

Making the Most of Our Assets for New Housing Opportunities

FHFA ADU Listening Session

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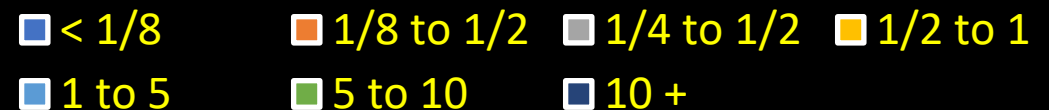
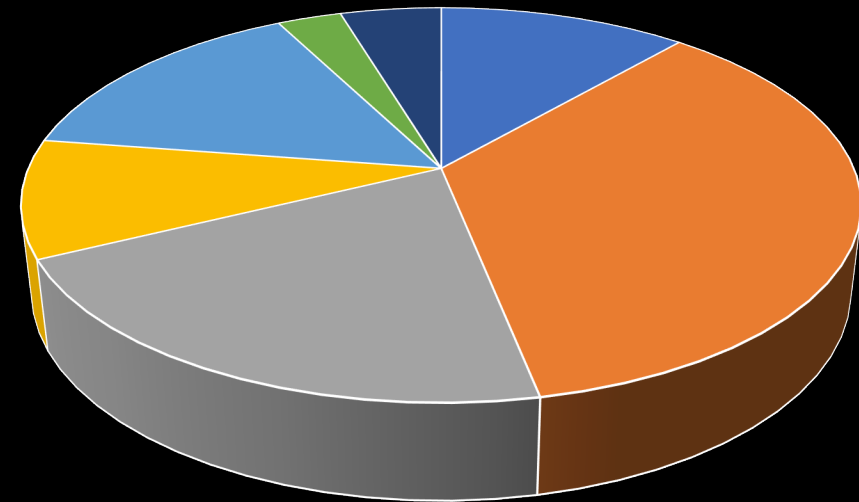
Outline

- Recommend nudges by FHFA to support housing demand through asset classification and underwriting rules
- Review the hidden assets of cities and towns that support these concepts
- Review demographic trends (household size) and other supportive influences (the 15-minute neighborhood, climate protection) that support such an “asset management” strategy
- Identify actions for FHFA’s consideration in supporting ADU purchases by the GSE’s

1st Hidden Asset: Underutilized Lots

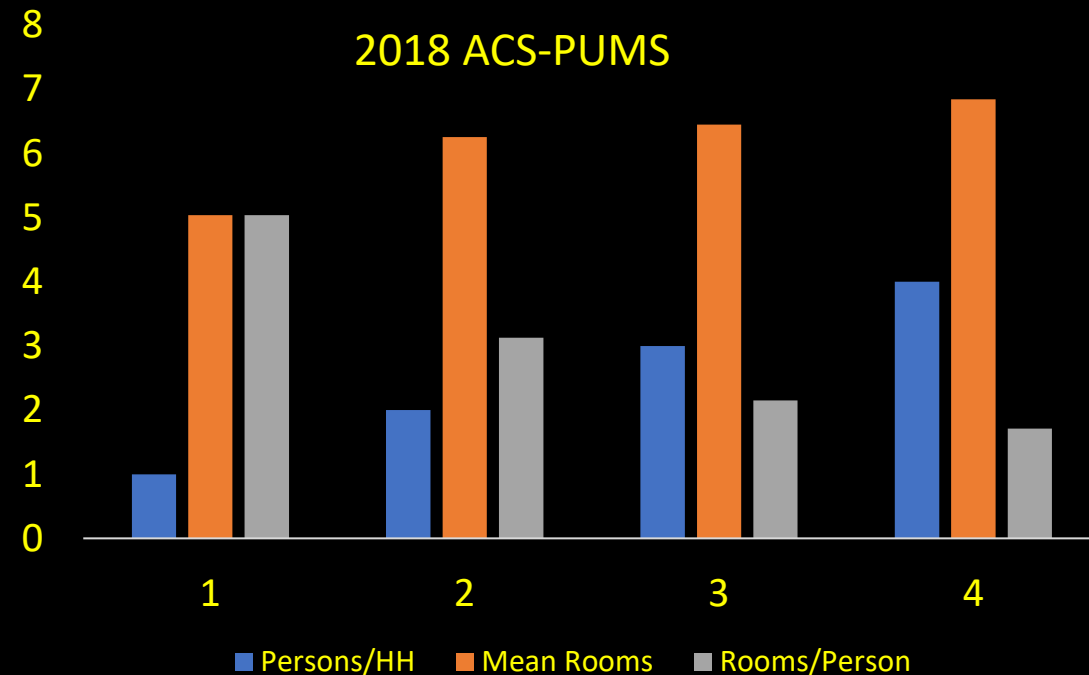
- 78.5 Million Single Family Dwellings
- 2/3 are on lots of less than ½ Acre
- 1/3 are on lots of 1/2 acre or more
- The most common accessory structure is a garage or carport, 66.3 million or 85% have these
- The most common accessory is housing for cars not people

% SFD by Lot Size

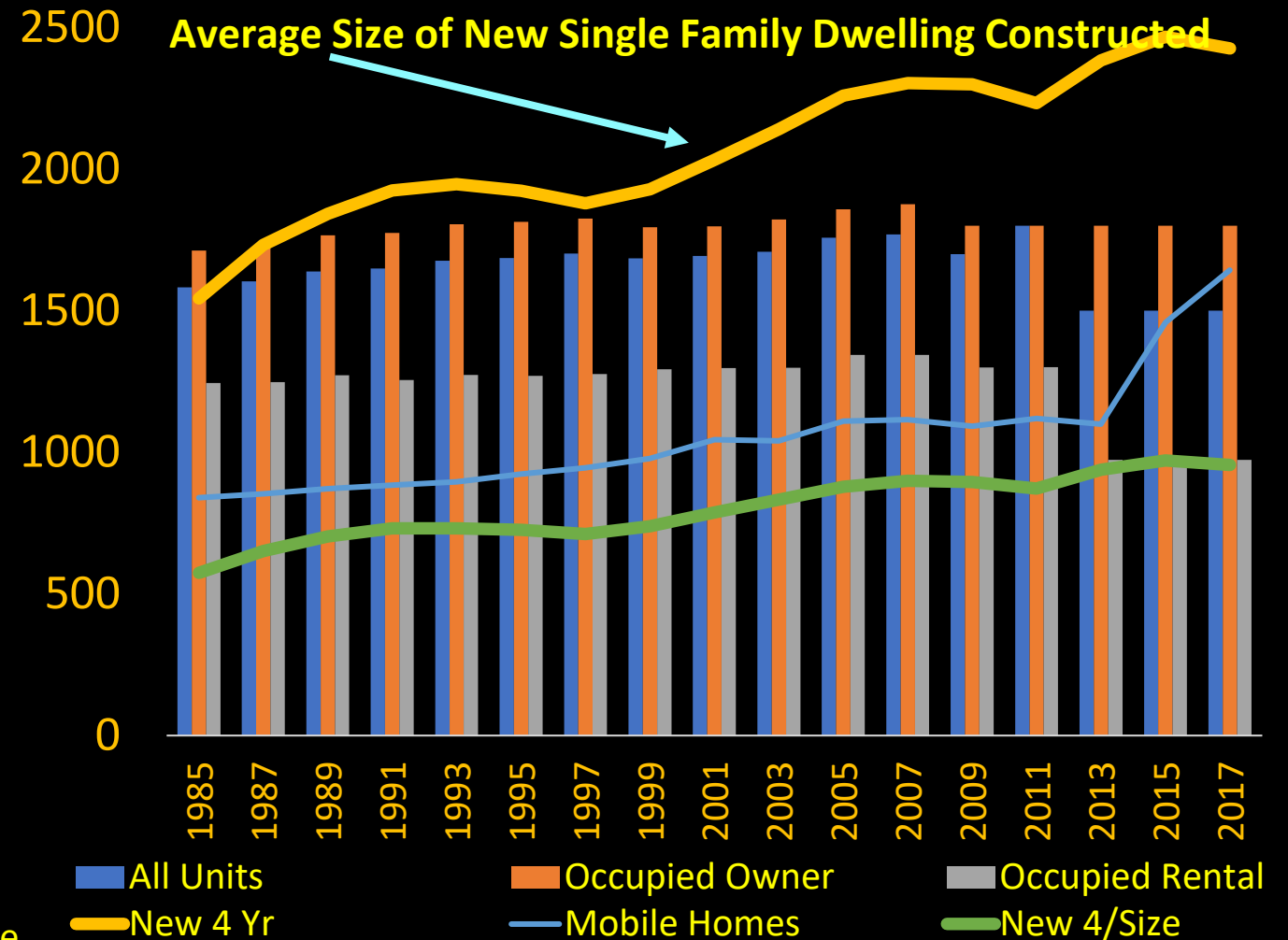
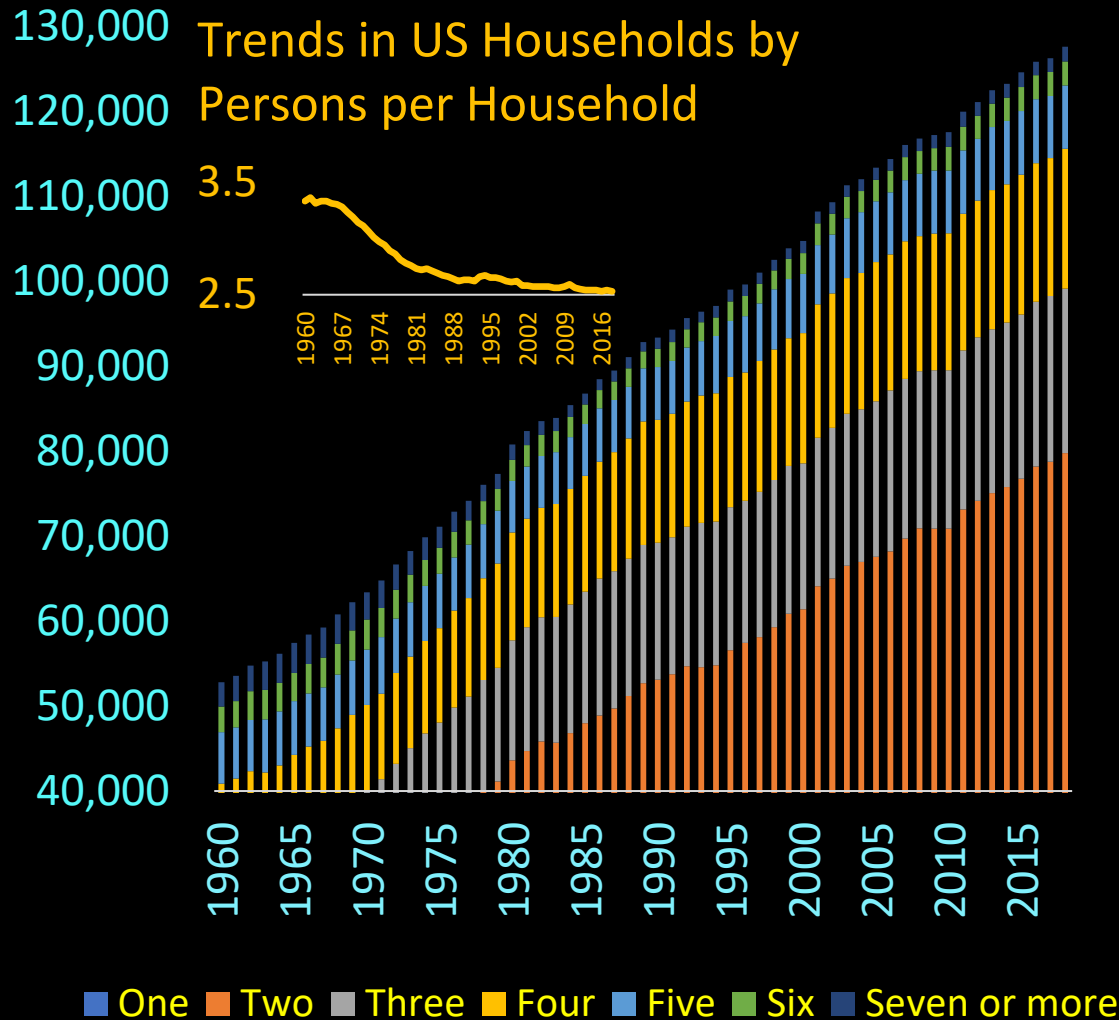


2d Hidden Asset: Underutilized Homes and Oversized Stock

- During WW2, 10 million workers relocated quickly, mostly to existing occupied SFDs & accessory structures
- This was “low-build” or “no-build” least-cost housing
- E.G. Washington DC grew from 650k to 900k by 1943
- In US 2018, the mean number of rooms/occupant was 5.04 for single-person and 6.25 for 2-person households
- Over 40 million adults living in someone else’s home = 1 in 3 adults is doubled up today



3d Hidden Asset: Households Get Smaller (3.36 in 1961 to 2.53 in 2018) But Home Sizes Increase (1544 sf in 1985 to 2426 in 2018)



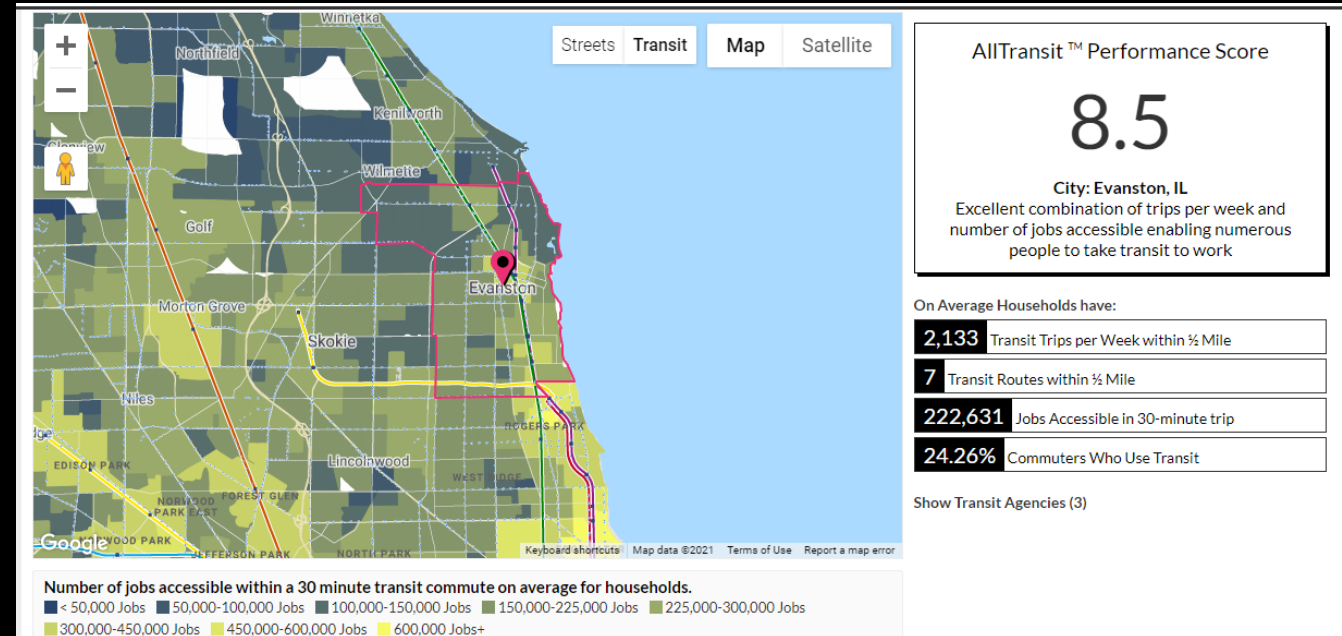
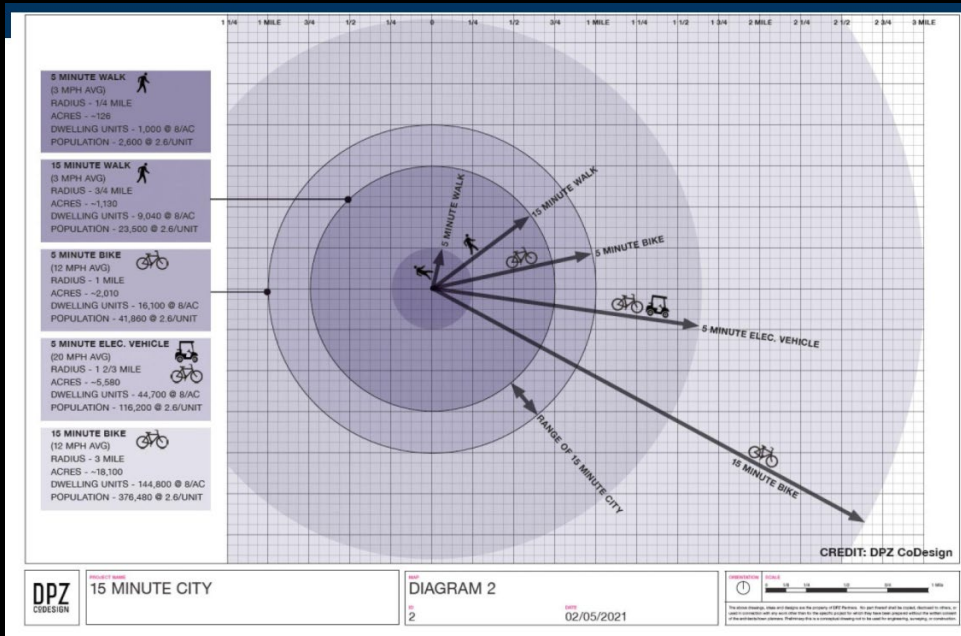
4th Underutilized Asset: Underutilized Public Amenities and Location Efficiency

- Despite sprawl, US cities and towns are highly urbanized, with walkable urban character & transit amenities
- Recent NAS study of all 907 transit-served regions finds that 1 out of every ton of GHG emissions reduced is reduced from riding transit instead of driving, but 6 out of every 7 is produced by convenience of walking and shorter trips
- 15-minute shed is for the 4 of 5 household trips that are not work trips-shopping, school, services, visits, recreation = “local convenience”
- 30-minute shed is for the 1 of 5 or less trips that are for journey to work = “regionally connected”
- Where we live and develop is as important as what we live in and develop

Location Efficiency, Travel Time and Regional Connections

Local Convenience = 15 minute shed

Regionally Connected = 30 minute shed



Outbound- 222k jobs accessible in 30 mins by transit
Inbound- 243k workers + 203k customers can reach in 30 mins too

Two Approaches to Location Efficiency for Affordability

Drive 'Til You Qualify

- Land values and home prices drop outside of walkable transit-served areas
- But building out there requires backfilling with more road capacity, infrastructure, transit and increases household transportation outlay, wiping out affordability
- Unlike housing there is no direct subsidy for housing and utility bills

Make the Most of Developed Places

- Identifying existing location efficient communities reveals substantially underbuilt single-family opportunities
- ADU's can increase density without platting new land and with minimal new infrastructure costs
- "Missing Middle" housing types can supplement ADU strategy in location efficient places
- Walkability, urban form and transit keep housing affordable and reduce GHG emissions

One Precedent: Location Efficient Mortgages

- Studies were done to identify household cost savings from local convenience and regional connectivity, 1994-2000
- Fannie Mae agreed to purchase \$100 Million in “location efficient mortgages” as an underwriting experiment
- Marketed as LEMs, Smart Commute, Walk to Work 2000 - 2004
- Counted up to 70% of location savings to offset PITI in a standard coverage ratio
- 2008 studies showed of 2,000 loans, there was 1 technical default (cured) and zero foreclosures

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Housing Policy Debate

SPECIAL ISSUE
Location Affordability
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Options for Nudging Forward

- FHFA takes action to signal GSE ability to purchase ADUs, including guard rails for affordability and location efficiency, resulting in accelerated reform of SFD zoning regulations
- FHFA requires GSEs to use the Location Affordability Index HUD/DOT product in their automated underwriting systems
- Location Efficient Mortgages were marketed as 1st time homebuyer products, and this could be continued
- LEMs are marketed for both 1st time homebuyer and accessory rental dwelling purposes
- GSE's cooperate in helping cities adopt zoning that GSE's will recognize and act on (a "grand" deal)
- FHFA and GSEs expands this effort to support a broader range of "missing middle" housing types

Thank You!

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<http://htaindex.org>

<http://alltransit.cnt.org>

<https://www.hudexchange.info/programs/location-affordability-index/>