

# How Added Regulatory Costs Sabotage Housing Affordability



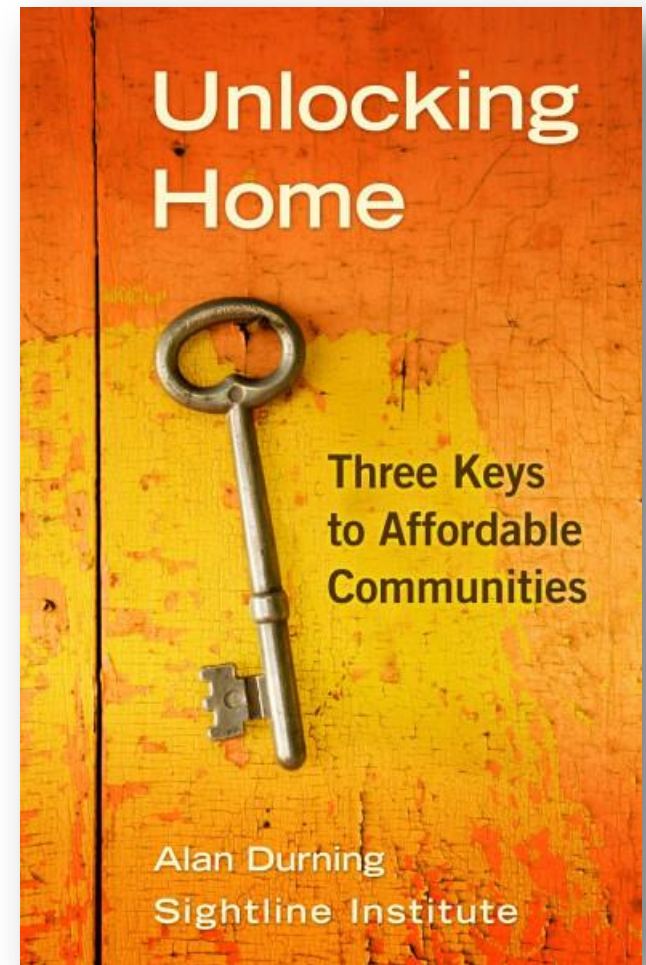
**Dan Bertolet**  
*Oregon Housing Land  
Advocates Conference*  
February 9, 2018



**Sightline**  
INSTITUTE

## **Our mission:**

to make the Northwest  
a global model of  
sustainability.



[www.sightline.org/research/housing-urbanism/](http://www.sightline.org/research/housing-urbanism/)

**“If you have a lot of people, but not that much housing, then you’ll have people that don’t have housing.”**

- Sonya Trauss, San Francisco housing activist



# like musical chairs



# build a house (add a chair)



watch the video: [www.sightline.org/morehomes](http://www.sightline.org/morehomes)

**How do costs added to  
homebuilding affect  
this cruel game of  
musical chairs?**

# direct costs

- impact fees, inclusionary zoning, parking req's, design standards



# direct costs

- impact fees, inclusionary zoning, parking req's, design standards

# cost of delay

- review—permitting, environmental, design, historic—and legal appeals
- financing, staff time, consultant fees



# **57-unit mixed-use apartment**

- **on a neighborhood commercial street with good bus service**
- **dragged out design review...**
- **environmental review appealed by neighborhood group...**

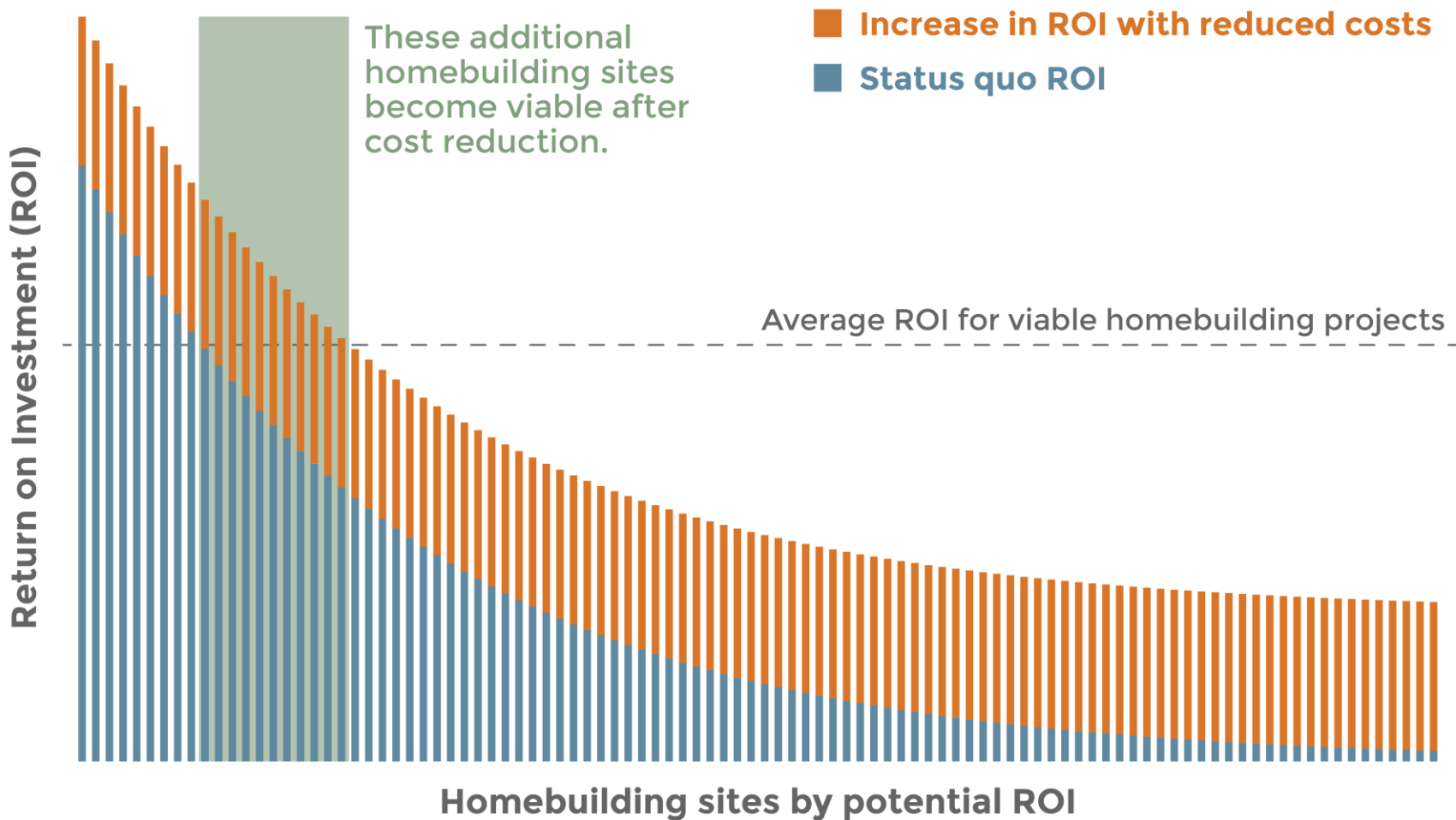


# **Almost 3 years to get entitled!**

- **cost of delay = 10 apartments**
- **added 17% to development cost**
- **erases typical return on investment**

**“Why bother streamlining rules to reduce costs when developers will charge what the market will bear anyway?”**

# Lowering the cost of homebuilding reduces prices by increasing the number of projects that pencil.



# Reduce costs:

- projects pencil at lower rents
- average rents drop further before homebuilders pull back
- lowers what market will bear

## **Reduce costs:**

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## **Affordability benefits:**

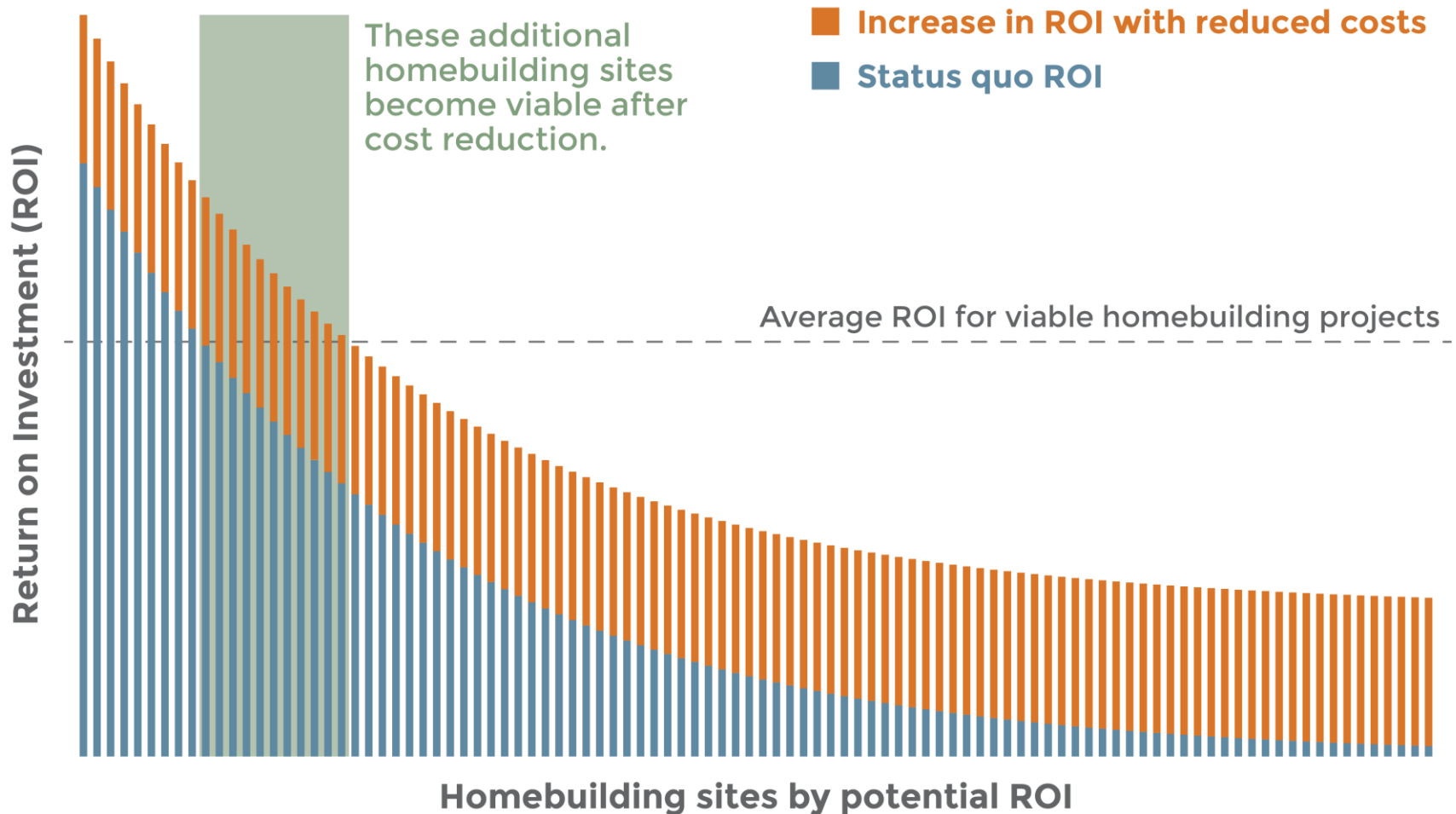
- less economic displacement
- fewer cost-burdened HHs
- smaller subsidy gap



**How high can  
inclusionary zoning  
go before it shuts  
down homebuilding?**

*Wrong question!*

# Lowering the cost of homebuilding reduces prices by increasing the number of projects that pencil.



# It's not a light switch, it's a dimmer.

- just because one project pencils doesn't mean IZ "works"
- every city has projects near the feasibility tipping point
- the more the added cost, the more projects sacrificed

# Seattle offsets inclusionary zoning with upzones

- no loss if balanced
- proposal is wildly inconsistent
- analysis: downtown okay, but likely to impede homebuilding elsewhere

# both/and

- streamline regulations to help the market build as much as possible
- subsidize housing for those who can't afford market-rate
- fund subsidy through broad tax base rather than exactions on homebuilding



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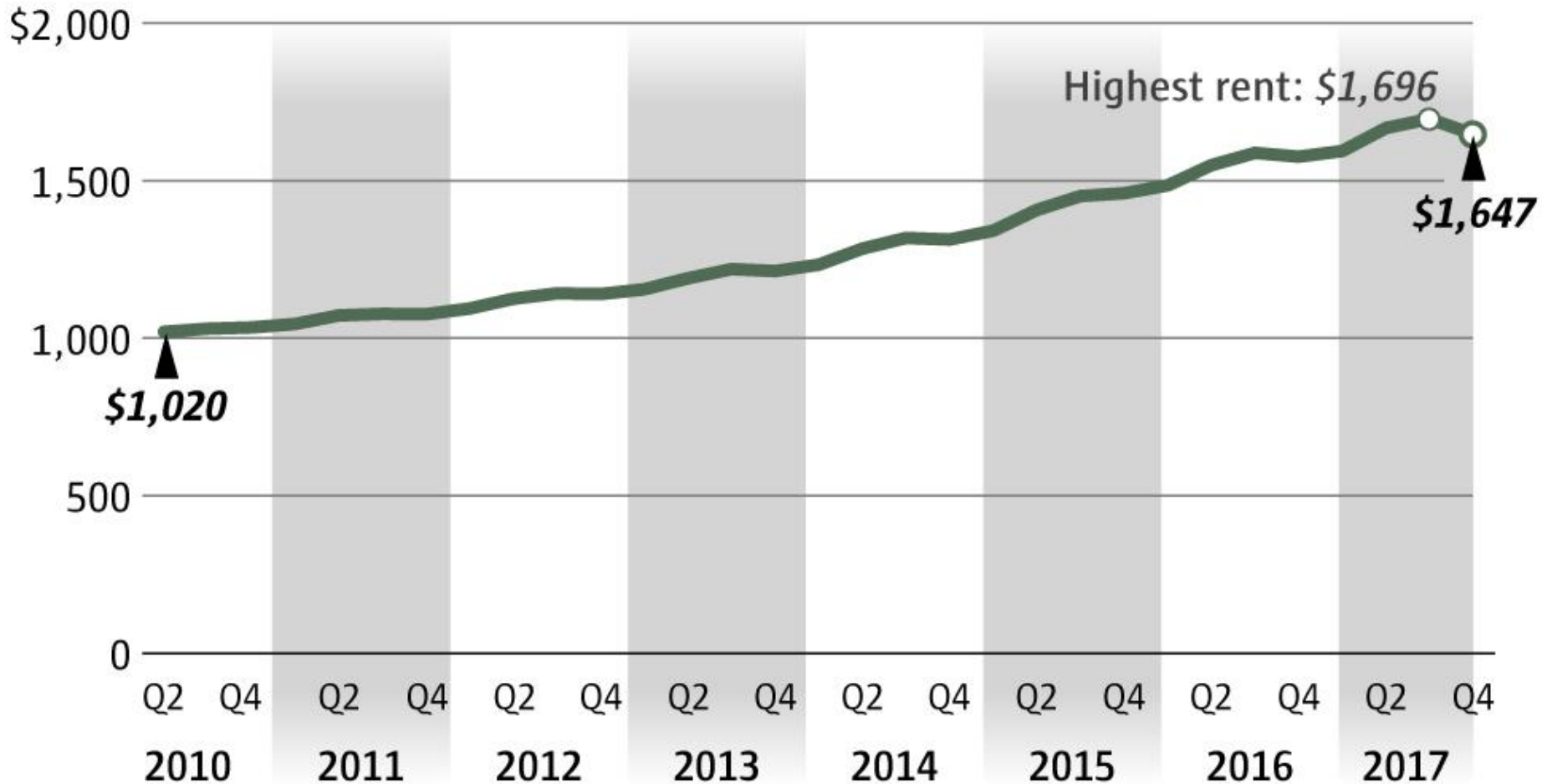
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## Rents drop at fastest pace this decade

The average rent across King and Snohomish counties has dipped a few bucks here and there at times, but the \$49 drop this quarter was by far the biggest of the decade.



Source: Apartment Insights / RealData

EMILY M. ENG / THE SEATTLE TIMES



Coca-Cola

N 68th St  
Greenwood Ave N

[Colorful graffiti]

Vanishing

Seattle



# Added costs:

- raise the minimum rent for projects to pencil
- make marginal projects infeasible

**The effect on feasibility isn't like a light switch.**

# Inclusionary zoning

- Seattle: 4 – 11% inclusion

**If you add costs to  
homebuilding, homes  
will be more expensive.**

# How to Make Housing More Expensive

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- SF YIMBY Party

# Untangling the link between costs and housing affordability

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