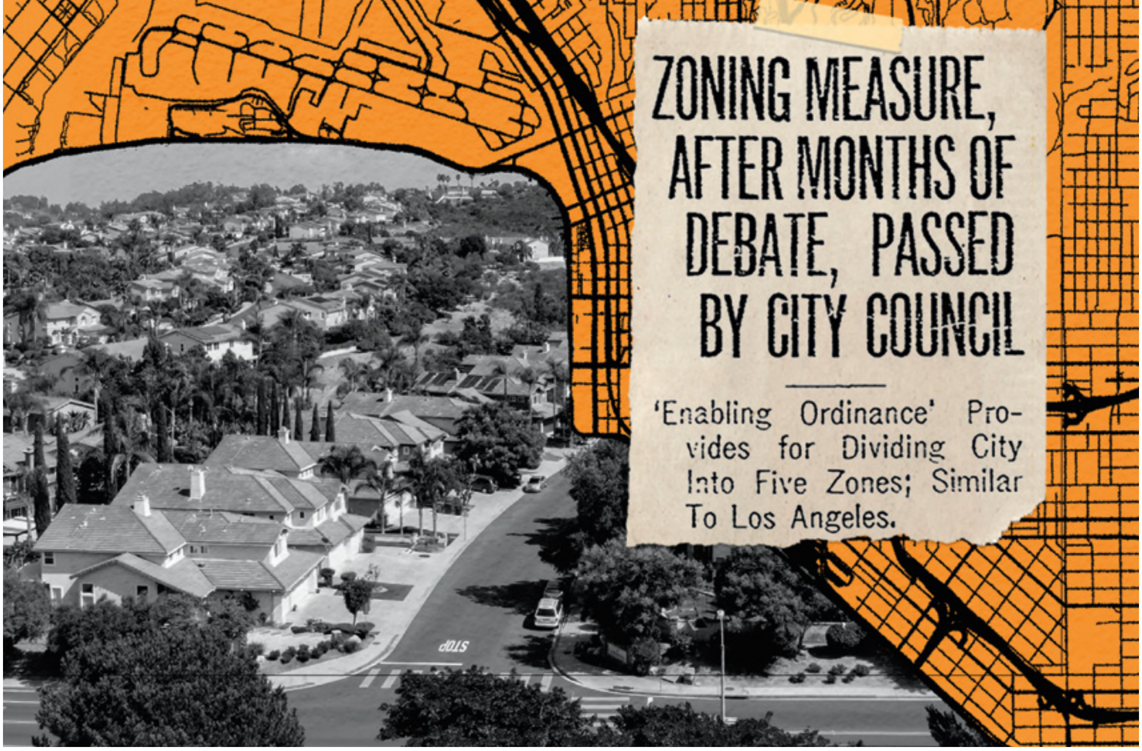
The success of statewide zoning reform in the future may well hinge on the promise of that kind of state-local collaboration.

THOUGH MANY CITIES HAVE BEEN MASTERFULLY planned and designed over the centuries, zoning is a 20th century phenomenon. The need for a framework of rules and regulations emerged as a reaction to explosive growth in U.S. cities after the turn of the century, concurrent with industrialization and the growth of manufacturing; massive immigration; and advances in technology, particularly in the transportation sector, including the streetcar, subway, and automobile.

The call for zoning was part of a progressive campaign to relieve congestion and to improve living conditions and public health—to make sure a tannery was not located right next door to a rooming house, for example. But it was also designed to control where immigrants and people of color could live. The first U.S. cities to



A recently enacted Massachusetts law requires 175 communities to allow multifamily housing near transit. Credit: Commonwealth of Massachusetts.



A headline announces the arrival of zoning in San Diego in 1923. Credit: Illustration courtesy of Voice of San Diego.

create zoning included New York City and Berkeley, California, both circa 1916.

In 1923, the Standard State Zoning Enabling Act provided model legislation states could adapt to grant municipalities the power to dictate land uses. Drafted by a Department of Commerce committee that had been assembled by Herbert Hoover and included Frederick Law Olmsted, the enabling act was adopted by all 50 states. The landmark 1926 Supreme Court case Euclid vs. Ambler Realty, which saw a realty company sue for the right to develop land across several newly implemented zoning districts in an Ohio town, affirmed that zoning was a local responsibility, and indeed a police power to reduce conflicts and improve public health.

The result was that more than 30,000 local governments developed their own regulation of land uses and structures, including allowable height, bulk, floor-to-area ratios, lot sizes, and setbacks. A common approach was separating commercial, industrial, and residential uses, designating parcels by category in multicolored zoning maps that are still in use to this day. On the residential side, zones for single-family homes, often on large lots, were most prevalent; areas set aside for multifamily housing, including even two-family structures, were much smaller, if they existed at all.

Although communities used similar approaches, zoning became a highly decentralized system in which each jurisdiction developed particular rules in complicated formats. "Even for an expert, these zoning codes can be hard to read, and it's nearly impossible to compare them to each other," said Cornell University law professor Sara Bronin, who was part of a major zoning reform effort in Connecticut and is now leading the development of the National Zoning Atlas. That crowdsourced project is working to create a user-friendly, interactive zoning map of each state in the country (see sidebar page 33).

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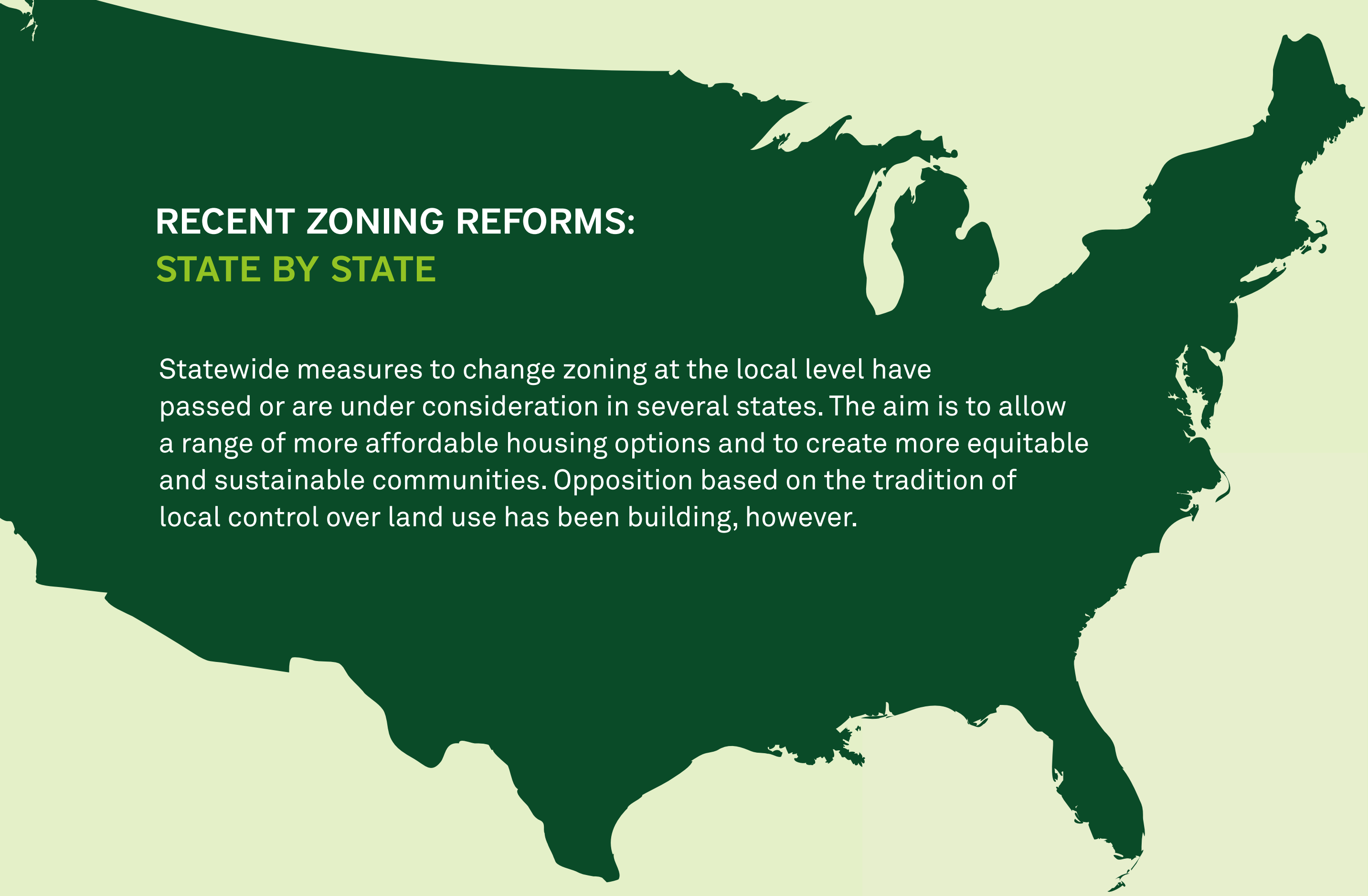


RECENT ZONING REFORMS: STATE BY STATE

Statewide measures to change zoning at the local level have passed or are under consideration in several states. The aim is to allow a range of more affordable housing options and to create more equitable and sustainable communities. Opposition based on the tradition of local control over land use has been building, however.

ARIZONA

State representatives César Chávez (D) and Steve Kaiser (R) introduced a bill in 2022 allowing multifamily housing or increased single-family-home density on land zoned for agriculture or single-family homes. Following fierce opposition, the proposal was rewritten to establish a committee to study housing supply.

CALIFORNIA

In 2022, Governor Gavin Newsom (D) signed a bill eliminating parking requirements near transit and legalizing mixed-income multifamily housing in all commercial areas. That followed the statewide legalization of accessory dwelling units (ADUs) in 2016, and a 2021 measure allowing property owners to split a single-family home or lot into duplexes or fourplexes. Opponents have vowed to reverse that law through a ballot initiative.

CONNECTICUT

A sweeping reform bill passed in 2021 forbids local zoning that caps the number of multifamily housing units or discriminates against lower-income residents, in a state where 90 percent of land is reserved for single-family homes as of right. The package also legalizes ADUs, caps minimum parking requirements, enforces affordable housing targets, and eliminates the terms “character,” “overcrowding of land,” and “undue concentration of population” as the legal basis for zoning regulations.

MAINE

A package introduced in early 2022 would have created a state oversight board with the power to override local decisions about critical housing projects; it also would have eliminated caps on growth instituted by municipalities citing “overcrowding.” Those provisions were removed, leaving a law that allows ADUs on land zoned for single-family homes.

MARYLAND

A 2020 bill to increase housing density in higher-income areas that have a concentration of jobs and access to transit failed to progress, as did another measure requiring municipalities to allow ADUs. Baltimore has considered ending single-family-only zoning on its own.

MASSACHUSETTS

Under the MBTA Communities law passed in 2021 and signed by Governor Charlie Baker (R), multifamily housing at a density of 15 units per acre must be allowed by right near transit stations, or state funding for infrastructure and other projects will be withheld. Several communities have challenged the policy, and some have indicated willingness to forgo the funding rather than comply.

MONTANA

In late 2022, a housing task force appointed by Governor Greg Gianforte (R) recommended opening areas zoned for single-family homes to duplexes, triplexes, and fourplexes, and overhauling other restrictive local zoning regulations. The head of the organization representing Montana cities and towns called the effort "straight out of California." The legislature is expected to consider related proposals this year.

NEBRASKA

A bill introduced in 2020 and intended to ban single-family-only zoning and allow fourplexes was replaced by a measure that requires only that cities and towns show they are working toward affordable housing.

NORTH CAROLINA

Bipartisan legislation in 2021 called for allowing duplexes, triplexes, fourplexes, and townhomes in any residential zoning district with water and sewer service, and allowing ADUs. That proposal stalled after opposition from local jurisdictions.

OREGON

The first state in the country to ban single-family-only zoning, Oregon enacted a law in 2019 that requires most cities with populations over 1,000 to allow duplexes, and requires municipalities of 25,000 or more to allow townhouses, triplexes, and fourplexes.

UTAH

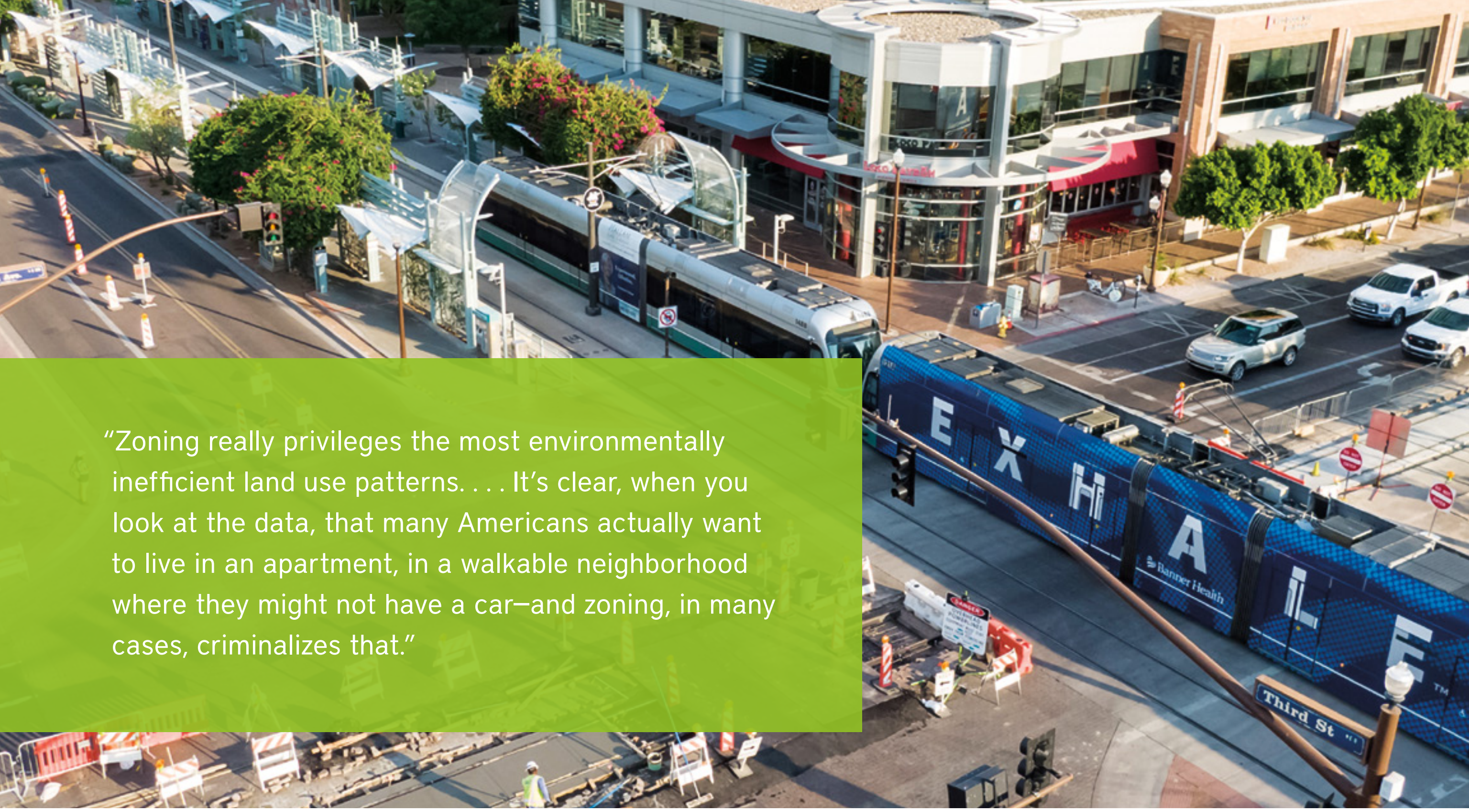
A measure passed in 2022 leverages state funding for local zoning reform that makes it easier to build middle-income housing and transit-oriented development. In late 2022, the state legislature was also considering withholding state funds for communities that lack a housing master plan, and overriding local zoning and hearings processes to allow landowners to build affordable housing.

VIRGINIA

Governor Glenn Youngkin (R), who has been critical of NIMBYism, released a plan in November that recommends linking state funding to local housing plans and investigating comprehensive zoning reform.

WASHINGTON

Legislation under consideration would allow greater density at transit stations and permit two-, three- and four-family homes in areas now zoned for single-family homes.



"Zoning really privileges the most environmentally inefficient land use patterns. . . . It's clear, when you look at the data, that many Americans actually want to live in an apartment, in a walkable neighborhood where they might not have a car—and zoning, in many cases, criminalizes that."

Transit-oriented development in Tempe, Arizona. Credit: Federal Transit Administration.

The intensely local nature of zoning created another attribute that has helped effectively lock the rules in place: significant constituencies of established residents who refer to the rules to block new development. Zoning—as well as environmental regulations and, in some cases, historic preservation restrictions—was used as a shield in separated-use suburbs dominated by single-family zoning and in cities, where residents grew wary of redevelopment in tightly knit neighborhoods. Through the 1960s and 1970s, local neighborhood organizations grew stronger using veto power over a wide variety of redevelopment proposals, said Jacob Anbinder, who is writing a dissertation at Harvard about local control and community organizing.

The combination of complicated rules and staunch defenders made the system seem impenetrable. But some of the first challenges to the notion that zoning was sacrosanct—suggestions that local land use regulations had become calcified and obsolete—began emerging about 25 years ago, primarily on an environmental basis. The smart growth and New Urbanism movements contended that the separation of uses was fostering environmentally damaging car dependence and had made mixed-use, walkable living arrangements essentially illegal.

"If you look at historical prezoning neighborhoods, the standard would be that you would have life's daily necessities within walking distance," said Gray. "You might have a corner grocery, you might have a corner barbershop, you might have a corner medical office, or at least cities could achieve densities such that transit would actually work. There was density high enough to be able to take a bus or even to take a train.

"Zoning makes all of that very difficult," he said. "It really privileges the most environmentally inefficient land use patterns. It's clear, when you look at the data, that many Americans actually want to live in an apartment, in a walkable neighborhood where they might not have a car—and zoning, in many cases, criminalizes that."

In what might be described as an initial and more subtle attempt to get communities to reassess their zoning, planners promoting alternatives to sprawl introduced the idea of the "form-based code," which reoriented zoning around the composition and massing of buildings, instead of focusing on the use and activities that go on inside. Others tried to help small and midsized cities make incremental adjustments that enabled more urban landscapes.

"Meeting local governments where they are" was the mantra for the Project for Code Reform initiative launched by the Congress for the New Urbanism in 2016, said Lynn Richards, who was president of the organization at the time. "It was not intended as a full audit, but rather identifying the biggest little change a community could make to improve the regulatory environment in that place," she said, adding that incremental changes were instituted in Michigan, Vermont, New Hampshire, and Wisconsin.

For the most part, however, the status quo remained, even as public awareness of the role of zoning in perpetuating racial segregation grew, adding to concerns about its impact. Historical and demographic research around the country illustrated the damaging and lasting impacts of land use decisions in places from Los Angeles to Manchester, New Hampshire. Local governments that had been handed the responsibility of overseeing land use had failed to ensure equitable and sustainable communities, according to this critique, and were showing no signs of changing their ways.

"A century of decentralized and isolated local control of land produced unacceptable levels of racial and economic segregation, urban sprawl that contributed to the climate crisis, and an almost unassailable housing crisis," wrote Lincoln Institute President George W. McCarthy in an essay in the October 2022 issue of *Land Lines*. "It is sometimes necessary for higher levels of government to supersede the decisions of lower levels of government to promote general welfare or address negative externalities that are artifacts of uncoordinated actions at lower levels."

A FEW CITIES, including Minneapolis and Portland, have been in the vanguard, taking steps to ban single-family-only zoning, for example. A framework of incentives and penalties encouraging denser and more inclusive development has also been floated at the federal level under the Obama and Biden administrations.

The rationale for statewide standards, however, has become increasingly clear: to eliminate the patchwork of different policies and regulations within metropolitan regions. Some communities might allow ADUs, for example, while others prohibit them. A more uniform regulatory regime would level the playing field, reflecting actual homebuying and renting aspirations and making it possible to develop a responsive regional approach to issues like the current affordability crisis.

As a first step toward more comprehensive reform, many states have legalized accessory dwelling units (ADUs), allowing homeowners to add a second unit on their property. Credit: Joiedevivre123321 via Wikimedia Commons.

The zoning reform measures that have passed or are under consideration range from relatively small tweaks, such as legalizing ADUs or eliminating minimum parking requirements, to more significant preemptions that allow multifamily housing, whether two-, three-, or four-family townhomes or larger apartment buildings, in areas zoned exclusively for single-family homes.

California has been a leader, first legalizing ADUs statewide, then allowing duplexes and lot splits in single-family zones, and mixed-income multifamily housing in all commercial areas, while also eliminating minimum parking requirements at transit stations. Connecticut is close behind, with requirements that cities and towns "affirmatively further fair housing" in their zoning, promote diverse housing options, legalize ADUs, and cap minimum parking requirements. The state's newly adopted guidelines also prevent towns from enacting zoning that discriminates by income, caps the amount of multifamily housing in a community, or charges unreasonable or different fees for multifamily affordable housing.

Zoning reform measures range from relatively small tweaks, such as legalizing accessory dwelling units or eliminating minimum parking requirements, to more significant preemptions that allow multifamily housing in areas zoned exclusively for single-family homes.

An additional notable feature in Connecticut is the removal of the terms "character," "overcrowding of land," and "undue concentration of population" from state law as legal bases for zoning regulations. In their place, the bill allows towns to consider only the "physical site characteristics" of a district.

Reformers aspire to dig deeper on the issue of process, which has been shown to hinder and discourage new development by making it prohibitively costly. Recommendations include a "shot clock" limiting the length of the permitting process, and exemptions from lengthy review for small or mid-sized projects that clearly don't have a major environmental impact.

Municipal associations, local leaders, and residents have pushed back against statewide zoning reform efforts. Here, a protester in Connecticut urges lawmakers to "keep zoning local." Credit: Kassi Jackson, *Hartford Courant*/Tribune News Service.

OTHER STATES MULLING ZONING REFORM have included elements from the California and Connecticut reforms. But a pattern has emerged in which lawmakers propose tough measures—disallowing single-family-only zoning, for example—and then, in the face of opposition, prescribe milder reforms, such as lifting prohibitions on renting out carriage houses or apartments over garages.

Lawmakers appear to be responding to a predictable backlash against state mandates, which is premised on the basis that jurisdictions should not be subjected to blanket requirements that don't fully consider local conditions.

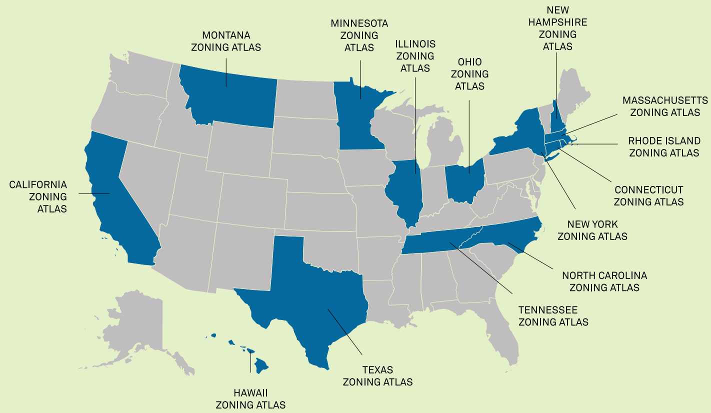
Aaron Renn, a conservative urban analyst and contributing editor for *City Journal*, said he is "generally supportive of zoning liberalization as a tool to address housing supply shortages," but is wary of putting states in control of local land use decisions because of the perceived risk that it will lead to one-size-fits-all policies. He expressed concern that state-level advocates of reform "argue that in most cases the upzoning won't mean wholesale replacement of single-family homes with apartment buildings, but they won't countenance any limits," like putting a cap on the number of fourplexes in a neighborhood, and he worries that terms like "transit corridor" aren't clearly defined.

Kimberly Fiorello, a Republican state representative for the Connecticut towns of Stamford and Greenwich, put it more bluntly, warning against the zoning reform package that was ultimately adopted by the state.

"Handing over local zoning control to 'experts' in Hartford should be an affront to anyone who believes in self-government and the right to private property," she wrote in 2020, when zoning reform efforts led by state officials and the nonprofit coalition Desegregate Connecticut began gaining momentum. Fiorello and other Republicans even called at one point for a state constitutional amendment "to permit municipalities to enact and enforce zoning restrictions without regional or state interference."

Preemption, in this case overriding local government, has been established as precedent in the area of housing and withstood legal challenges. In Massachusetts, Chapter 40B overrides local zoning to fast-track projects if 25 percent of the proposed units are affordable, in communities where the affordable housing stock is less than 10 percent. The landmark Mount Laurel case, first decided by the New Jersey Supreme Court in 1975, similarly required cities and towns to add their "fair share" of affordable housing as a priority that trumps local land use restrictions. In California, municipalities that don't meet affordable housing goals are subject to the "builder's remedy," wherein developers can propose any housing project and it is automatically approved.

States pursuing meaningful reform thus must strike a balance between forcing compliance through penalties and other means, and supporting cities and towns more gently through the implementation process, assuring them they remain in control as they open up to more housing.



ABOUT THE NATIONAL ZONING ATLAS

When Sara Bronin, now a Cornell University professor, first got involved in zoning reform in Connecticut, a clear need emerged: identifying what, exactly, the local land use regulations were in the state's 169 cities and towns. Finding the answer took reviewing 2,622 zoning districts and more than 30,000 pages of text, and using spreadsheets, maps, and geographic information systems to organize everything. That exercise inspired Bronin and her small team of collaborators to launch a more ambitious project: documenting local zoning practices in all 50 states to create a National Zoning Atlas.

The aim of this crowdsourced project is to translate and standardize the country's zoning codes, building an interactive online map that's easy for the public to use and understand. The National Zoning Atlas seeks to help broaden participation in land use decisions, identify opportunities for zoning reform, and narrow an information gap that currently favors land speculators, institutional investors, and homeowners over socioeconomically disadvantaged groups. It will also illuminate regional and statewide trends and provide a resource for national planning efforts related to housing production, transportation infrastructure, and climate change.

A growing collaborative of researchers is currently working in 14 states, from New Hampshire to Hawaii. The team welcomes collaborators from all states. To learn more, visit **www.zoningatlas.org**.

"Zoning has endured because it is embraced by local communities and local people. Planners should work to hold on to that enthusiasm, to give local communities local control, while supporting the myriad efforts to address the shortcomings of zoning in its current form," said Harvey M. Jacobs, professor emeritus at the University of Wisconsin–Madison and Radboud University Nijmegen, in the Netherlands.

"Do localities need a nudge? Yes. Will they like it? No," said Jacobs, who has conducted research with the Lincoln Institute on public policy and property rights. He predicts "somewhat of a cat-and-mouse game, between state-imposed standards and local implementation."

"Zoning has endured because it is embraced by local communities and local people. Planners should work to hold on to that enthusiasm . . . while supporting the myriad efforts to address the shortcomings of zoning in its current form."

IN THE MEANTIME, cities are acting on their own, with or without state mandates. The list of places approving reforms is growing, from community-wide upzoning in Walla Walla, Washington, to the approval of ADUs and elimination of parking requirements in Fayetteville, Arkansas. Cambridge, Massachusetts, recently joined the growing list of communities doing away with parking minimums.

Advocates are hoping to build on that momentum, relying in part on data analysis following implementation. Understandably, since this wave of reform efforts is relatively recent, there are few studies that show changes in zoning directly result in more housing affordability or other desirable outcomes.

An analysis of rents for freshly authorized ADUs by the Southern California Association of Governments showed the small-scale housing in five Los Angeles–area counties was affordable to those earning 80 percent of area median income and lower—although in many cases no rent was charged at all, as family members moved in to relieve overcrowding. "That's essentially affordable housing production at scale and at no cost to the taxpayer," said Gray. "That's all just because of removing some of these zoning barriers to ADUs."

Two working papers by the Mercatus Center at George Mason University determined that zoning that allows multifamily housing is associated with substantially larger population shares of Black and Hispanic residents than zoning for single-family housing—a combined nine percent higher in Greater Boston, and 21 percent in the Twin Cities metro area (Resseger 2022, Furth and Webster 2022).

Bronin, who is leading the National Zoning Atlas effort at Cornell, said research she is about to publish found that simply eliminating minimum parking requirements could enable the creation of thousands of additional units of housing in 15 Connecticut cities. The greatest potential was in Bridgeport, the state's largest city, which eliminated its minimum parking requirements for housing in 2022. "We're hopeful that will unlock new investment in Bridgeport, which is pretty close to New York City and, like several of the large Connecticut cities, is struggling economically—but that one single reform has a lot of promise for the creation of new housing, which in turn will drive down prices," Bronin said.

Though there are conflicting studies, some research suggests that increasing housing supply, even at the high end, can ultimately have a downward impact on rents and home prices (Mast 2021). The growing consensus among policy makers and economists is that adding different types of housing across a broad region will be beneficial in the long run.

In that sense, those clamoring for even incremental zoning reform are faced with a challenge akin to climate change, which would continue even if all emissions could be halted tomorrow. Market conditions won't change quickly, but acting now, the argument goes, will set the stage for a less disastrous lack of affordability in the future.

The case can be made on the basis of that long-term economic viability, said Dain, referring to the Massachusetts mandate for upzoning in areas around transit stations. "This isn't really a technical change, it's a major adaptive effort for the whole region—to make sure people will all have homes and that the region grows in a sustainable, resilient way."

Bronin agrees that modifying rules established long ago can lead to big-picture payoffs—even as that is a complicated message to convey, since zoning has for such a long time remained unseen in the background.

"Zoning is the most significant regulatory power of local government," she said. "It not only governs where we can put housing and factories and parks and shops—it actually has significant impacts on the economy, and even, I think, the very structure of our society." Recalling the multiyear reform effort in Connecticut, she noted that "when we started . . . we knew that there was a place in the public conversation for zoning and the time was right to link reform of our outdated zoning laws with much better social and economic outcomes that would be beneficial to Connecticut as a whole.

"I think we surprised people in the traction that it gained and the allies that it gained," she said, noting that Connecticut is known as "the land of steady habits." Because that culture ultimately opened up to change, she said, she has hope for the reform attempts underway in other places: "I'm pretty optimistic about these efforts."

Anthony Flint is a senior fellow at the Lincoln Institute of Land Policy, host of the *Land Matters* podcast, and a contributing editor of *Land Lines*.

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Listen to the *Land Matters* podcast for a conversation about zoning reform with Sara Bronin and M. Nolan Gray: **www.lincolninst.edu/publications/podcasts-videos**.



HOME ECONOMICS

How **Manufactured Housing** Could Help Solve the National Affordability Crisis

By Jon Gorey

DESPITE THE ENGAGING WARMTH IN HIS VOICE, Jim Bennett is not what you'd call a people person. "I'm basically asocial, even though I worked retail—or maybe *because* I worked retail for so long," he quips. It's late fall when we speak, so he's bracing for the chaotic social cyclone that is a big family Thanksgiving; his wife, Kathryn, is decidedly more enthusiastic about hosting everyone for dinner.

The couple certainly has room to entertain in the home they bought three years ago. The open kitchen and dining area is roughly 13 feet by 30 feet, and easily fits a pair of full-size tables. "We have 16 to 20 people over for Thanksgiving, and it's not crowded," Bennett says.

What's remarkable is that all that space—the big, blank canvas upon which the Bennetts plan to paint their golden years—was created on a factory floor, trucked up the highway, and now sits in a 55-and-over manufactured home community called Woodland Estates, about 50 miles northwest of Boston. With its open layout, spacious primary bedroom, office space, and two bathrooms, one with a roll-in shower, theirs is not the "mobile home" of yore.

Yet it was mobility, of a different sort, that inspired the couple to design and purchase the house. Bennett, 64, has been living with multiple sclerosis for over 20 years, and knows that he's likely to face increasing difficulty getting around. "We were living in a 100-year-old, two-story home," he says, and they needed a more practical setup.

Manufactured homes are perfectly suited to single-level living, almost by definition. And at Woodland Estates, the new homes are built with accessibility in mind. The Bennetts looked at some accessible apartments, but the rents were higher than the monthly installments they would end up paying on their home loan. "It just made so much sense in the long run with what I might have coming at me," Bennett says—and he acknowledges that he's even beginning to enjoy the sense of community he and his wife have found in their new neighborhood.

Increasingly, the Bennetts have company—and not just of the social variety. Homebuyers, local officials, and even the White House are coming to the same conclusion they did: manufactured housing can make a lot of sense, for a lot of people, and in a lot of places.

When it comes to manufactured housing, people tend to dwell on the "manufactured" part. That modest modifier carries with it a lot of cultural cargo and historical stigma. But as the home affordability crisis worsens, spreading from coastal cities to middle America, proponents of the industry say we ought to be focused on the second half of the phrase—because manufactured housing is, well, *housing*.

Homebuyers, local officials, and even the White House are coming to the same conclusion: manufactured housing can make a lot of sense, for a lot of people, and in a lot of places.

While outdated misperceptions of manufactured homes linger in the popular imagination—in the form of images of hurricane-battered mobile homes or poorly maintained trailer parks—the reality is that most modern manufactured homes, built to strict federal standards that supersede local building codes, are energy efficient, made of high-quality materials, and designed to be affordable. Although many are placed in dedicated communities like Woodland Estates, about half are on privately owned land, from rural areas to suburban subdivisions (MHI 2022).

"We see manufactured housing as an important component to addressing the larger U.S. affordable housing crisis," says Jim Gray, senior fellow at the Lincoln Institute of Land Policy.

Credit: Clayton Homes.

That's one reason the Lincoln Institute now convenes the Innovations in Manufactured Homes (I'm HOME) Network, which for 20 years has been working with nonprofits, the private sector, and government agencies "to solve problems that are keeping manufactured housing from reaching its potential in the market," says Gray, who led the Duty to Serve program at the Federal Housing Finance Agency (FHFA) before joining the Lincoln Institute.

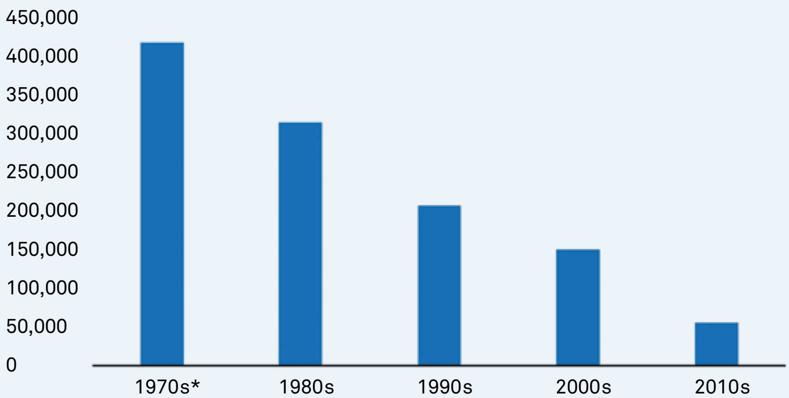
Some 22 million Americans, most of whom earn less than $40,000 a year, already live in manufactured homes, making them the largest source of unsubsidized affordable housing in the country. The Housing Supply Action Plan released by the White House in May mentions manufactured housing several times, identifying it as one of a few housing types that "directly meet identified local needs [and are] not sufficiently provided by the market" (White House 2022). It's almost literally an off-the-shelf solution, one that can provide safe, sustainable housing for millions of Americans and help combat our affordable housing crisis.

An Urgent Need for Affordable Housing

The United States does not have enough affordable housing for everyone who needs it. That's partly due to "severe underbuilding" of smaller, entry-level homes, the kind that would appeal to downsizing retirees or first-time homebuyers. From 1976 to 1979, as baby boomers were entering their twenties and thirties, the country was building an average of 418,000 entry-level, single-family houses a year, representing more than a third of all new homes built, according to a report by government-sponsored mortgage entity Freddie Mac (Freddie Mac 2021). In the 2010s, as a similarly sized generational cohort of millennials entered their homebuying years, U.S. builders averaged just 55,000 starter homes per year, and their share of the new construction market fell to a 50-year low of around 7 percent.

That's a market need that manufactured housing is well positioned to fill. New site-built homes tend to be quite large, averaging over 2,400 square feet for the past decade, but the average

New Entry-Level Housing Supply at Five-Decade Low



*Due to data limitations, represents 1976 to 1979 only

Construction of entry-level, single-family homes dropped from an average of 418,000 per year in the late 1970s to 55,000 per year during the 2010s. This has contributed to a national shortage of affordable starter homes. Source: Freddie Mac.

Manufactured homes under construction in a factory in Athens, Alabama. Credit: Clayton Homes.

manufactured home is under 1,500 square feet, according to Census data (U.S. Department of Commerce 2022).

That smaller size, coupled with lower production costs, helps manufactured homes deliver a one-two punch on pricing, says Rachel Siegel, senior officer on the home financing research team at the Pew Charitable Trusts. "Manufactured housing is a lot less expensive per square foot than a site-built home," Siegel says. "So you have two benefits there in terms of affordability."

Stacey Epperson, founder and chief executive of Next Step—a nonprofit member of the I'm HOME Network that helps families purchase high-quality, Energy Star–rated manufactured homes—says its homes can cost 20 percent less to build, per square foot, than site-built counterparts. (Editor's note: Lincoln Institute CEO George W. McCarthy is a member of the Next Step board.)

These homes are typically multi-section homes with a site-built look, Epperson says; when you factor in the array of sizes and styles available industrywide, the savings can be even greater. According to the Manufactured Housing Institute, factory-built homes cost an average of $72 per square foot, compared to $143 per square foot for a site-built home (MHI 2022).

Some of the reasons for the savings are obvious—there are no weather delays inside a factory, for example, so labor, materials, and carrying costs are all more predictable. Efficiencies of scale bring down supply costs, too. "If I'm the largest manufacturer, building 25,000 to 30,000 homes a year," Epperson says, "my purchasing power is far more than the guy in the pickup truck building 100 homes a year."

And there are other savings when it comes to materials. Compared to the dumpster full of wood trimmings and drywall scraps left over from a typical site-built home, building a house in a factory generates almost no waste. Even conscientious homebuilders squander a staggering amount of resources during construction: a new 1,600-square-foot home can generate up to 6,720 pounds of construction waste and still earn green building credits toward LEED certification. Meanwhile, Epperson says, "the waste on a Next Step home can fit into a single trash can." That's good for the environment and the homebuyer, who doesn't have to pay for all those unused materials.

At a time when Americans need housing relief fast, manufactured homes also offer a speed advantage. Between the lack of weather disruptions, the ability to extend the workday through rotating shifts, and the streamlined designs and federal standards—which were put in place by the U.S. Department of Housing and Urban Development in 1976 and revised in the 1990s—homebuilding goes faster in a factory: once production is underway, a manufactured house can be completed in just three weeks. While a home is being assembled on the factory floor, on-site crews can do things like grade the lot for the house and lay utility connections, further hastening the overall pace of construction.

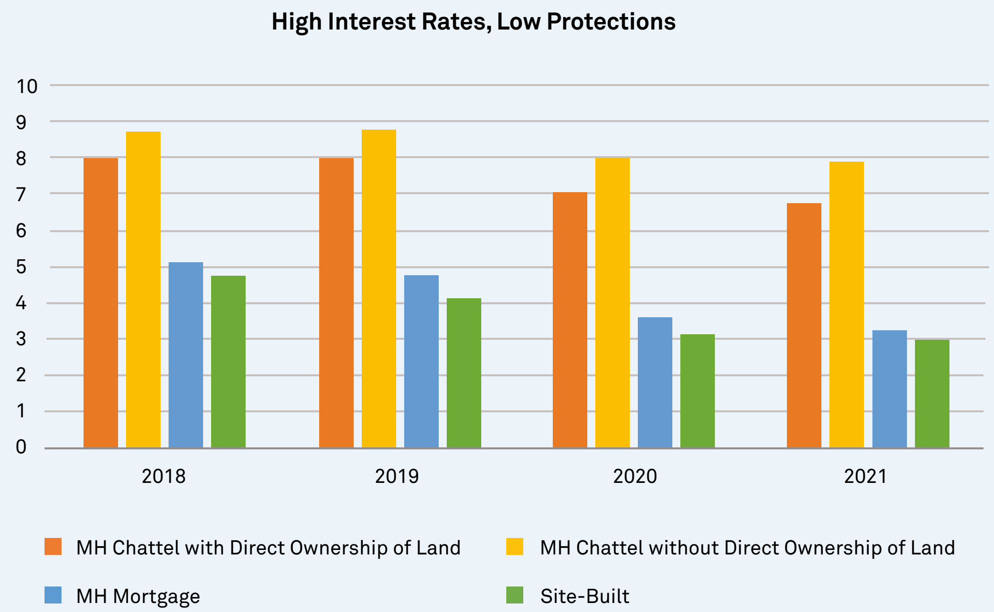
The manufactured housing industry built nearly 106,000 homes in 2021, a 15-year high (MHI 2022). Demand for the houses is growing, and Epperson says homebuilders are capable of producing far more. But for manufactured housing to truly take off, this sector and those advocating for it must address thorny challenges related to financing, land tenure, and zoning.

Using Auto Loans to Buy Houses

Despite the relative affordability of manufactured housing, financing can be a big hurdle for would-be homebuyers. About three-quarters of manufactured homes are titled as personal property, not real estate, and therefore aren't eligible for a mortgage. That leaves buyers relying on personal property (or "chattel") loans, which are more akin to auto loans than to mortgages, and tend to come with higher interest rates, shorter loan terms, and fewer consumer protections.

And even those loans can be surprisingly difficult to obtain.

"Our research has found that denial rates [on manufactured home loans] are astronomically high," Siegel says. About 7 percent of completed mortgage applications for traditional site-built homes get denied, she says, but the rejection rate for manufactured home loans is nearly eight times that, at 54 percent. Even mortgages for manufactured homes classified as real property—meaning, in most states, that they're



About three-quarters of manufactured homes are ineligible for mortgages, forcing buyers to rely on high-interest personal property (or "chattel") loans. This comparison of interest rates illustrates the stark difference among chattel loans, manufactured housing mortgages, and mortgages for site-built homes. Credit: Lincoln Institute.

placed on a permanent foundation on owned land and titled as real estate—are denied 40 percent of the time.

That's a big obstacle to getting people into a house, Siegel says. The average price of a new manufactured home, excluding land, transportation, and other setup costs, was $124,900 in May 2022, according to the most recent Census data (U.S. Department of Commerce 2022). That's less expensive than a typical house, but it's not exactly pocket change.

So when buyers are denied adequate financing, they may be forced to continue renting, seek out riskier loans, or pay cash for an older, lower-quality mobile home (see sidebar).

Even for those who do qualify, personal property loans offer far less protection than mortgages. "When someone defaults on their loan in a real estate situation, there's a pretty detailed foreclosure process that is designed to take some time so that residents have a chance to refinance or make other arrangements," Gray explains. "But with personal property and chattel lending, there's no foreclosure protection, and it's often as easy as repossessing a car to take someone's home away from them."

The Lincoln Institute and other members of the I'm HOME Network have pushed for Freddie Mac and its fellow federal mortgage entity Fannie Mae to play a bigger role in the manufactured housing market, for both real estate and chattel loans. While Fannie Mae and Freddie Mac purchase some 62 percent of residential mortgages in the United States, they back less than a quarter of manufactured home mortgages. Such loans are still a tiny fraction of their business: they purchased 169,411 manufactured home mortgages in 2021, up 50 percent from 2017, according to mortgage data firm Recursion. But at $20.2 billion, those loans represented less than 1 percent of their $2.63 trillion in overall mortgage financing in 2021, according to the Urban Institute.

They are also virtually absent from the chattel loan market, leaving it anemic and uncompetitive. "Currently, neither Fannie Mae nor Freddie Mac is

A manufactured home at Woodland Estates in Massachusetts. Credit: Woodland Estates.

Manufactured, Mobile, or Modular?

When it comes to factory-built housing, the term "mobile home" is commonly used and widely recognized. But in fact, it's one of several industry-specific terms:

MOBILE HOME refers to manufactured houses built before the mid-1970s. These structures, also known as trailers, were designed to be portable and were frequently made of substandard materials. In 1976, the U.S. Department of Housing and Urban Development (HUD) adopted standards to improve the homes' quality and durability, codifying factors including the materials used and their ability to withstand wind, rain, and snow.

MANUFACTURED HOUSING refers to structures built after 1976 that meet HUD's strict federal standards, which were updated in the 1990s. Like mobile homes, today's manufactured homes are fitted with a metal chassis that allows them to be transported to their ultimate destination, where they can be placed on a temporary or permanent foundation. Manufactured housing is exempt from local building codes.

MODULAR HOMES also begin in factories, but are not built on a chassis. Their components are assembled on-site and attached to a permanent foundation. Modular homes are built to state and local building codes, not federal standards.

actually doing anything with the personal property loan space," Siegel says. "Even though they're working on providing more mortgages in this market, they're still not even dipping their toes into a pilot for personal property loans."

Increasing their participation in both markets, Gray says, "will tend to create more national standards, and national standards will help drive competition and terms that are more favorable to consumers." Siegel agrees, noting that manufactured home loans backed by the Federal Housing Administration (FHA) and Veterans Administration through federal financing entity Ginnie Mae are denied far less often than conventional loans. "This reinforces how important federally backed loan programs are as a source of financing for manufactured housing," she says.

The FHA does have a personal property loan designed for manufactured homes, called Title I, but it's woefully out of date. While the FHA's Title II mortgage program for single-family homes is updated annually, the loan terms and other requirements for Title I haven't been revised since 2008, rendering the loans uncompetitive, Siegel says. Ginnie Mae backed more than 2,500 Title I manufactured home loans in 2009, totaling nearly $115 million, but only three such loans were issued in all of 2021, for a total of $101,500, across the entire country.

To its credit, the FHA is making an effort to resurrect the nearly defunct Title I program; both the Pew Charitable Trusts and the I'm HOME Network submitted public comments suggesting improvements, such as better aligning Title I and Title II loans where sensible. "The current HUD leadership has really made a big priority of revising Title I and making it an effective program," Gray says. "That's definitely an important effort that is a complement to Fannie Mae and Freddie Mac getting into the market."

Getting Grounded

Financing a manufactured home is the first challenge, but figuring out where to put it can be just as vexing. Roughly half of manufactured home owners also own the land on which their house sits, but millions more do not. Instead, in addition to purchasing their homes, they might lease a pad in a manufactured housing community, where monthly rent includes the use of the land beneath their house and basic services such as water, road maintenance, and trash pickup.

For decades, this has typically been a reliable, relatively affordable arrangement. But in recent years, corporate investors have discovered that such communities can be lucrative cash generators. "The number of investors looking for mobile home parks to purchase is unprecedented," says Paul Bradley, president of New Hampshire–based ROC USA, a nonprofit member of the I'm HOME Network that helps communities form cooperatives to purchase the land beneath their homes. From 2010 to 2020, he notes, manufactured home parks represented "the highest returning of all real estate asset classes—offices, commercial, industrial, storage units, parking garages, you name it—with a 22 percent annual compounded return."

Interior of a manufactured home. Credit: Clayton Homes.

Members of a resident-owned community in Fridley, Minnesota. Credit: ROC USA.

ROC USA has helped 303 manufactured home communities in 21 states buy the land in their neighborhoods. Resident-owned communities can then elect their own boards and vote on everything from rent increases to community improvements.

The investor playbook is simple: purchase a park and then raise the rents. While annual lot rent increases averaged 4.2 percent nationwide in 2021, according to the Manufactured Housing Institute, residents from Michigan to California to Iowa have reported rent hikes of 10 to 15 percent, amounting to hundreds of dollars a month, after investors took over their parks.

The promise of that kind of profit has drawn a broad mix of investors to manufactured housing communities, from real estate investment trusts (REITs) to private equity firms to the sovereign wealth funds of foreign nations—like that of Singapore, which in 2017 invested nearly $1.5 billion to gain a majority ownership stake in 178 such communities in the United States.

In a typical rental market, tenants have enough options to keep rent hikes somewhat in check. But a manufactured home community isn't a typical market. Despite the old moniker, a mobile home isn't very "mobile"—it can cost upwards of $10,000 to move one. That can leave captive park residents under new ownership facing an impossible choice: either pay the jacked-up rents, spend thousands of dollars to relocate, or abandon their investment and home altogether.

This makes residents living on leased land particularly vulnerable, but there are simple and effective ways to stabilize these situations, Gray says. "Of course, the best solution is when people can own the land under their unit," he says. In a manufactured home community, that takes some legwork, but it can be done. ROC USA has helped 303 communities in 21 states buy the land in their neighborhoods. Resident-owned communities can then elect their own boards and vote on everything from rent increases to community improvements.

The ROC USA model offers residents support in organizing a cooperative, as well as forgivable due diligence financing, so the newly formed co-op can hire a lawyer, engineer, and other professionals before making an informed offer. Their now tried-and-true approach creates a limited equity cooperative, which permanently preserves the community for affordable housing while allowing individual homeowners to build equity in their homes.

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“We’re essentially helping low-income homeowners compete with deep-pocketed investors,” says Bradley. Six states have legislation that gives residents of manufactured home communities the right of first refusal if their park’s owner decides to sell, Bradley says, allowing them time (albeit not a whole lot of it) to organize a cooperative, make a counteroffer, and secure financing. Colorado was the most recent to pass such legislation, joining Oregon, Vermont, New Hampshire, Massachusetts, and Rhode Island.

States can help in other ways, too, such as by ensuring certain minimum site-lease protections for residents of manufactured home communities, Gray says. Manufactured home owners who rent space lack the full rights of a landowner, and they also enjoy fewer protections than a typical apartment tenant in most places. So under the FHFA’s Duty to Serve rule, enacted in 2016, anyone buying a manufactured housing community with Fannie Mae or Freddie Mac financing for the most part must offer some basic site-lease protections to its residents as a condition of the loan.

The protections include 30 days’ notice before a rent increase and the right to post a for-sale sign outside your unit—“things that most people would take for granted,” Gray says. But including them “has become maybe one of the biggest success stories of the Duty to Serve program thus far,” he says. States and localities need to expand upon those tenant protections, he adds, putting manufactured home owners on equal footing with other tenants.

Homeowners in Lakeville Village, a resident-owned community in Geneseo, New York, opted to install a solar array on 20 acres of their land, which they leased to a renewable energy company. Credit: ROC USA.

About the I'm HOME Network

The Innovations in Manufactured Homes (I'm HOME) Network was founded in 2005 to shift the public perception of manufactured housing, change public policy, and improve industry practices. The network, launched by Prosperity Now (formerly CFED), includes homeowners, advocates, academics, policy makers, lenders, manufacturers, developers, and others who, together, can effect change in the private sector and at all levels of government. In March 2022, the Lincoln Institute assumed stewardship of the I'm HOME Network. Convening the I'm HOME Network is an element of the Lincoln Institute's larger effort to address the housing affordability crisis as part of its goal to reduce poverty and spatial inequality.

To learn more about the I'm HOME Network and sign up for email news updates, visit **www.lincolninst.edu/imhome.**

A manufactured home in San Bernardino, California. Credit: Next Step.

Zoning and Owning

Rather than site its homes on leased lots in parks, Next Step generally works with affordable housing developers who subdivide a parcel of land, install homes on permanent foundations, and sell the lots to individual buyers.

The organization's motto is "manufactured housing done right," and Epperson believes land ownership is a crucial piece of that puzzle. "We want to work in an ecosystem where there are realtors, lenders, housing counselors, and affordable housing developers, just as there are for site-built homes," she says.

There's a demonstrated appetite for that kind of housing. Next Step partnered with IKEA to conduct a survey of first-time homebuyers and found that 45 percent of millennials would be open to buying a manufactured home. "That was more than we expected," Epperson says, speculating that the attraction to tiny houses in popular culture may be shifting attitudes.

However, that enlightened perspective isn't always shared by zoning officials, nor by the general population of residents they serve. "In most places, we find that the local zoning code prohibits new manufactured housing, and that's where we start from," Epperson says. Because of outdated perceptions of the industry, she says, "it takes a lot of education, and we've seen different results."

Homeowners at a resident-owned community in Maine. Credit: Flax Studios, courtesy of the Genesis Community Loan Fund.

Some municipalities will permit a one-time variance for manufactured housing construction, she says, while others open up their zoning rules to allow more going forward. City officials in Hagerstown, Maryland, approved a Next Step project in 2021, a 69-acre workforce housing development of 241 manufactured homes called Kilpatrick Woods. In 2022, Oakland, California, passed an ordinance allowing manufactured housing on any residential-zoned lot in the city.

In other places, it's been more difficult to break through: "We've seen some cities that just can't do it with the pressure they're getting from not-in-my-backyard opponents," Epperson says. Even in places like Oregon, which passed a statewide law in 2022 that puts manufactured housing on equal footing with site-built housing, she says, "you still have to do a lot of education with public officials to get everybody on the same page, even though it's the law."

The prominent inclusion of manufactured housing in the Housing Supply Action Plan released by the White House has added momentum to that effort, Epperson says. "We have more traction to help make change than we've ever had before," she says, and cities are becoming more open to manufactured housing. The positive response is "still relatively small for the size of the problem, but it's better than I've seen in the last 15 years."

Missed Perceptions

In a way, all these challenges come back to people's perceptions—and misconceptions—of an industry that has evolved faster than public understanding. The fact is, many manufactured homes are nearly indistinguishable from their site-built brethren, and are constructed just as well or better. And research shows that when they are sited on owned land, these houses appreciate at roughly the same rate as site-built houses (Freddie Mac 2019).

"We say 'a home is a home,' so we're out to change the image of manufactured housing," Epperson says. That includes building Energy Star–rated homes that save homeowners at least 30 percent in utility costs compared to those of traditional homes.

"We want to make sure that families can not only get into their home, but stay in their home long term, and that means controlling maintenance and operating costs," Epperson says. "We have a vision that this could be the most sustainable and energy-efficient home in the marketplace, and the best way to deliver a zero-energy-ready home."

Gray says today's manufactured housing is also more durable than the poor-quality, pre-1976 mobile homes that tend to appear in the media after extreme weather events like hurricanes. "Contemporary manufactured housing is extremely strong and, I would argue, is even more resilient and better able to withstand storms than site-built housing."

Buyers seem to be increasingly recognizing those benefits, whether they've had their curiosity piqued by a tiny-house show on HGTV or they're weary of house hunting in a ruthlessly scarce and competitive real estate market.

Shipments of manufactured homes doubled between 2011 and 2021, increasing 12 percent between 2020 and 2021 alone (U.S. Department of Commerce 2022).

"There's a huge demand for manufactured homes," confirms JoAnne Hamberg, a real estate broker who sold her first mobile home to a local cable executive back in the 1980s and is now the owner and manager of Woodland Estates, the Boston-area community Jim and Kathryn Bennett call home.

Hamberg says her brokerage, which specializes in manufactured homes, has a waiting list of buyers. "We get single professionals, young married couples, retirees, snowbirds, empty nesters—you name it," she says. And the reason, she says, is simple: "People are realizing that manufactured homes are a great housing option."

Jon Gorey is a staff writer for the Lincoln Institute of Land Policy.

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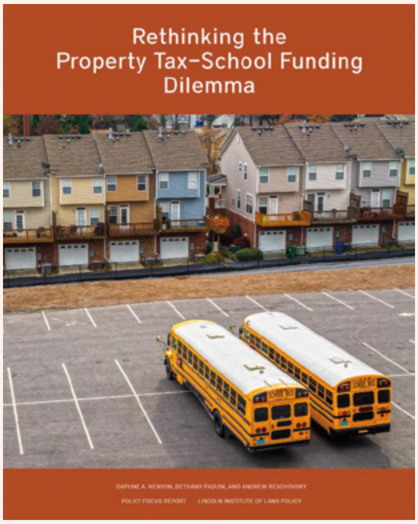
Credit: Next Step.

"We say 'a home is a home,' so we're out to change the image of manufactured housing. . . . We have a vision that this could be the most sustainable and energy-efficient home in the marketplace."

NEW PUBLICATION

Rethinking the Property Tax–School Funding Dilemma

By Daphne A. Kenyon, Bethany Paquin, and Andrew Reschovsky



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www.lincolninst.edu/publications/policy-focus-reports/rethinking-property-tax-school-funding-dilemma

A THOUGHTFUL COMBINATION of local property taxes and state aid is the most effective recipe for funding a high-quality K–12 education for all students, according to a new Policy Focus Report published by the Lincoln Institute of Land Policy.

In *Rethinking the Property Tax–School Funding Dilemma*, authors Daphne A. Kenyon, Bethany Paquin, and Andrew Reschovsky explain how local property taxes foster civic engagement and provide stable funding, while state aid is critical in reducing disparities among school districts that are caused by differing levels of property wealth and differences in the money needed to provide a high-quality education.

The report explains the advantages of the property tax compared to other local taxes and demonstrates how states can adopt policies to address criticism of the property tax. Five state-level case studies—from California, Massachusetts, South Carolina, Texas, and Wisconsin—illustrate the nuances of state education finance and property tax policies, offering important lessons for policy makers.

Rethinking the Property Tax–School Funding Dilemma offers specific reforms that state governments—as well as localities—can make to balance revenue needs, funding realities, and other considerations. While specific reforms will necessarily vary across different states and localities, the authors stress that targeting state education funding is essential in closing equity gaps and overcoming the persistent effects of the COVID-19 pandemic and their disproportionate impact on students of color, English-language learners, and students with disabilities. Equally important is a well-functioning property tax system that avoids overly burdensome restrictions while offering "circuit breakers" and other forms of targeted relief to homeowners in need. Ultimately, the authors offer readers tools for overcoming the shortcomings of both funding sources and enabling state school funding systems to give all students an adequate, quality education equitably and efficiently.

"As a former state education official, I would have loved to have had a report like this to help me get up to speed on the critical issues around school finance policy. . . . Anyone involved in or interested in school funding policy will benefit from reading this report."

— **Carrie Conaway**, former chief strategy and research officer, Massachusetts Department of Elementary and Secondary Education; senior lecturer, Harvard University Graduate School of Education

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Daphne A. Kenyon, principal, D.A. Kenyon & Associates, previously served as resident fellow in tax policy at the Lincoln Institute. She is first vice president of the National Tax Association.

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Andrew Reschovsky is a professor emeritus at the University of Wisconsin–Madison who has published widely on topics related to state and local government finance.

The Housing Solutions Workshop helps small and midsize places like Billings, Montana—cities and counties with populations between 50,000 and 500,000—develop and implement comprehensive housing strategies to better meet their affordability and other housing challenges. Created by NYU Furman Center's Housing Solutions Lab, Abt Associates, and the Lincoln Institute, the program helps communities develop networks they can tap into for future collaboration and continued learning.

To learn more about the Housing Solutions Workshop, visit **www.localhousingsolutions.org.**

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