Strategies to Preserve and Build Affordable Housing Near Green Amenities and Urban Trails

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Introduction

Harbors, rivers, and railroads were once key sites of urban productivity. In recent decades, many of these areas have been redeveloped to serve as “green” amenities, transformed into high demand centers of consumption. In Baltimore’s Inner Harbor, on the former site of the old Bethlehem Steel Propeller Yard building sits the current home of the Ritz-Carlton Residences where author Tom Clancy spent $15 million on a luxury condominium. New York City’s Highline was used to transport coal, dairy, and beef in the 19th century, but today it serves as a linear park and tourist attraction with nearby properties selling for over $10 million. In recent decades, demand for non-market environmental amenities such as clean air and green space have fueled the growth of the consumer city and attracted wealthy individuals to invest in real estate featuring such desirable amenities (Kahn and Walsh, 2014). This can raise concerns for “green” or “environmental” gentrification if neighborhoods experience an increase in access to green space, especially with a transit component (Rigolon and Nemeth, 2019). What strategies and policies have or can be used by cities to build or preserve affordable housing near green amenities and urban trails? In this brief, we provide a review of the academic literature on strategies to preserve and build affordable housing with respect to green amenities and urban trails. We look at a variety of strategies including shared equity homeownership models, upzoning, rent control, community benefits agreements, community equity endowments, tax credits, and affordable housing trust funds and, where possible, discuss evidence of their effectiveness.

Planning

The most effective affordable housing strategies will plan for affordable housing development up front. The more advanced a project is, the harder it can be to combat rising private market development pressures, making affordable housing preservation and development easiest at the beginning of a project (Bogle, Cohen and Rodriguez, 2021). Effective strategies should include both the creation of new affordable units as well as the preservation of existing affordable units (Immergluck and Balan, 2018).

Ensuring robust community participation is crucial to success and efforts such as resident capacity building, developing high capacity community organizations, and sustained engagement from local elected officials can help plans succeed (Way, Mueller and Wegmann, 2018). In order to increase the likelihood that a representative set of stakeholders are heard and informed, early planning stages can incorporate consensus-building deliberative democratic processes. Deliberative democratic methods can actively engage community members in the planning process and shape policy and provide information that policy- and decision-makers can act on that have community buy-in. When creating or deciding on participatory processes, it is important to keep in mind who participates, how they communicate and make decisions, and the extent of their influence over final policy decisions. Processes that avoid participant self-selection, allow for more conversation beyond speeches by public officials and their guests, and work toward consensus building will be more likely to succeed in the stated goal of democratic participation (Fung, 2015).

Photo: Bike Share Planning Workshop Harlem, New York City Department of Transportation

Zoning and Rent Control

Inclusionary zoning (IZ) ordinances create incentives for or require developers to build a certain number of units that are below market-rate in new housing developments. They differ in design and effectiveness, for example Baltimore City's IZ resulted in the building of just 27 affordable units since going into effect in 2009 (Hamilton, 2021). Other IZ programs have ranged from averages of fewer than two units per year in Boston to over 220 per year in some DC suburbs, which in most cases was far behind LIHTC production in those same cities (Freeman and Schuetz, 2015). This suggests that relying on IZ ordinances as the main method for developing affordable housing may be insufficient to meet needs.

Zoning restrictions on housing density can prevent the creation of new units. A study of Greater Boston found that regulating minimum lot sizes had a profound effect on reducing new housing construction such that each extra acre per lot was associated with 40 percent fewer permits (Glaeser and Ward, 2009). Removing these restrictions through upzoning is a potential strategy that cities can use where higher density is permitted either citywide or at specific locations such as near new green amenities. While there is evidence that zoning restrictions lead to increased housing prices (Glaeser and Gyourko, 2002) as do permitting processes (Kok, Monkkonen, and Quigley, 2014), the strategy of upzoning itself has mixed evidence. An 11-city study from 2010 to 2019 found that the building of large market rate apartments in low-income neighborhoods reduced nearby rents by five to seven percent relative to neighborhoods further away from the development (Asquith, Mast, and Reed, 2020). However, a study of upzoning in Chicago found that it increased land prices and did not lead to the construction of more units (Freemark, 2019). A study of upzoning in New York City found that large upzonings caused demographic change and were associated with an influx of white residents and that new housing units were mostly occupied by new white and Asian residents (Aravena et al, 2020). Local context and nuanced zoning ordinances can make it difficult to disentangle the causal effect of upzoning on housing affordability (Quigley and Rosenthal, 2005) and as such, local factors are crucial in determining the utility of upzoning.

Rent control has been a popular method to preserve affordable rental units in some cities. While it has been shown to increase the probability that renters stay in their unit by 20 percent, a study in San Francisco found it led to increased rents in other parts of a city and reduced landlord housing supply (Diamond, McQuade, and Qian, 2018). So while rent control might benefit incumbent renters that receive its benefits, there is evidence that it could have a net negative impact on housing affordability citywide.

While any large-scale program designed to solve a city's entire housing affordability problem will likely require the need for federal government policy given funding limitations (Schwartz, 2019), there is reason to doubt that such federal funding will be available. The budgets of agencies such as HUD have not grown with the size of the low-income population in the U.S. (Dolbeare and Crowley, 2002) and federal funding to cities has shrunk since the 1960s, remaining a low priority even in the Obama and Biden administrations (Sugrue, 2014). While cities should still coordinate with state and federal government for all the assistance they can get, it is crucial that cities and communities develop and test their own solutions for preserving and creating affordable housing and not rely on a top down approach.

Shared Equity Homeownership Models

Photo: South Baltimore Community Land Trust

Community land trusts (CLTs) are nonprofit organizations which preserve long-term housing affordability by owning the land on which affordable housing is built. When someone buys a home from a CLT, they sign a long-term, renewable lease with the CLT. A condition of this lease will be that when the homeowner sells, they agree to either sell it back to the CLT or to a suitable buyer for an affordable price (PolicyLink, 2001, Local Housing Solutions, 2021). To study the effectiveness of CLTs as a tool for slowing gentrification, Choi, Van Zandt & Matarrita-Cascante (2017) compared 14 gentrifying neighborhoods with CLTs to adjacent gentrifying neighborhoods without CLTs, as well as 110 non-gentrifying neighborhoods with CLTs to adjacent non-gentrifying neighborhoods. The authors found that CLTs were associated with slowing several measures of gentrification including middle-class ratios, racial diversity, and stable income levels and housing prices. In Washington, DC, the Douglass CLT was created in conjunction with the 11th Street Bridge Park development and a recent study credited it with facilitating the sale of 88 homes to low-to-moderate income residents and preserving 65 new units of affordable housing in addition to preserving 165 existing affordable units in the CLT's first four years (Bogle, Cohen and Rodriguez, 2021). As CLTs are relatively new models, more research on their causal impact on affordability is needed.

Limited equity cooperatives (LECs) are another popular model of shared equity homeownership where residents have the opportunity to own shares in a cooperative housing corporation and can sell their shares at affordable prices with modest returns. Research on LECs in New York City and California suggests that they are a popular model for residents providing high-quality housing with long tenures and potential to improve quality of life for lower income families (Saegert and Benitez, 2005) and that they have the potential to reduce negative externalities of housing projects (Miceli, Sazama and Sirmans, 1994). In a study of seven shared equity programs in the U.S., Temkin, Theodos and Price (2013) find evidence that the models are cost-effective strategies to preserve affordable housing and can help low-income residents build wealth.

Other innovative models include a Program for Self-Managed Housing (PAV) that was developed in Buenos Aires in the early 2000s. In a study of the PAV, Procupez (2019) describes the unique model where the city government subsidized mortgage loans for a housing cooperative made up of low-income families to either rehab or build affordable housing developments. The cooperative legally managed the development of affordable housing complexes in the city with the assistance and supervision of city government staff. Procupez finds that the program led to the creation of affordable housing developments that were produced more cheaply and were higher quality than comparable market rate housing developments in Buenos Aires, suggesting that the model could be an effective strategy.

Tax Relief and Rent Subsidies

For legacy residents who own their homes and live on fixed-incomes, rising home prices associated with new green amenities can cause problems by drastically increasing their property taxes. Targeted tax relief programs can mitigate concerns of displacement by either freezing property taxes or allowing for more gradual rises than would have occurred otherwise for low- and fixed-income homeowners. Ding and Hwang (2020) use the property tax reassessment that occurred in Philadelphia in 2013 where homes were reassessed for the first time in decades as a natural experiment to study the effectiveness of such a tax relief program. They find that a tax relief program that froze property taxes for legacy residents (called the Longtime Owner Occupants Program or LOOP) helped mitigate the displacement of elderly and long-term residents. States can also use rent subsidies to help impacted renters by subsidizing a percentage of increases.

Community Benefits Agreements

Community Benefits Agreements (CBAs) are contracts between developers and community groups where a developer agrees to provide benefits outlined in an agreement in return for community support of their project. CBAs are a tool that community groups can use to mitigate the effects of gentrification induced by large developments and require developers to build a certain amount of affordable housing units. A study of the Los Angeles Sports and Entertainment District (LASED) CBA found that even though most of the benefits detailed in the CBA were met, including affordable housing, they were not necessarily attributable to the CBA. Non-legally binding provisions and weak reporting requirements can make it difficult to know if CBAs can actually deliver on their promises (Marantz, 2015). Another study in Los Angeles by Saito and Truong (2014) examines the LA LIVE

CBA and finds that successful CBAs that include affordable housing measures are most successful when communities have well-established community organizations that are resourced, such as Community Development Corporations (CDCs), as the onus of enforcement of CBA requirements usually falls on the community itself. While CBAs can be promising tools for providing benefits to low-income communities, high levels of local political will and support, the full participation of grassroots organizations, and agreements that are binding with strong enforcement mechanisms are all necessary to make CBAs live up to their promise (Belongie and Silverman, 2018). Because of the intricacies around enforcement of CBAs, they have been criticized as a less effective tool for generating community benefits (De Barbieri, 2016 and Been, 2010).

Photo: Press Conference at City Hall Called by the Community Benefits Agreement Coalition Chicago Illinois 4-19-18

Community Shareholding

Community Equity Endowments (CEEs) are a relatively new model that allow community residents to financially benefit from economic growth in their neighborhood. CEEs transfer a portion of realized real estate appreciation in the form of equity to a community endowment that provides funds or other direct support to residents. The most well-known CEE is the Alaska Permanent Fund that distributes state windfalls from oil drilling to residents in the form of annual payments. Theodos, Edmonds, and Tangherlini (2021) see CEEs as a more promising model than CBAs to reduce inequality and exclusion, as community residents are provided with a direct economic stake in their neighborhood, enabling wealth building for legacy residents.

Another model of community shareholding that has been utilized in several cities and been gaining popularity in recent years is community equity investing, which can be thought of as a neighborhood-based real estate investment trust that allows community members to purchase shares. Theodos and Edmonds (2020) examine five different models of community equity investing and recommend that the ideal model would have low purchase price for shares, easy exit options, ongoing buy-in options, robust community engagement in decision making, and be a well-designed investment to generate profit and reduce risk.

Conclusion

The effectiveness of any affordable housing strategy along urban trails and green amenities will vary by location and implementation. As always, the details of any strategy are crucial. This can be seen in the varying effectiveness of CBAs and IZs in different cities and the mixed evidence on upzoning. Incorporating community input in a deliberative and democratic way will help ensure that strategies will be more likely to have community buy-in. Coordination between local, state, and federal governments will help bring a broader array of support for projects, but cities should not rely on the federal government to solve their housing affordability issues. Planning for housing affordability early on in new green amenity construction will help avoid housing instability in impacted neighborhoods. New, promising strategies such as CLTs, LECs, and LEEs have had promising outcomes in some cities and should be explored in more depth. These emerging models should be rigorously evaluated and tested to avoid the unintended consequences present in other affordable housing strategies such as rent control and inclusionary zoning ordinances.

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