

ULI Land Use Policy Project Report

# **Encouraging Workforce Housing in the Chicago Region, Atlanta, and the District of Columbia**

June 2003



**Urban Land  
Institute**

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## About ULI

ULI—the Urban Land Institute is a nonprofit education and research institute that is supported by its members. Its mission is to provide responsible leadership in the use of land to enhance the total environment.

ULI sponsors education programs and forums to encourage an open, international exchange of ideas and sharing of experiences; initiates research that anticipates emerging land use trends and issues and documents best practices; proposes creative solutions based on that research; provides outreach and advisory services; and publishes a wide variety of materials to disseminate information on land use and development. Established in 1936, ULI has more than 19,000 members in 60 countries representing the entire spectrum of the land use and development disciplines.

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# Project Goals and Description

From September 2000 through February 2003, ULI—the Urban Land Institute, with funding from the U.S. Department of Housing and Urban Development (HUD), assisted three cities—Chicago, Atlanta, and Washington, D.C.—in developing and implementing strategies for producing new private-market housing that is affordable to workforce households. Interest in promoting workforce housing is being fueled by the recognition that an economically diverse population is important to a city’s and a region’s economic vitality. The term “workforce households” is defined here as “households, with at least one full-time worker, whose members earn incomes that are too low for them to afford to pay market prices for homes or apartments in the communities where they work but, by most definitions, too high to enable them to qualify for significant federal housing subsidies.” The target group includes teachers, police officers, fire fighters, and other municipal employees, as well as health care workers, retail clerks, administrative personnel, and other moderate-income workers, all of whom are essential to the economic vitality of a city or a region and the success of its corporations, institutions, and governmental functions.

## Purpose

The purpose of this project was to provide each city with information and practical assistance that would help it take specific actions to overcome barriers to the production of more affordable housing. Partly as a result of this project, progress toward that goal is now underway in each of the three cities. In addition, HUD and ULI hoped that working with the three cities would demonstrate a variety of approaches to promoting the production of affordable infill development and provide an array of examples that would stimulate actions by other communities.

This report describes how the project has been implemented in each city, what each city has accomplished to date, and what has been learned that may be applicable to other cities seeking to increase their supply of workforce housing. The information provided here is current as of February 2003, although, as of this writing, work continues in each city.

## Background

This project is part of a larger group of efforts ULI undertook between 1999 and 2003, through cooperative agreements with HUD, to encourage the production of infill housing in urban areas. During 1999 and 2000, ULI conducted a series of policy forums in various U.S. cities to identify the most important challenges to the development of market-rate infill housing, along with strategies and policy recommendations that could be used to promote such housing in communities throughout the country. In April 2000, ULI organized a national forum, “Removing Barriers to Residential Infill Development,” chaired by Smedes York, president of York Properties, Inc., in Raleigh, North Carolina, to identify key barriers to infill housing development and to frame the discussion for local forums in selected cities. ULI then worked with its local district councils to sponsor citywide forums in each of six cities—Chicago, Washington, D.C., Denver, Baltimore, Los Angeles, and Atlanta—and produced a summary report for each forum. Key findings from the forums were published in the April 2001 issue of *Urban Land* magazine and the Spring 2001 issue of *Multifamily Trends* magazine. Subsequently, ULI held a national symposium on strategies for developing market-rate infill projects in the Washington, D.C., area in June 2001.

Based on what had been learned during the forums, in November 2000, ULI identified a list of the most common challenges or barriers that cities and developers face in seeking to produce adequate supplies of market-rate infill housing. In 2002, ULI published the book *Developing Successful Infill Housing* to describe why, how, and for whom developers are creating exciting new housing developments in urbanized areas, and distilled some of this information into a booklet, *Urban Infill Housing: Myth and Fact*.

These efforts to help communities adopt and adapt strategies for overcoming the barriers to infill housing development correspond with both ULI’s and HUD’s larger, ongoing interest in promoting smart growth, or development that makes well-planned use of existing urban infrastructure.

The original intent of the ULI/HUD project was to identify and find ways to overcome barriers to the development of market-rate infill housing. As the

project progressed, however, ULI leaders in each of the three cities recognized that the real housing need in infill locations was for moderately priced units that would be affordable to working households. As a result, they elected to focus the project on how to encourage the development of workforce housing in their communities.

In addition to work performed under cooperative agreements with HUD, ULI has built on its extensive work on urban infill residential development to address the need for and barriers to workforce housing near jobs in urban areas. ULI sponsored two national forums—one in Los Angeles in December 2001 and another in Washington, D.C., in June 2002—to identify the barriers and potential means of overcoming them. The three-city ULI/HUD project became a laboratory for exploring these approaches. ULI currently is working on a book that will feature case study examples of successful workforce housing projects and detail the public policies that have made these developments possible.

## Approach

Based on what it learned through the policy forums and research, ULI, in consultation with HUD, selected three cities to assist in creating and implementing policies and programs to increase the supply of workforce housing. In each city, ULI worked in collaboration with the local ULI district council to:

- Establish a steering committee made up of local ULI members, for-profit and nonprofit sector housing leaders, and public officials;
- Work with the steering committee to develop a set of goals and strategies for encouraging workforce housing and a plan for implementing those strategies;
- Organize a ULI Advisory Services Workshop to bring in outside expertise to help identify the most significant factors impeding housing affordability and to advise the local steering committee on what can be done to overcome those barriers; and
- Work with the community over a 12- to 18-month period to refine and begin to implement policies and programs to encourage the development of workforce housing.

Finally, ULI convened a workshop at which participants from each of the three cities met with national experts to explore and share information about mechanisms to promote and preserve workforce housing.

The primary criterion for each participating city's selection was the city leaders' interest in the effort and willingness to participate. Because the project was to be implemented in cooperation with local ULI district councils, each city also needed to have an active and effective district council that was willing to work in collaboration with ULI headquarters staff and city leaders to achieve the project goals. ULI also sought cities in which strong housing markets had effectively priced working families out of the more desirable locations near urban employment centers. Each of the cities selected also had been the site of a previous ULI forum designed to identify barriers to moderately priced infill housing, which meant that many of the key issues and participants already had been identified and engaged in discussions on the subject.

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### PROJECT TIMELINE

1. List of barriers completed	November 2000
2. Selection of three cities	December 2000
3. Steering committees and city leaders meet	January 2000
4. Advisory Services Workshops	
Washington, D.C.	June 2001
Chicago region	August 2001
Atlanta	November 2001
5. Workshop: Tools for Preserving and Promoting Workforce Housing	April 2002
6. Steering committees plan and implement specific strategies	2001–present (ongoing)

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# Summary of Each City's Activities

## Advisory Workshops

In each city, the first steps in the process were the creation of a steering committee by the local ULI district council, followed by a ULI Advisory Services Workshop. Building on earlier discussions, ULI worked with the district councils' steering committees and local public officials to organize a two-day workshop in each city to provide objective advice from outside experts with a wide range of experience. Each workshop brought together experts from throughout the nation to explore and address the most significant barriers to the development of workforce housing in each city, in a moderated-discussion format with key community representatives. The workshop's panel of experts read briefing books, heard presentations by local leaders, and engaged in discussions with individuals representing a variety of viewpoints related to the topics at hand. Each workshop culminated in a formal presentation of findings and conclusions, followed by the publication of a report that recommended specific actions to expand the delivery of workforce housing.

Following the three ULI Advisory Services Workshops, ULI and HUD sponsored a follow-up workshop in Washington, D.C., in April 2002, for participants from all three jurisdictions and a group of selected national experts. That workshop focused on a number of common interests that were identified during the workshops held in each city. Specifically, the workshop responded to the cities' desire to learn more about

- Setting goals and defining the market;
- Community land trusts;
- Housing trust funds;
- The development permitting process; and
- Inclusionary zoning.

Chaired by ULI senior resident fellow and ULI/J. Ronald Terwilliger Chair for Housing John McIlwain, the workshop included 20 participants from the three cities, as well as some from Denver and Los Angeles, two other cities where initial workforce housing forums had been

held. Instructors led sessions on each of the topics outlined above, and ULI provided all participants with a binder of published information on these topics.

## Chicago Region

In Chicago, the project was especially challenging because it focused on three separate jurisdictions within the metropolitan area: Humboldt Park, a large neighborhood within the city, and Highland Park and Hanover Park, two suburban communities adjacent to it. These communities faced different challenges and, therefore, had different interests when it came to workforce housing issues.

■ Humboldt Park, a neighborhood of 66,000 predominantly low- and moderate-income people within the city of Chicago, was beginning to attract higher-income residents, stimulating increases in property values and housing prices that threatened to displace existing renters and owners. Vacant lots suitable for housing development were becoming increasingly expensive. The challenge in Humboldt Park was how to stabilize the neighborhood by producing and preserving a substantial stock of housing for households earning 60 to 120 percent of the area median income (AMI). To that end, the city was interested in exploring mechanisms such as community land trusts, housing trust funds, and inclusionary zoning.

■ The suburban city of Highland Park, which contains about 31,365 residents, also was concerned about the declining diversity of its residents and housing stock as it was becoming an increasingly attractive—and expensive—housing market. Its housing commission had recommended the formation of a community land trust and a housing trust fund to underwrite the production of affordable housing (that is, housing units that cost \$200,000 to \$300,000 or serve households earning up to 150 percent of AMI), and the development of an inclusionary zoning ordinance. The city also plans to impose a “tear-down fee” for the demolition of existing homes that, in combination with funds raised by a bond issue and other contributions, will finance the land and housing trusts. Highland Park was interested in learning about how to form and administer housing trust funds, community land trusts, and inclusionary zoning programs.

■ Most of Hanover Park's 38,000 residents are members of middle-income households living in single-family homes. The incorporated village, which is located near O'Hare International Airport, has attracted business and industrial firms. Its commuter rail station attracts heavy ridership but much of the land around the station is vacant or underutilized, and a true town center has never developed. The village is aggressively pursuing the creation of a multiuse town center near the station that would incorporate condominiums, townhouses, and apartments for middle-income buyers and renters as part of a transit-oriented development. It has created a tax increment financing district, prepared a town center plan, and is seeking to implement development in the near future. Hanover Park's interests, therefore, are how to create a transit-focused town center that includes middle-income housing and would attract young professionals to the community.

Chicago's Advisory Services Workshop, which was sponsored by ULI Chicago and the Campaign for Sensible Growth, was held August 15–17, 2001. Chaired by Leigh Ferguson, president of LMF Holdings, LLC, of Chattanooga, the workshop's focus was housing finance, development management, and issues specific to each of the three communities. Questions centered on how higher-income housing units could generate support for lower-income units in appreciating markets, how to achieve a mix of housing prices and rents without displacing residents, how to maintain affordability over time, and how to retain municipal oversight while allowing flexibility, such as establishing and/or partnering with nonprofit organizations.

Because the Chicago region's effort involved three communities, work proceeded on two levels. One emphasized the interests of both the city of Chicago and Highland Park in establishing new institutional and regulatory approaches to produce affordable housing, such as inclusionary zoning, community land trusts, and housing trust funds. The other responded to the specific interests of each community by staging events that could address those interests directly. For simplicity's sake, participants agreed that the term "workforce housing" would mean homes generally at a mid-level range of prices and rents.

Following the workshop's recommendations, Chicago Housing Commissioner Jack Markowski asked ULI Chicago to convene a follow-up forum. In May 2002, a daylong program headed by Mary White Vasys, presi-

dent of Chicago-based Vasys Consulting, Inc., brought together 12 Chicago real estate industry leaders to explore the potential applications and implications of a more formal inclusionary housing program for Humboldt Park, which already has a voluntary program in place. Edith Netter, a Boston-based attorney and nationally recognized authority on inclusionary zoning, provided expert advice. The group's recommendations to Markowski and his staff were summarized in a report titled *Housing Policies in Appreciating Markets*.

In November 2002, ULI Chicago brought Netter to Highland Park to help inform that city's public officials about inclusionary zoning. She spent an afternoon with city staff and commissioners describing and discussing the key elements and issues involved in an inclusionary zoning ordinance and, in the evening, held a similar meeting with members of the Highland Park City Council, the planning commission, and the housing commission.

In Hanover Park, ULI arranged a February 2003 forum to critique the village's newly prepared town center plan and make recommendations for its implementation. The five-person forum, headed by Martin Stern, executive vice president of Chicago-based U.S. Equities, LLC, met and suggested refinements to the town center design and implementation plans. As a result of the forum's recommendations, the village will rework its town center plan and negotiate these changes with a developer who has proposed creating the first phase of development. The forum also suggested that the village hire a developer/consultant to help the village with this process, and with its negotiations with other developers.

The ULI/HUD effort has added momentum to a number of actions in the Chicago area. Inclusionary zoning has become a political issue in Chicago, and it is not yet clear whether the city will adopt some type of inclusionary zoning program. However, Markowski is making progress toward achieving some of the recommendations made by the workshop panels. Highland Park is preparing to launch a community land trust and a housing trust fund, as well as adopt some form of inclusionary zoning. Hanover Park is well on its way to developing a transit-oriented town center, having adopted a tax increment financing district and prepared a market study and design plan. Given the current real estate market, workforce housing may well form the first phase of the town center's development.

In addition, other Chicago area suburban jurisdictions have become interested in inclusionary zoning. The Highland Park forum was paired with a discussion at the Evanston City Hall about inclusionary zoning and other techniques for promoting workforce housing, and Evanston may formalize an inclusionary zoning requirement in the future. At least one other jurisdiction has asked the Metropolitan Planning Council about inclusionary zoning. As a result, ULI Chicago, in conjunction with other organizations, is considering sponsoring a regional conference focused on techniques for promoting workforce housing production.

## Atlanta

Atlanta's interest in workforce housing is a result of market forces and the city's desire to attract middle-income households. During the past 50 years, the metropolitan area has grown dramatically, but until the last few years, the central city had been losing population. Sprawling development patterns have created severe areawide traffic congestion and air quality concerns. These issues, coupled with technological change and an increase in the number of small households, have sparked renewed interest in city living. One result of this renewed interest has been rapidly rising home and land prices, which have effectively priced moderate-income households out of the city housing market.

ULI Atlanta began its effort by organizing a steering committee, chaired by Michael McGwier, executive managing director of Trammell Crow Residential, to provide general guidance on the project's focus. In April 2001, the steering committee held a kickoff meeting to identify the most important barriers or challenges to infill development in Atlanta and to delineate the project's geographic area of concern. The most significant barriers identified by the committee included, in order of importance, high land costs, neighborhood opposition, a complex zoning and permitting process, the inferior quality of intown schools, inflexible zoning restrictions, the need to make new development compatible with existing development, the high cost of structured parking, and a lack of popular and market support for higher-density, mixed-use projects.

The committee then convened a larger, more inclusive "leadership forum" to review and comment on these

barriers and to suggest a substantive focus and specific questions for the ULI Advisory Services Workshop. The ULI Advisory Services Workshop was held November 4–6, 2001. Chaired by John McIlwain, the workshop focused on three areas of concern: 1) how to structure community participation in planning and project review to achieve a better balance between local and societal interests, 2) how to make zoning a more effective tool in promoting desired infill housing development, and 3) how to control the escalating cost of infill properties through tax policy or other means. After discussing these issues with local participants, the panel also commented on the city's development review and permitting process, recommending that

- The existing neighborhood planning unit (NPU) process be structured so that it is more consistent and predictable, and is provided with more city staff support and information;
- The city's comprehensive plan be coordinated with the city's other development plans and programs (including plans developed by the NPUs);
- The city create an inclusionary zoning program for rental and for-sale housing; and
- The development approvals process be made more predictable and less political. To address the land cost issue, the panel suggested that the city review its tax assessment practices, enhance the Atlanta Development Authority's ability to reuse land, and inventory all surplus publicly owned and institutional land.

In January 2002, the steering committee met to discuss the workshop report, and in February it met with representatives of other Atlanta organizations to share the report's recommendations and solicit their support for key initiatives. The steering committee identified an inclusionary zoning program as its top priority, and this issue also had the general support of most of the other participating organizations. Second to inclusionary zoning in importance were the need to strengthen the NPU structure, process, and leadership, and the need to review the city's development and permitting process.

In March 2002, McGwier and Jim Durrett, executive director of ULI Atlanta, met with representatives of the Greater Atlanta Home Builders Association (GAHBA) to discuss the ULI/HUD effort and invite the association to participate in moving forward

with a recommendation on inclusionary zoning. The GAHBA agreed to work with ULI on this initiative, as well as on a concurrent effort to address weaknesses in the permitting process.

By the end of 2002, the time was ripe for action in Atlanta. As the ULI/HUD project was progressing, other initiatives also were underway to find ways to encourage more affordable housing development. These efforts included the Atlanta Neighborhood Development Partnership's Mixed Income Communities Initiative and the United Way's Regional Affordable Homeownership Task Force. Most importantly, Atlanta's new mayor, Shirley Franklin, had organized a task force chaired by ULI member Egbert Perry, chairman and CEO of the Integral Group, to recommend housing policies for her administration. Among the recommendations set forth in the fall 2002 Mayor's Task Force Report was that ULI Atlanta be enlisted to help draft an inclusionary zoning ordinance.

Building on the momentum of interest in affordable housing, ULI Atlanta organized a series of meetings involving private developers, consultants, attorneys, members of the financial community, housing advocates, and other leaders to work through the issues involved in drafting an inclusionary zoning ordinance. The meetings' purpose was twofold: to seek agreement on substantive issues and to build trust and a commonality of interest among participants, so that when an inclusionary zoning ordinance was drafted it would enjoy broad-based support. Edith Netter provided expert guidance at the first two meetings, which were held in February 2003. Following these meetings, the core ULI leadership—McGwier, Perry, Durrett, and Ken Bleakely, president of Bleakly Advisory Group—will meet to evaluate what has been learned so far and discuss how to proceed in refining an inclusionary zoning policy and ordinance.

In addition, the mayor's office has asked ULI Atlanta to bring together members of the development community to assist it in evaluating the city's development permitting process and make recommendations regarding how this process can be improved. The city will ask the group to review and comment on recommendations now being drafted by an internal staff team and to make additional suggestions.

## Washington, D.C.

In Washington, D.C., the need for more housing for middle-income households had long been a subject of discussion, but not of action. When Mayor Anthony Williams took office, one of his stated goals was to bring middle-class households back to the city. He defined "middle-class" households as those earning between 50 and 80 percent of AMI for the Washington, D.C., primary metropolitan statistical area (PMSA), which would make the middle-class income range for a family of four in the PMSA \$41,400 to \$66,240. By contrast, in 2001, the median income for households in the city of Washington, D.C.—as opposed to the PMSA—was estimated at \$43,011, while the average price of a single-family home was more than \$330,000 and the average price of a condominium or co-op was \$215,000.

The ULI Advisory Services Workshop in Washington, D.C., chaired by Charlie Kendrick, managing director of Clarion Ventures, LLC, in Boston, and held June 24–26, 2001, focused largely on the city's lack of governmental infrastructure to promote and oversee the production of affordable housing. The panel recommended that the city define its housing vision, set housing production goals, create a redevelopment agency to take charge of housing production in the city, and appoint a "housing czar" to lead the redevelopment agency and be the city's point person for housing issues. In addition, the panel advised the city to give the new redevelopment agency the power of eminent domain and make it responsible for the housing trust fund. On the policy side, the panel suggested enacting inclusionary zoning requirements, coupled with incentives such as tax abatements, land writedowns, and fee waivers. The city also was encouraged to improve the consistency and efficiency of the permitting process and to help build the capacity of nonprofit organizations. In addition, the panel cautioned the city to mitigate the effects of gentrification in emerging neighborhoods by freezing property taxes of longtime low-income residents.

To carry forward these recommendations and drive the regional dialogue on how best to expand the availability of workforce housing near employment centers in the Washington, D.C., area, ULI Washington created a broad-based Workforce Housing Committee composed of district council members, key local officials,

and other local leaders interested in workforce housing. Its first meetings, in September 2001, recapped the results of previous efforts and set forth an initial program of work. The committee's first objective was to obtain more broad-based participation.

Members of the mayor's planning office attended the April 2002 ULI/HUD workshop on mechanisms for preserving and promoting workforce housing. Based on what they learned there, the mayor's office began formulating ideas for tools that could be implemented in Washington, D.C.

In tandem with the District of Columbia Building Industry Association, the ULI steering committee and ULI Washington convened a meeting of area developers to publicize a city program to encourage the redevelopment or rehabilitation of vacant and abandoned properties in the city. As a condition of selling such properties to developers, the city requires that a portion of the homes produced through this program be affordable to workforce households.

In October 2002, the Workforce Housing Committee met with a larger group, the Workforce Housing Advisory Group—which included leading public and private real estate developers, government officials, housing advocates, lenders and investors, consultants, and major employers—to gain its members' perspectives on how to move forward. The half-day program, which was moderated by John McIlwain, focused on the need for workforce housing in Washington, D.C., and key obstacles to workforce housing production. It included roundtable discussions on strategies, opportunities, and potentially useful programs. Among the group's conclusions was that a forum is needed to help the various stakeholder groups work together to identify solutions and remove barriers, and that this forum should include large employers. The group also suggested that the District of Columbia government look at ways to increase the supply of land available for housing; use tax programs and reduction of predevelopment risk as incentives for developers; fund and reposition the Housing Production Trust Fund; improve neighborhoods where affordable housing already exists; and muster the political courage to expand existing housing programs to help households with a broader range of incomes.

Members of the Workforce Housing Committee discussed the results of the Advisory Services Workshop

with District of Columbia planning staff. Consequently, the workshop's recommendations will be fed into the comprehensive housing plan that the city currently is developing. In addition, ULI steering committee members David Mayhood, president of the Mayhood Company in Washington, D.C., and McIlwain were invited to serve on the mayor's task force to help draft a voluntary inclusionary zoning ordinance for the city.

In December 2002, the Workforce Housing Committee discussed the advantages of creating a task force to provide recommendations to the District of Columbia government as the government begins its two-year master-planning process; work with large employers and federal institutions to identify employer-assisted housing initiatives; work with the U.S. General Services Administration (GSA) to create a pilot workforce housing program; and work with the city to conduct an inventory of resources now available to encourage the development of workforce housing, including developable properties, existing financing programs, and so forth. Ideally, the task force should have sufficient funding (from the city or HUD) to conduct needed research.

The committee suggested holding up to three meetings with large employers, institutions, user groups, union groups, and others to gain their insights before the task force is organized. To that end, in January and February 2003, the Workforce Housing Committee made an effort to enlist the participation of area employers by inviting them to meet with the committee to discuss their employees' housing needs. Although the initial response was disappointing, efforts to obtain area employers' input continue.

ULI also has formed partnerships with Fannie Mae, the District of Columbia Building Industry Association, the Greater Washington Board of Trade, Johns Hopkins University, and the Coalition for Non Profit Housing to broaden the understanding of workforce housing issues and provide input into the District of Columbia's emerging inclusionary housing program. The steering committee plans to continue to assist the district government in implementing workforce housing solutions. At the same time, the committee plans to initiate discussions with other jurisdictions in the region about workforce housing in the context of a regional housing strategy.

# Lessons Learned

## Outcomes

Much has been accomplished as a result of the ULI/HUD project. Chicago's Humboldt Park neighborhood has learned about inclusionary zoning options and is forming a community land trust for the target neighborhood. Highland Park is creating a community land trust, has passed a tear-down fee to fund workforce housing, and is drafting an inclusionary zoning ordinance. Hanover Park has completed a market study and a master plan, and is moving forward with a transit-oriented development project that will include workforce housing. In Atlanta, the ULI steering committee has brought together disparate actors to draft an inclusionary zoning ordinance and advise the city on regulatory reform. In the District of Columbia, the Workforce Housing Committee created by ULI Washington during the ULI/HUD project, is making recommendations to the District of Columbia government's master-planning process, identifying employer-assisted housing initiatives, advising on the development of an inclusionary zoning ordinance, working with GSA to create a pilot workforce housing program, and helping inventory existing city resources for workforce housing development.

The work initiated in each of the three cities is continuing. In each community, a public/private leadership structure is now in place to oversee ongoing efforts to encourage workforce housing development; the key issues and challenges are well understood; a plan of action is in place; and work to accomplish specific, agreed-upon goals is underway.

A number of outcomes were common to all three cities. In terms of substantive recommendations and actions, the common outcomes were as follows:

- The reports of all three ULI Advisory Services Workshops contained a number of common recommendations, including the following:
- Define what constitutes “affordable” housing and development parameters or principles to guide those definitions;
- Establish affordable housing preservation and production goals to guide a housing vision, provide a context for policies, and address gentrification concerns;

Create inclusionary zoning programs—using models from other cities—to encourage the private market to produce a stock of affordable housing units that would, because of various affordability controls, be relatively permanent;

- Establish—or consider restructuring—community land trusts that would hold land for future affordable housing use;
- Establish housing trust funds to provide ongoing funding from a variety of potential sources to help meet affordable housing needs;
- Improve the development approvals process through more predictable, less politicized decisions, a more rational community participation process, and so forth;
- Create a more effective administrative structure for the development of workforce housing by creating or enhancing redevelopment authorities and public/private development partnerships;
- Work with the private, for-profit development community to learn about the risks and rewards associated with the development of workforce housing and to educate the city and the community about it; and
- Provide a centralized source of information for the development community with regard to the programs and sources of financing that are available to help fund workforce housing development.

In both Washington, D.C., and Atlanta, the workshop panels recommended creating a housing plan and specific goals to guide actions on workforce housing production, creating or strengthening a redevelopment authority, and using the regulatory process to encourage the production of workforce housing through inclusionary zoning and targeted incentives such as tax abatements. Because the Chicago panel looked at three separate jurisdictions, it had to address more issues, but its recommendations emphasized inclusionary zoning and community land trusts.

Each city is now in the process of creating an inclusionary zoning policy. Interestingly, ULI developers in all three cities generally support the idea of inclusionary zoning. In Atlanta, however, the Greater Atlanta Home Builders Association has been more reluctant to support inclusionary zoning, until and unless the regulatory process is improved.

In terms of the policy process, common outcomes among the three cities included the following:

- Perhaps the most important outcome of the ULI/HUD project was the building and formalizing of coalitions and the establishment of close, ongoing relationships among key public and private sector participants for the purpose of understanding and addressing the workforce housing problem. Through these coalitions, ULI focused the attention of cities' leadership and housing stakeholders on the shortage of workforce housing.
- In each city, the project provided a vehicle for private developers to work with housing advocates, nonprofit organizations, neighborhood groups, and government officials to help design workable incentives and ordinances. Through this project, ULI proved that real estate professionals are interested in helping to solve their cities' housing problems and that they can contribute in significant ways to programs focused on community and regional development issues.
- ULI's role as a convener and an implementing vehicle also proved useful in other ways. Having an established working group led by influential members of the private real estate community, such as the local ULI steering committees, gave the efforts legitimacy, immediacy, and a practical orientation. In particular, having objective advisers—such as those who participated in the ULI Advisory Services Workshops—make recommendations helped the cities overcome inertia and move forward ideas that had long been considered but not acted upon. The establishment of an ongoing steering committee of local public and private leaders to guide the implementation of good ideas has been important in keeping the various players focused on workforce housing objectives. According to local public officials, ULI committees formed through this project have been useful both as initiators and as local sounding boards for proposals that local governments are considering.
- From the ULI district councils' perspective, the ULI/HUD project gave them an opportunity to bring their expertise and energy to bear on activities that will make a real, measurable difference in their communities.

## Common Themes

While it is difficult to generalize from information gained through experiences in only three cities, the following common issues were observed during the ULI/HUD project.

### Geographic Scope

The need for a geographically balanced supply of affordable workforce housing is a regional issue; ideally, efforts to meet that need should be regional in scope. When regional cooperation is an unrealistic goal, however, the first step for proponents of workforce housing should be to define an appropriate—and workable—geographic scope of activity. Before this project began, ULI headquarters staff members discussed the scope of the project—specifically, whether it should focus strictly on the three cities or include their suburban jurisdictions as well. Although the staff understood that the need for affordable housing was, in each case, a regional problem, they decided to concentrate the project's efforts on the individual cities, which themselves represent large, complex urban housing markets and conditions.

### Leadership

In each city, policy actions required political support and, specifically, the support of the mayor. In Washington, D.C., for example, action on workforce housing became a priority only when it became one of Mayor Williams's initiatives. In Atlanta, the new mayor's interest in workforce housing spurred action; in particular, action on inclusionary zoning became a real possibility when Mayor Franklin's task force recommended that ULI be enlisted to help draft an inclusionary zoning ordinance.

### Education

■ Building awareness and an understanding of the issues—among public, private, and community leaders and among the public at large—is an extremely important part of the process. The ability to take action on workforce housing requires not only raising the visibility of the affordable housing issue and building coalitions of support for specific actions, but also “selling” solutions to a broad array of existing and potential stakeholders. All of these activities take considerable time, skill, and effort.

■ Workforce housing is politically controversial, and its proponents must be prepared to address the inevitable distrust of both higher-income residents—who fear a loss of property values if moderate-income households are introduced into their neighborhoods—and lower-income residents—who fear gentrification, worrying that they will be priced out of their own neighborhoods if property values increase. In addition, advocacy groups will question the wisdom of spending scarce public dollars to fund housing for moderate-income households when low-income people more desperately need help.

### **Substantive Issues**

Good market information is essential. Housing needs will differ by metropolitan area and, within a metro area, by individual jurisdiction. A first step toward encouraging the production of more workforce housing is to define, by income level, which households are to be served. Cities need to think about how to decide on a reasoned and practical means of defining the target market. Furthermore, they must ask themselves what kind of market information would indicate a need to intervene in the normal operation of a city's housing market. When efforts are citywide rather than regional in scope, defining the range of income levels to be served is complicated by the fact that AMI often is very different—and generally higher—than the median income for the core city.

■ Actions to increase the supply of workforce housing through the participation of private, for-profit developers must involve incentives that make it financially feasible for them to produce housing at below-market prices. At least initially, significant incentives or public assistance—such as low-cost land, infrastructure improvements, tax abatements, density bonuses, regulatory relief, or other enhancements—will be needed to fill the cost/price gap. In each city, questions arose regarding a lack of understanding about what would be an appropriate level of support. Developers need to work closely with cities to help them develop workable requirements and incentives. In particular, developers need to share information regarding the impact of proposed requirements and incentives on development economics.

■ Solutions must be tailored to the local development environment. In Atlanta and Washington, D.C., for example, inclusionary zoning requirements often cannot be “sweetened” with a density bonus—as is typically

done in other jurisdictions—since developers there often are not able to build to the existing allowable densities because of community opposition, high-rise construction costs (or, as in the District of Columbia., height restrictions), parking requirements, and/or other causes.

■ Before they embark on new programs such as inclusionary zoning, jurisdictions should identify any potential legal issues. In particular, they need to consider the legality of imposing requirements on private landowners or developers. Similarly, they must identify any legal barriers to instituting the incentives under consideration. In Atlanta, for example, the steering committee found that although there was no legal barrier to imposing an inclusionary housing requirement, state or local legislative changes would be required to provide tax abatements as an incentive to participating developers.

### **Procedural Issues**

■ Launching an effective effort to implement workforce housing strategies takes time. During the ULI/HUD project's two-year time frame, considerable time was required to engage key members of each local ULI district council, to form a steering committee and conduct discussions to frame an approach, to organize a series of workshops and forums, and to determine the “next steps” to be taken after each event. For the most part, private sector participants in such efforts will be volunteers taking time away from their full-time jobs; this will affect the achievable pace of action. Time also will be needed to engage key local public officials and to build trust among stakeholders who previously may have been adversaries on public policy issues. Although the long lead time for action can be frustrating, as David Mayhood noted, “It also gave time for thoughts and direction to develop.”

■ Because the process takes so long, participants must make a long-term commitment. Retaining most of the same participants over time is particularly important because when follow-up meetings involve many new people, a certain amount of backpedaling will be needed to bring them into the process and gain their approval of decisions the group made earlier.

■ Because the process involves building consensus, the steering committees carefully considered who needed to be at the table at what point in the process. Consensus building often must proceed group by group, building

momentum as it progresses. Including contentious or politically sensitive participants in a large group meeting too early in the process can sabotage it. It may be wiser to meet with certain individuals or groups in a one-on-one setting to work through thorny issues before addressing those issues with a larger group.

### **Institutional and Administrative Issues**

■ The city's and the region's public and private institutional infrastructure plays a significant role in the process of gaining ground on important community issues such as affordable housing. For example, the network of public agencies, nonprofit organizations, and housing activists engaged in affordable housing issues in the Chicago area enabled ULI Chicago, as a new entrant into the network, to be effective in its support for the production of affordable housing. Similarly, when the ULI/HUD project was initiated in Atlanta, a number of organizations there already had begun work on related affordable housing efforts, various reports on housing needs and issues had been published, and the city was seeking to encourage development that was consistent with smart growth principles. As a result, a broad base of organizations understood the need for workforce housing and the barriers that must be overcome to produce it, and the city's public and private leadership was poised to address the problem.

■ An appropriate governmental organization and structure must be in place to implement desired workforce housing policies. When the ULI Advisory Services Workshop was held in Washington, D.C., this was not the case, and the panel therefore recommended that the city define its housing vision, set housing production goals, create a redevelopment agency to take charge of housing production in the city, and appoint a "housing czar" to lead the redevelopment agency and be the city's point person for housing issues.

■ Promoting real accomplishments in the production of workforce housing requires strong, dedicated, and long-term staff work to stimulate and maintain the interest of citizens and political decision makers. In Chicago, the staffs of the Metropolitan Planning Council and the Coalition for Sensible Growth have been an invaluable asset in this respect, because they know the region and the decision makers, and understand the political tugs and pushes that will produce either conflict or agreement on issues.

## **Next Steps**

ULI has gained significant expertise in implementing workforce housing strategies that can be shared through its various publications and programs. The Institute has begun to prepare a workforce housing book that will present an array of policy choices and examples of successful workforce housing development projects and programs. ULI also plans to disseminate targeted information on this topic through local ULI district council programs, regional workshops, and national conferences.

The three district councils involved in this report continue to work closely with local government representatives and other stakeholders in their communities on workforce housing initiatives. Several other district councils have identified the shortage of workforce housing as a key issue in their communities. A number of these district councils are interested in following the model developed through this project and are carefully studying the experiences, outcomes, and lessons learned.