



# THE ROLE OF HOUSING AS A DRIVER OF ECONOMIC DEVELOPMENT



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

#IEDC #IEDCAnnual

# IEDC Annual Conference:

*The Role Of Housing  
As A Driver In  
Economic Development*

Indianapolis 2019

**Jeff Marcell**

Senior Partner  
TIP Strategies

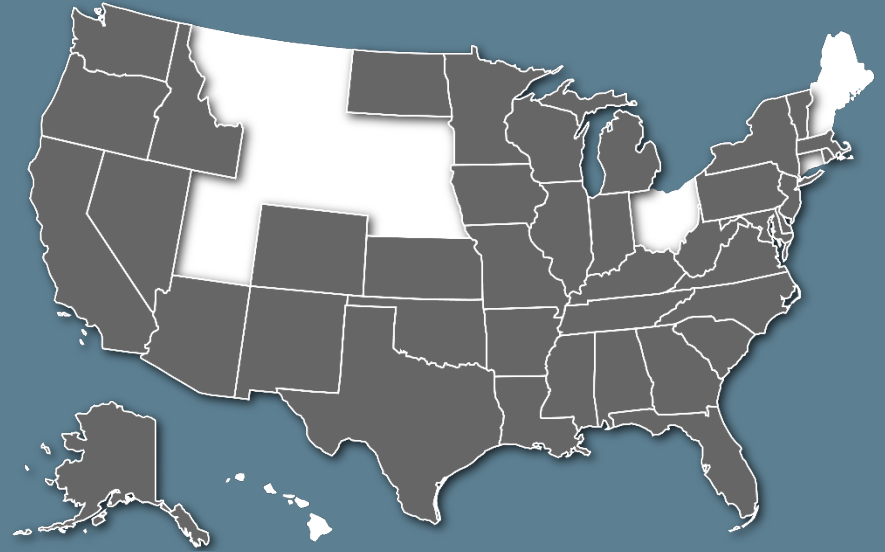


TIP  
strategies



# TIP STRATEGIES

Founded in 1995, we have over 24 years of experience in over 300 communities across 40 states, and 5 countries.



Four principals with a total staff of 15.

Committed to holistic thinking & sustainable development.

Austin, Seattle, and Boston offices with global reach.

# OUR TEAM



**Tom Stellman**  
CEO/Founder



**Tracye McDaniel**  
President



**Jon Roberts**  
Managing Partner



**Jeff Marcell**  
Senior Partner



**Alex Cooke**  
Senior VP



**John Karras**  
Senior Consultant



**Elizabeth Scott**  
Consultant



**Jenn Todd**  
Consultant



**Jaclyn Le**  
Consultant



**Brent McElreath**  
Senior Analyst



**Karen Beard**  
Senior Analyst



**Evan Johnston**  
Analyst

# MID-AMERICA REGIONAL COUNCIL FIRST SUBURBS COALITION REGIONAL HOUSING SUMMIT JULY 2019



# Background

Developed in partnership with the National League of Cities (NLC) and Mid-America Regional Council (MARC)

## Goal

- Bring together local leaders to identify a collaborative path to address workforce housing challenges

## TIP's Role

- Review applications, select awardee in partnership with NLC
- Donate technical assistance: data analysis for 28 communities and the Kansas City region, economic development insights, identify responsive strategies
- Host July Summit in partnership with NLC and MARC
- Create next steps report (under development, to be released in Fall 2019!)

# The Event

All-day event hosted in Gladstone, Missouri with over 190 attendees from across the Kansas City region

## Event Details

- Attendee surveys pre- and post- summit
- Data presentations, panel discussion, keynote speaker, small group breakout discussions

## Desired Outcomes

- Develop a shared understanding of regional workforce housing challenges
- Identify potential solutions through discussion and participant engagement
- Establish next steps to advance workforce housing solutions

# The Challenge + Strategies

## Challenge

Increasing affordability challenges in a very economically diverse region

## Strategies

Developed in response to attendee input, TIP's research, existing plans and documents from the region, and professional experience. No single strategy will be sufficient, or equally effective, for all communities.

- Promote knowledge sharing
- Preserve existing housing
- Increase the amount of housing available
- Increase access to and availability of financing
- Enact regulatory changes



# How to Learn More

- National League of Cities City Summit, San Antonio, Nov. 20-23
  - Present summary of the summit event, research, and outcomes
  - Debut final summary report
    - Additional data analysis
    - Expanded best practice examples
- Online access to report will be available after the City Summit at

**[www.TIPStrategies.com](http://www.TIPStrategies.com)**



**JEFF KINGSBURY**  
MANAGING PRINCIPAL  
GREENSTREET LTD.



**BRAD COFFING**  
RESEARCH ANALYST  
MIBOR REALTOR ASSOCIATION



**JEFF MARCELL**  
PRINCIPAL  
TIP STRATEGIES, INC.

# SESSION OBJECTIVE

**UNDERSTAND HOW JOBS DRIVE HOUSING DEMAND** and how housing impacts the retention of those future workers;

**LEARN ABOUT BARRIERS LEADING TO A LACK OF AFFORDABLE HOUSING** or mismatch between housing demand and supply; and

**UNDERSTAND WHY QUALITY OF LIFE AND HOUSING** should be key drivers of economic growth strategies.



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

**#IEDC #IEDCAnnual**

# WHAT IS THE LINK BETWEEN HOUSING AVAILABILITY & REGIONAL ECONOMIC GROWTH?

AT THE LOCAL LEVEL, HARD DATA AND ANECDOTES FROM BUSINESSES AND WORKERS DEMONSTRATE THAT MORE HOUSING OPTIONS:

**HELP PEOPLE BOTH LIVE AND WORK IN THE COMMUNITY,** leading to shorter commutes and less traffic.

**MAKE IT EASIER TO ATTRACT AND RETAIN WORKERS.**

**PROMOTE INCOME INTEGRATION,** which is associated with faster overall economic growth.

**BROADEN THE TAX BASE,** which occurs with increased economic activity.

Source: Why do Cities Matter? Local Growth and Aggregate Growth, National Journal of Economic Research, 2015; Barriers to Shared Growth: The Case of Land Use Regulation on Economic Rents, 2015; Housing Underproduction in the US, Holland Government Affairs, Up for Growth, and ECONorthwest, 2018



# #IEDC #IEDCAnnual

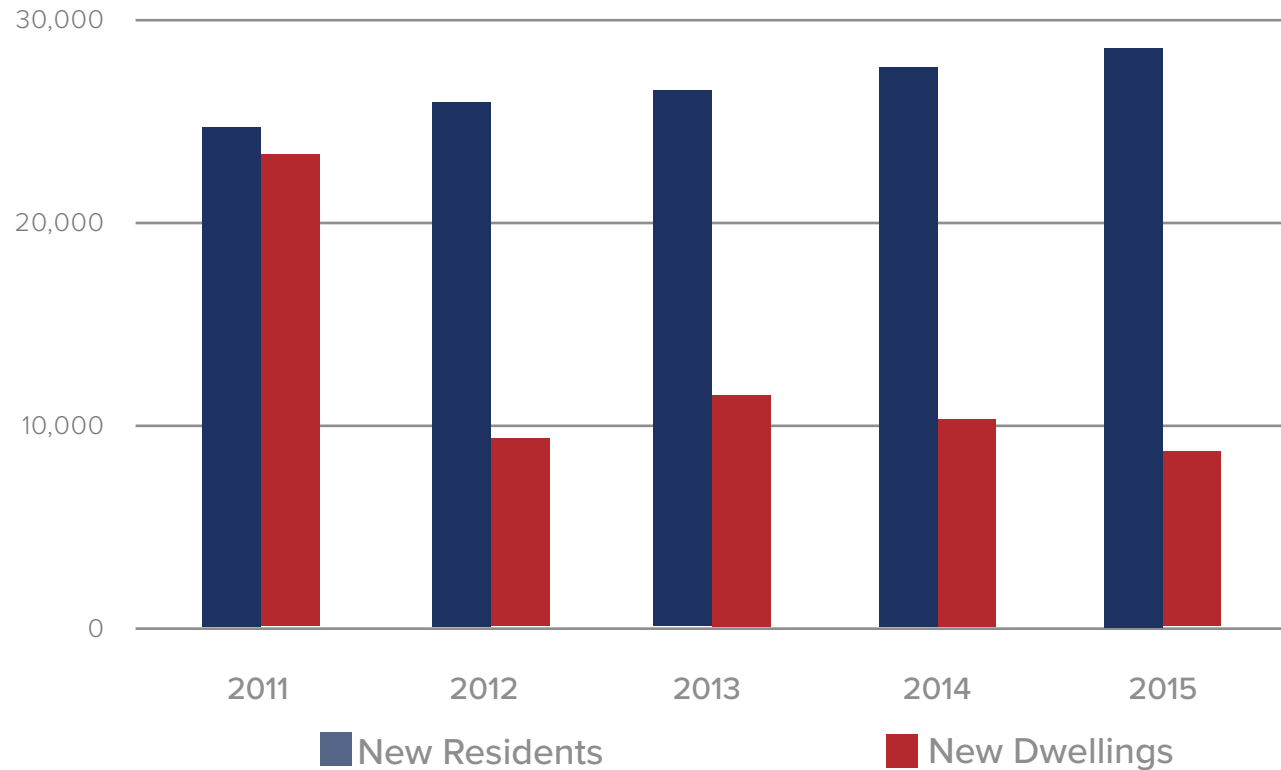
# HOUSING PRODUCTION IN CITIES ACROSS THE US HAS NOT KEPT UP WITH DEMAND.

“Housing production that has not kept pace with population growth costs the US \$400 billion (over a 20-year period) in lost GDP.”



## EXAMPLE: SAN ANTONIO

SAN ANTONIO HAS CONTINUED TO GROW AND DEVELOP; HOWEVER, HOUSING PRODUCTION HAS LAGGED BEHIND.



Source: CityLab: “Is Housing Catching Up?” 2017; Housing Underproduction in the US, Holland Government Affairs, Up for Growth, and ECONorthwest, 2018



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

# #IEDC #IEDCAnnual

# UNDERPRODUCTION OF HOUSING AFFECTS THE ENTIRE ECONOMY.

**UNDERPRODUCTION CAUSES THE LABOR FORCE TO SUFFER**  
from limited availability of homes and higher home prices.

**LESS WORKERS ATTRACTED TO THE REGION CAN STALL ECONOMIC GROWTH**  
as jobs go unfilled.

**THE REGION AS A WHOLE BECOMES LESS COMPETITIVE**  
with its peers, making it hard to attract people, jobs, and investments.



**#IEDC #IEDCAnnual**

# AND IT AFFECTS PEOPLE & COMMUNITIES DIFFERENTLY.

## BELOW MEDIAN WAGE

**WORKERS** are the first to feel the pressures from higher rents and prices because there is an insufficient supply of attainable housing.

## ABOVE MEDIAN WAGE

**WORKERS** have more housing choices; however, even these households will face affordability challenges if there is not a sufficient supply of housing, at the right prices and in the right locations.

## BUSINESS ATTRACTION

can be negatively affected if the community does not see housing as a key part of their economic development strategy.



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

#IEDC #IEDCAnnual

# NATIONAL TRENDS

CHANGING DEMOGRAPHICS AND HOUSING TRENDS



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

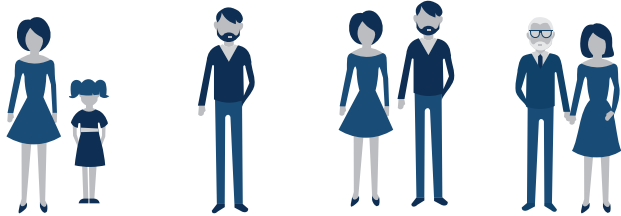
#IEDC #IEDCAnnual



# CONSTRUCTION HAS NOT KEPT UP WITH CHANGING HOUSEHOLDS



HOUSEHOLD OF THE PAST



HOUSEHOLDS OF TODAY



ONLY HALF OF AMERICANS ARE MARRIED.  
COMPARED TO 75% IN 1950.



ONLY 20% OF MARRIED HOUSEHOLDS HAVE KIDS.  
IN 1950 THAT NUMBER WAS OVER 40%.

Source: US Census; New York Times, "Late Marriage and its Consequences," 2013; Time, "Why 25% of Millennials Will Never Get Married," 2014; NPR, "Average Age of First-Time Moms Keeps Climbing in the US," 2016; Bloomberg, "Millennials Still Want Kids, Just Not Right Now," 2016

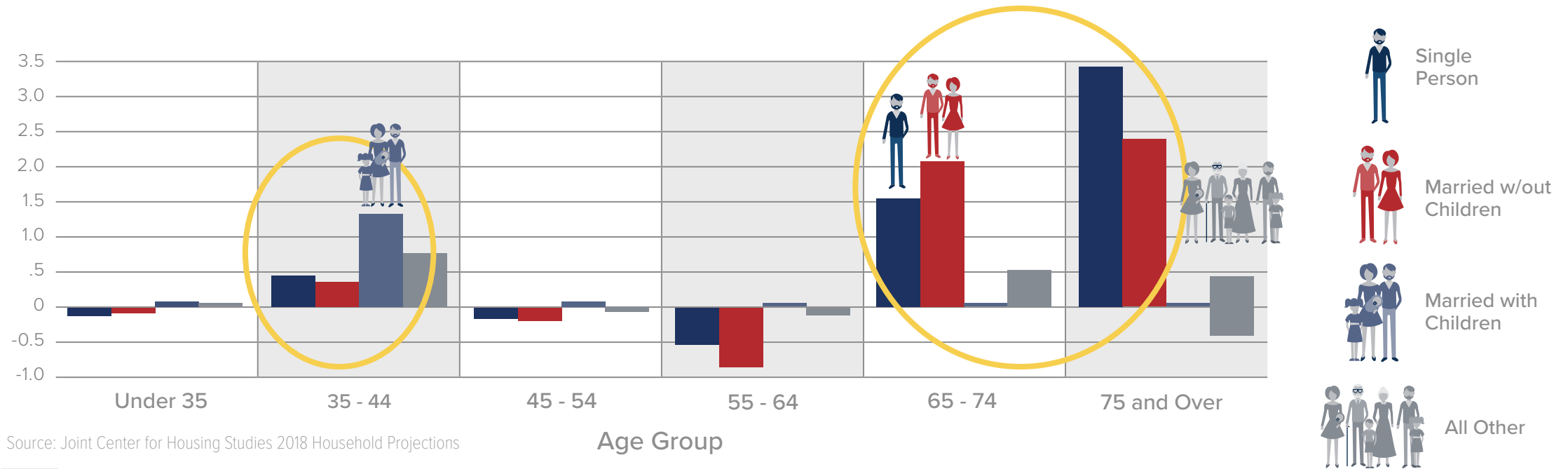


INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

#IEDC #IEDCAnnual

# FASTEST-GROWING HOUSEHOLDS ARE YOUNGER FAMILIES WITH CHILDREN AND OLDER SINGLE PERSONS OR EMPTY NESTERS.

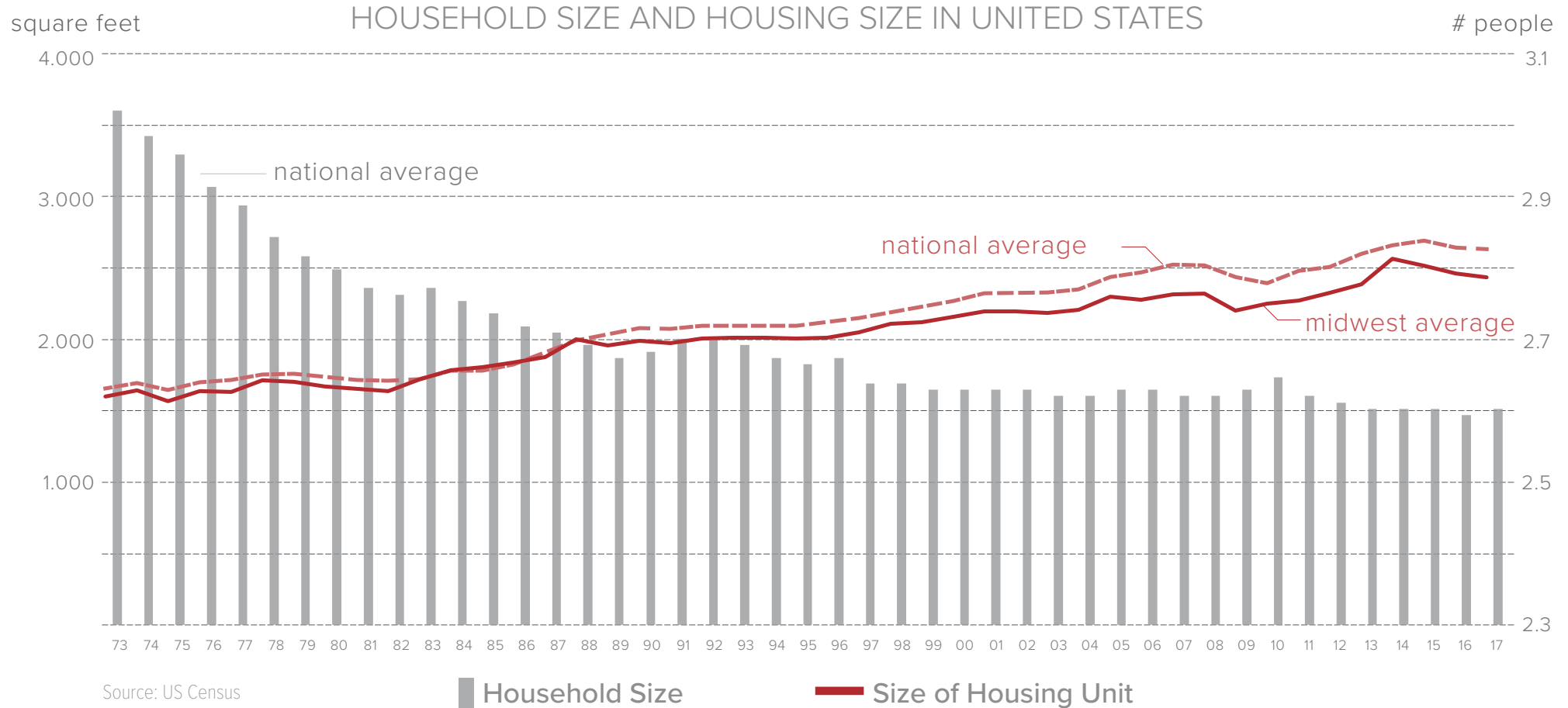
PROJECTED CHANGE IN U.S. HOUSEHOLDS, 2018 -2028 (MILLIONS)



Source: Joint Center for Housing Studies 2018 Household Projections



# SMALLER HOUSEHOLDS LIVE IN LARGER HOMES



Source: US Census



**BAGI**

**Lisa Sturtevant** greenstreet  
 & Associates, LLC



INTERNATIONAL  
 ECONOMIC DEVELOPMENT  
 COUNCIL

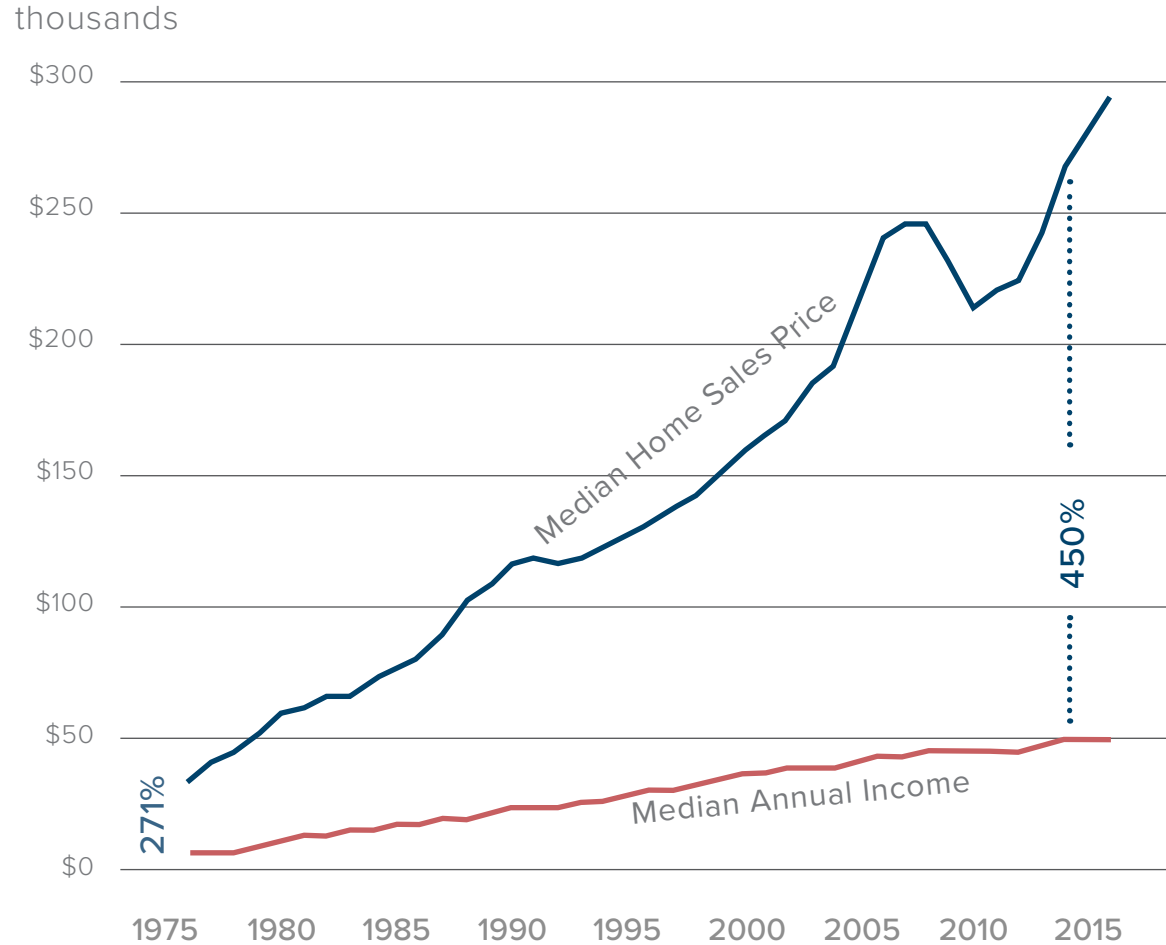
**#IEDC #IEDCAnnual**

# HOUSING PRICES ARE OUTPACING WAGE GROWTH.

Incomes have grown at a much slower pace than housing prices. Similarly, rent prices have outpaced renter's income since 1960.

Source: "The State of the Nation's Housing 2018", Harvard University; Zillow Research; U.S. Census

MEDIAN HOMES SALES AND ANNUAL INCOME SINCE 1975



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

#IEDC #IEDCAnnual

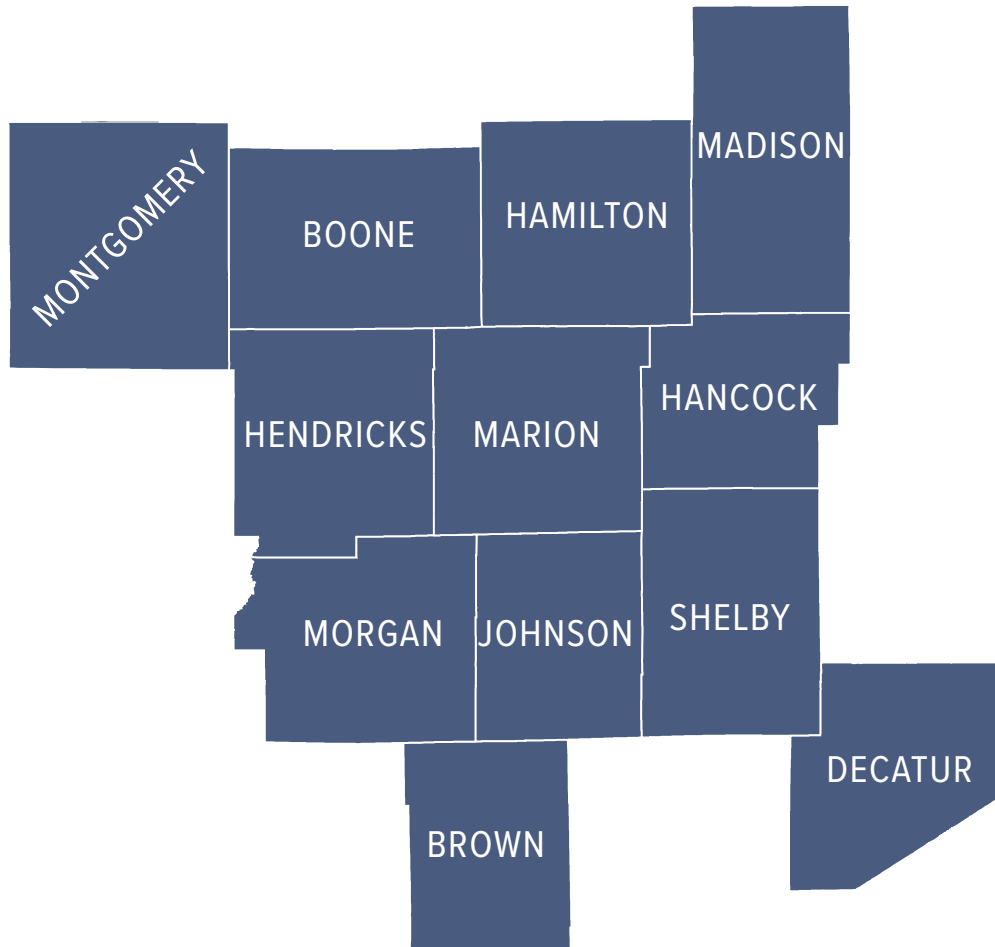
# CASE STUDY

HOUSING THE INDIANAPOLIS REGION'S FUTURE WORKFORCE



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

#IEDC #IEDCAnnual



#### DEFINITIONS

### INDIANAPOLIS REGION

As defined for this analysis, the Indianapolis Region includes Boone, Brown, Decatur, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Montgomery, Morgan, and Shelby counties.



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

#IEDC #IEDCAnnual

# THE INDIANAPOLIS REGION IS UNDERBUILDING EACH YEAR BY 1,750 UNITS

RECENT CONSTRUCTION TRENDS WON'T MEET  
THE DEMAND FOR A PROJECTED 9,000 NEW  
HOUSING UNITS ANNUALLY.

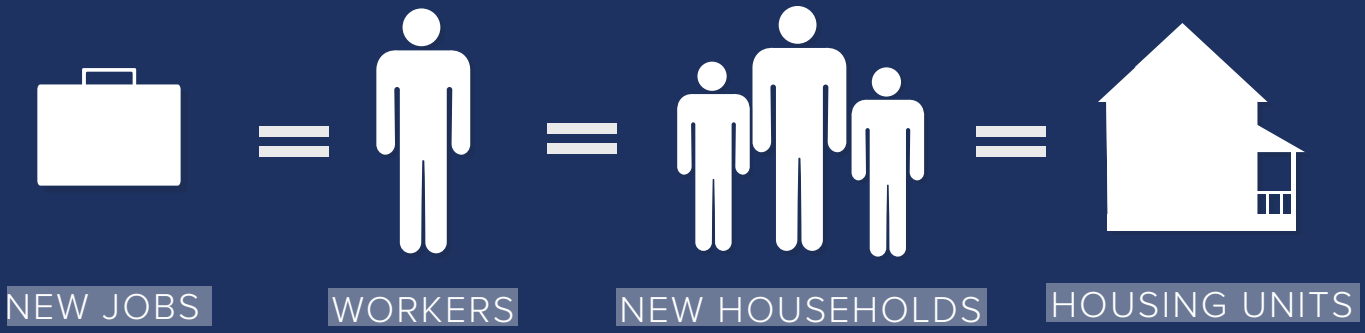


INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

---

**#IEDC #IEDCAnnual**

**PROJECTED JOB GROWTH  
WILL DRIVE DEMAND FOR  
NEW HOUSING UNITS.**



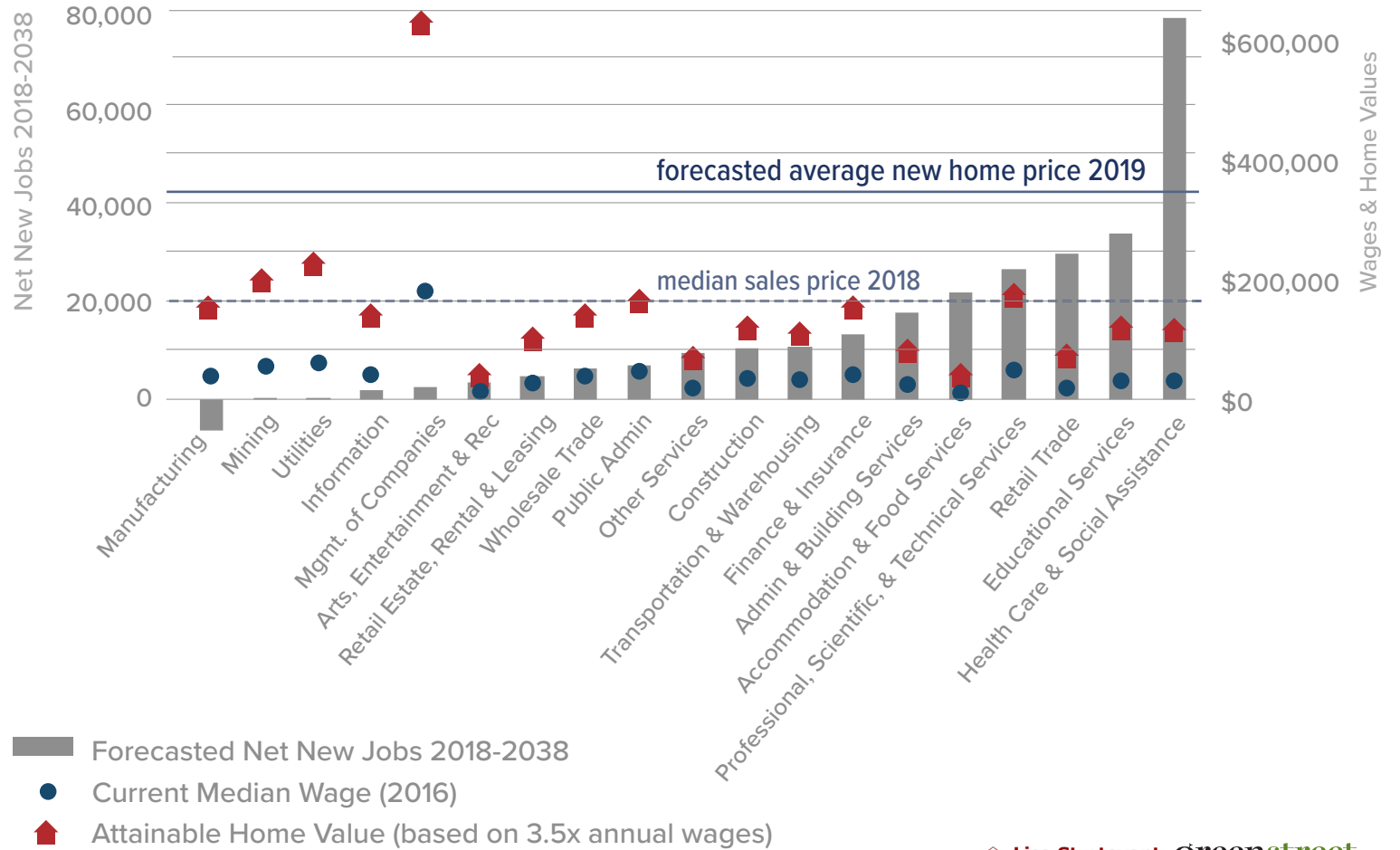
**274,576 = 180,257**  
**NET NEW JOBS NET NEW UNITS\***



# PRODUCTION IS NOT THE ONLY FACTOR TO MEETING HOUSING DEMAND.

Much of the region's housing are financially out of reach for much of our future workforce.

SHARE OF THE WORKFORCE, WAGES, AND ATTAINABLE HOUSING BY INDUSTRY



Source: Woods & Poole, BLS, LSA, MIBOR, BAGI



# #IEDC #IEDCAnnual

# THERE IS AN INVERSE RELATIONSHIP BETWEEN NEW CONSTRUCTION PRICES AND THE INCOMES NEEDED TO SUPPORT THEM.

Homes are being built at the high end, while below median wage households are increasing.



## RELATIONSHIP BETWEEN INCOMES (ATTAINABLE HOME VALUES) & NEW HOME PRICES



\*New Households' Incomes from forecasted employment-driven demand used to generate an "attainable home value" defined as 3.5 times a household's income. Data represents the 12-County Indianapolis Region of Boone, Brown, Decatur, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Montgomery, Morgan, and Shelby counties  
 \*\*New Construction Home Prices based on data as of August 2018. Data represents the 9-County (BAGI) Indianapolis Region of Boone, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, and Shelby counties.  
 Source: LSA, historical US Census data, BAGI, MarketGraphics Research Group, Inc. 2018, Greenstreet  
 Note: Data sources do not align exactly by the housing values (both attainable and new home prices) graphic is an illustrative representation of the data.



# UNDERPRODUCTION OF HOUSING AFFECTS THE ENTIRE ECONOMY.

How the Region responds to increasing the supply of housing will affect the outcomes. Just building housing isn't enough. It needs to respond to the market and to the future workforce needs.

- **IN ORDER TO SUPPORT JOB GROWTH IN THE REGION\***, IT IS ESSENTIAL TO HAVE **SUFFICIENT HOUSING** — in the right locations, of the right types, and at the right prices and rents.
- **CHARACTERISTICS OF BOTH JOBS AND WORKERS IN THE REGION\* ARE CHANGING.**
- **IN MOST OF THE REGION,\* THERE IS A NEED TO INCREASE THE SUPPLY OF MULTI-FAMILY HOUSING**, including townhomes, apartments, and condominiums.
- Producing units attainable to below median workers **MAY REQUIRE CREATIVE FINANCIAL SOLUTIONS AND PARTNERSHIPS WITH LOCAL DECISION-MAKERS.**



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

**#IEDC #IEDCAnnual**

**OVER THE NEXT 20 YEARS CREATING THE  
RIGHT SUPPLY IS CRITICAL.**



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

---

**#IEDC #IEDCAnnual**

# HOW CAN NEW HOUSING RESPOND TO THE NEEDS OF THE CHANGING WORKFORCE?



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

---

**#IEDC #IEDCAnnual**

# COMPACT, WALKABLE DEVELOPMENT DOES THAT AND

PROVIDES COST EFFECTIVE  
SERVICE DELIVERY

GENERATES MORE TAX  
REVENUE PER ACRE

RESPONDS TO AN UNDERSERVED  
PORTION OF THE MARKET



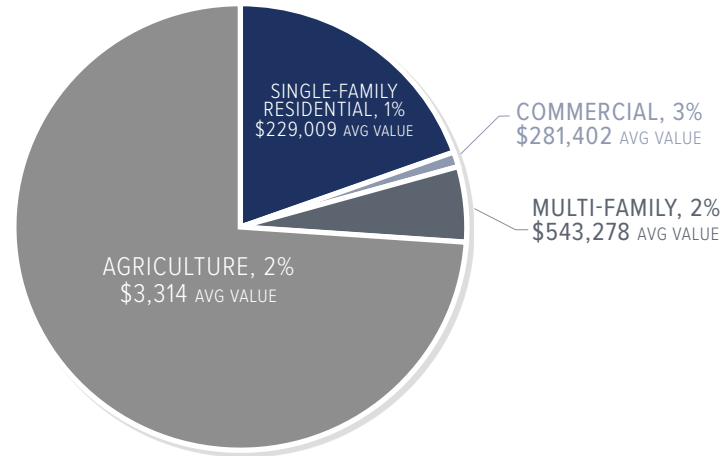
INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

---

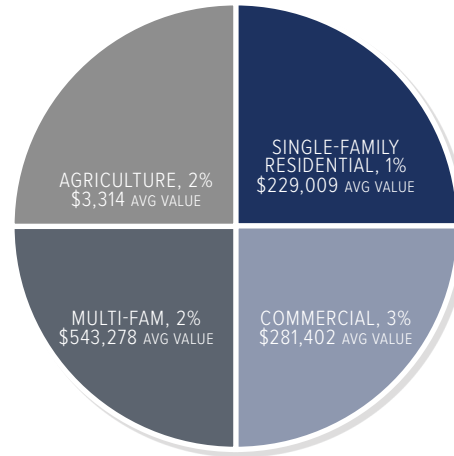
**#IEDC #IEDCAnnual**

# LOCAL LAND USE AFFECTS LOCAL TAX BASE & REVENUES.

Mixed land uses help to stabilize municipal revenue, especially with Indiana's property tax structure. By creating a more diverse, balanced mix of land uses, municipalities can expand and diversify their tax base.



CURRENT MIX



BALANCED MIX

# 3X MORE TAX REVENUE

Based on a hypothetical 100 acres of land, two different land use scenarios were developed to illustrate the effects of land use on future tax revenue. Both scenarios assume 4 housing units per acre at a value of \$229,009; a multi-family value of \$543,278 per acre; a commercial value of \$281,402 per acre; and agricultural value of \$3,314 per acre. Tax rates of 1 percent (single-family); 2 percent (multi-family); 3 percent (commercial); and 2 percent (agriculture) were used in the analysis.

Source: Indianapolis Metropolitan Planning Organization, Greenstreet Ltd. analysis



# #IEDC #IEDCAnnual

# MUNICIPALITIES CAN SAVE MONEY BY BUILDING SMARTER, MORE EFFICIENT NEIGHBORHOODS.

## FISCAL BENEFITS OF COMPACT, WALKABLE DEVELOPMENT



**1/3 LESS**

Upfront Land Development & Infrastructure Costs



**10% SAVINGS**

On-Going Delivery of Municipal Services



**10X REVENUE**

Compared to Traditional Suburban Development



**DEVELOPMENT PATTERNS HAVE A HUGE EFFECT ON THE FINANCES OF A TOWN OR CITY.** THE COST OF INFRASTRUCTURE LIKE ROADS AND SEWERS, AS WELL AS SERVICES LIKE FIRE DEPARTMENTS, AMBULANCES AND POLICE ARE MAJOR BUDGET ITEMS FOR ANY MUNICIPALITY, AND DECISIONS ABOUT DEVELOPMENT PATTERNS CAN RAISE OR LOWER THE COST OF THESE SERVICES. THESE CHOICES HAVE SIGNIFICANT IMPLICATIONS FOR PUBLIC BUDGETS IN COMMUNITIES EVERYWHERE.”

Source: Smart Growth America, The Fiscal Implications of Development Patterns Indianapolis, IN, 2015; Smart Growth America, Building Better Budgets, 2013



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

**#IEDC #IEDCAnnual**



# LAND IS A FINITE RESOURCE THAT WE MUST MANAGE RESPONSIBLY.

As an example, 2,697 acres could be completely built out in just 25 years— about a single generation. But with a more compact, higher-density development, the remaining land could last five times longer.



Based on existing undeveloped land in Community Z (2,697 acres), two different land use scenarios were developed to illustrate the effects of density on long-term growth management. The low density suburban scenario assumes 4 dwelling units per acre while the compact efficient scenario assumes 20 dwelling units an acre to estimate future build out of the undeveloped land. An annual construction rate of 444 units per year was used in both scenarios.



# DISCUSSION



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

**#IEDC #IEDCAnnual**

# Q: HOW DOES A REGION CREATE A HEALTHY HOUSING MARKET?

A: A single strategy won't suffice. Each county and municipality will need different amounts of housing, different types of housing, and housing at different price points to support their own local needs while still working towards a balance regional housing market.



A HEALTHY HOUSING MARKET MUST ADDRESS SUPPLY AND DEMAND

## SUPPLY

Ensure the future sustainability of municipal budgets by developing efficient and market-responsive housing in addition to employment options, educational opportunities, retail, and neighborhood amenities.

## DEMAND

Support its current and future workforce (*and residents*) by providing a diversity of housing types and price points that allow households to live in their desired community.



# #IEDC #IEDCAnnual



# 2018 COMMUNITY PREFERENCES

CENTRAL INDIANA



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

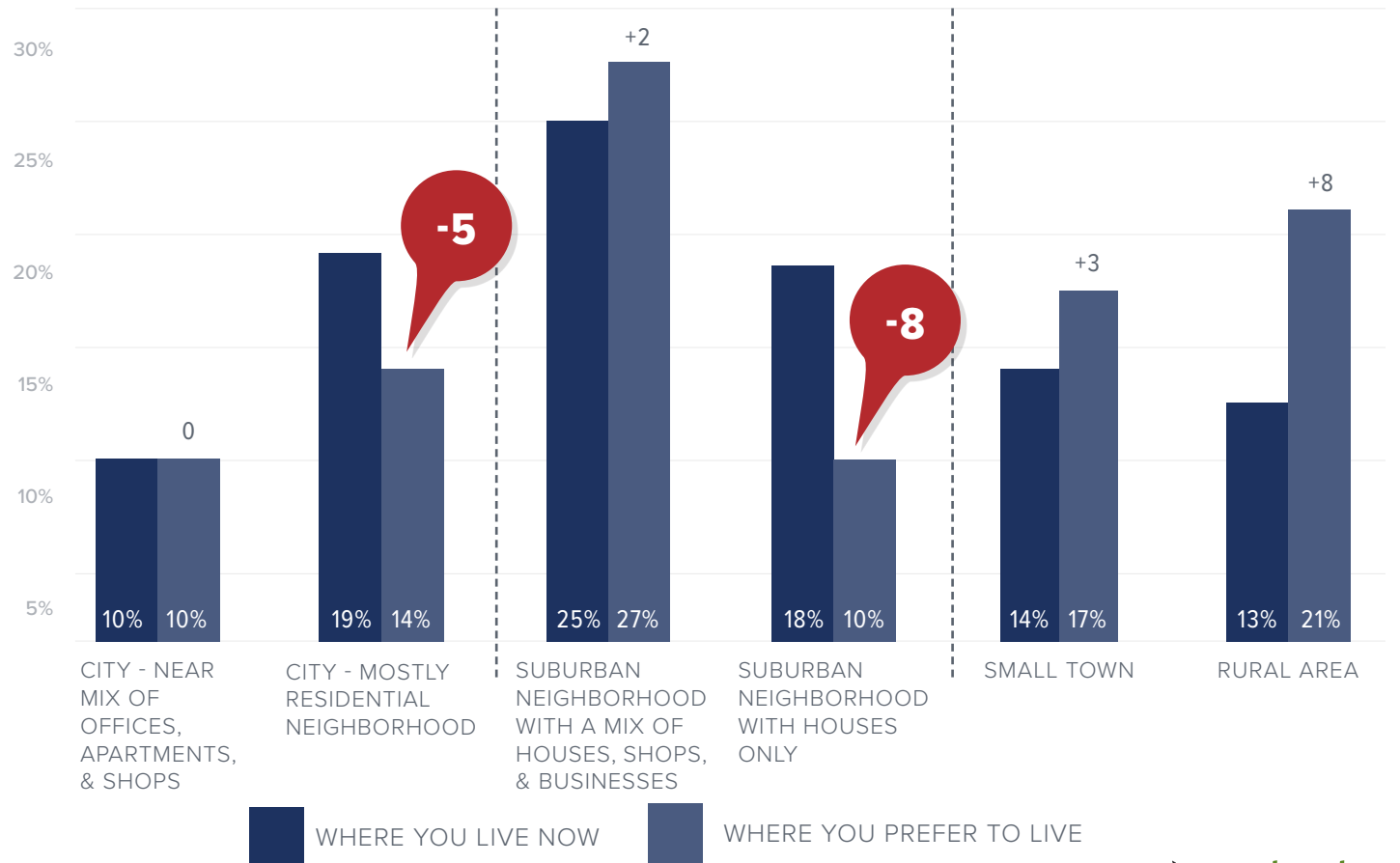
#IEDC #IEDCAnnual

# FEWER PREFER RESIDENTIAL-ONLY CITY OR SUBURBS THAN LIVE THERE.

More say they would like to live in a small town or rural area than actually do.



AREA WHERE YOU CURRENTLY LIVE V. AREA WHERE YOU WOULD PREFER TO LIVE



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

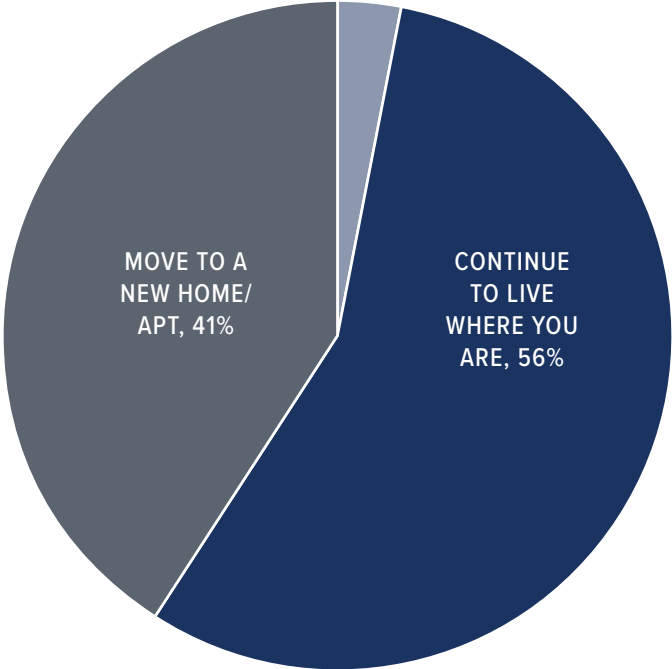
#IEDC #IEDCAnnual

# FOUR-IN-TEN WANT TO MOVE IN THE NEXT FEW YEARS; HALF ARE CURRENT HOME OWNERS.

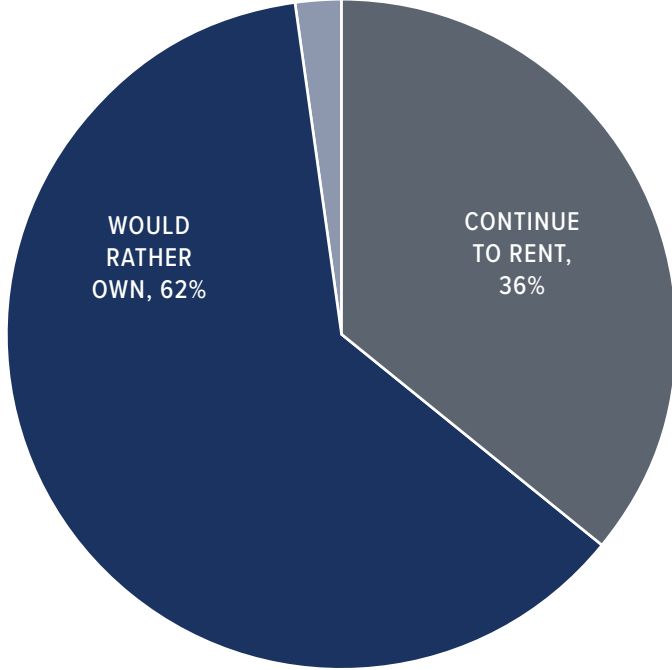
Over 60% of renters would prefer to own.



MOVE TO A NEW HOME OR STAY WHERE YOU ARE?  
(ALL RESPONDENTS, 100%)



CURRENTLY RENT: RATHER OWN OR STAY RENTING?  
(N=431, 25%)



greenstreet



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

#IEDC #IEDCAnnual

# WHAT'S IMPORTANT IN DECIDING WHERE TO LIVE?



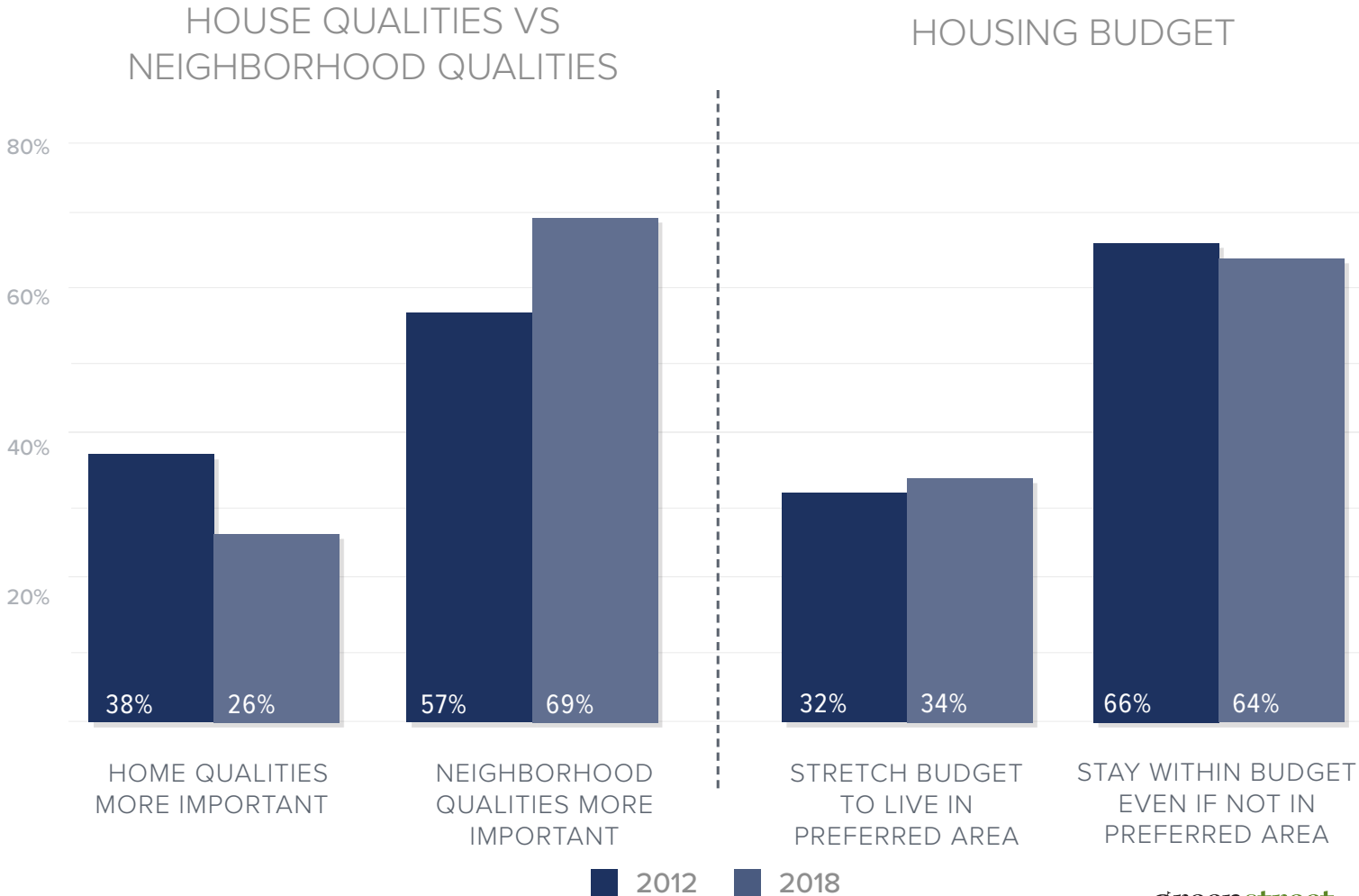
INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

---

**#IEDC #IEDCAnnual**

# TWO-THIRDS PUT NEIGHBORHOOD QUALITIES BEFORE HOUSE QUALITIES.

But similar percentage would stay in budget rather than live in preferred neighborhood.



greenstreet



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

#IEDC #IEDCAnnual

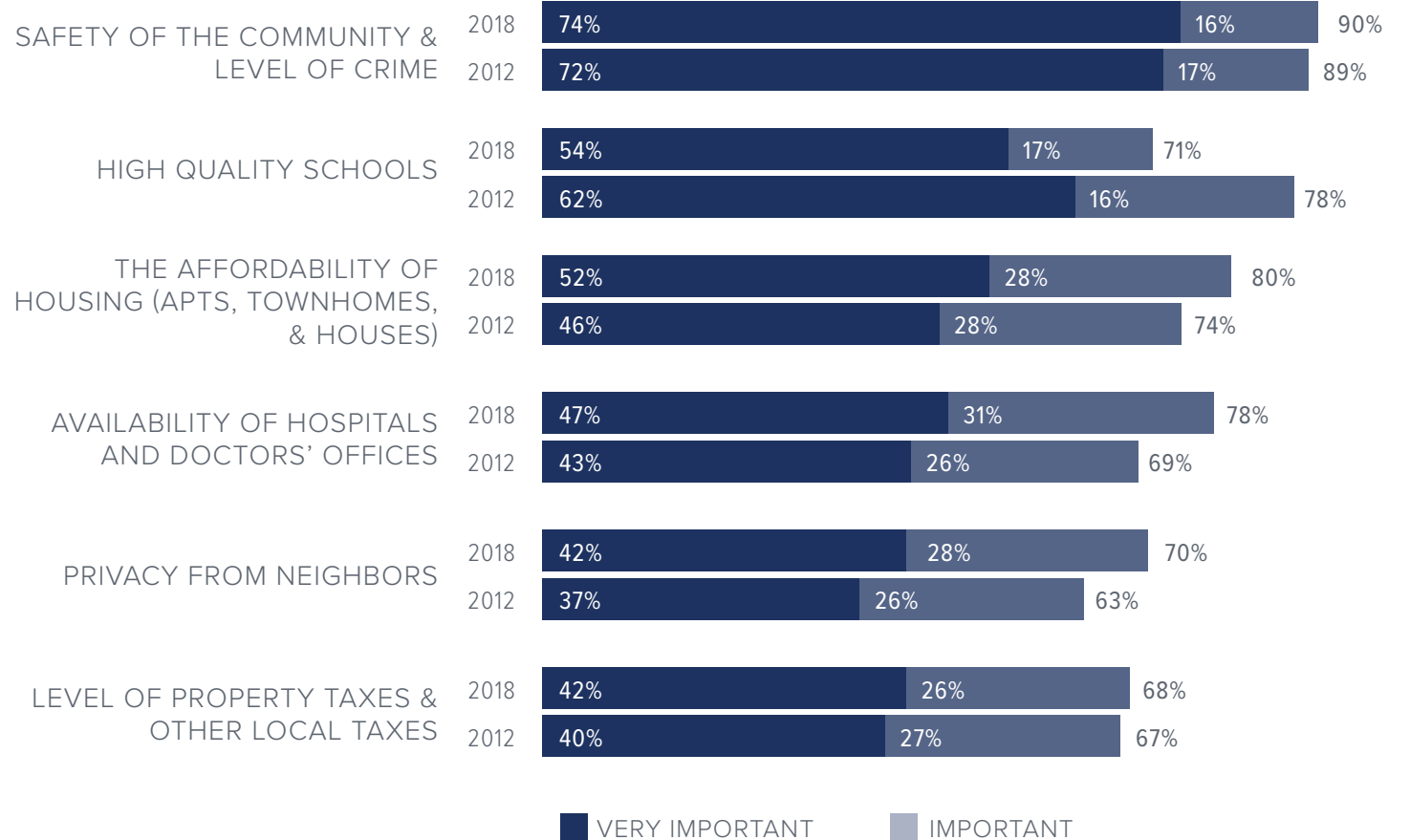


# SAFETY, SCHOOLS, & AFFORDABILITY MOST IMPORTANT IN DECIDING WHERE TO LIVE.

Drop in importance of quality schools may be related to an older population in 2018.



## IMPORTANCE OF COMMUNITY FEATURES ON A SCALE OF 1 TO 5



greenstreet



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

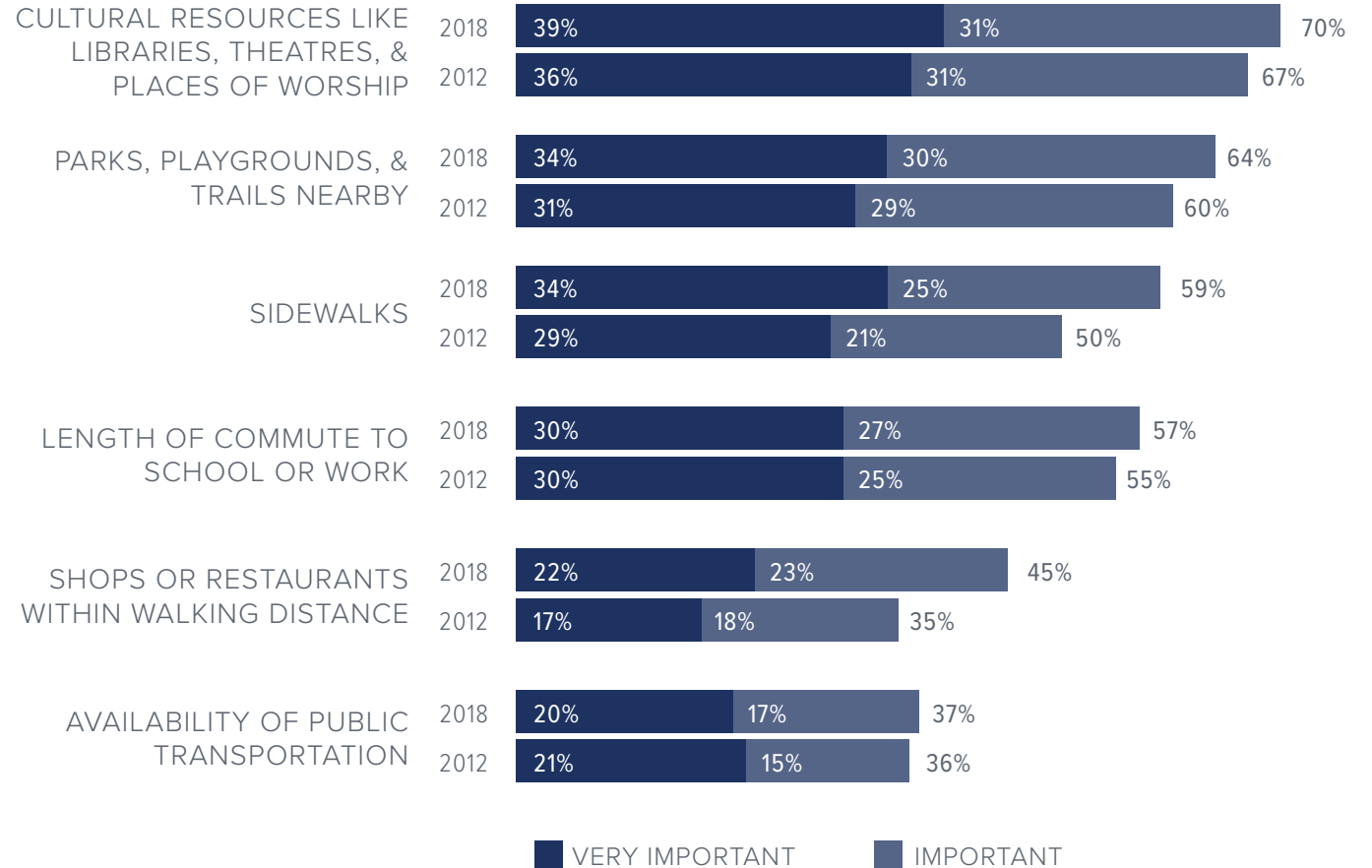
#IEDC #IEDCAnnual

# PUBLIC TRANSPORTATION, WALKABILITY, & LENGTH OF COMMUTE ARE LESS IMPORTANT.

Sidewalks and walkability have increased in importance since 2012.



## IMPORTANCE OF COMMUNITY FEATURES ON A SCALE OF 1 TO 5



# JUST UNDER HALF OF HOOSIERS IN CENTRAL INDIANA WOULD PREFER TO LIVE IN A WALKABLE, SOMEWHAT DENSER COMMUNITY.

SIMILAR, BUT SLIGHTLY LESS INTEREST THAN AMONG TOP 50 MSAS.



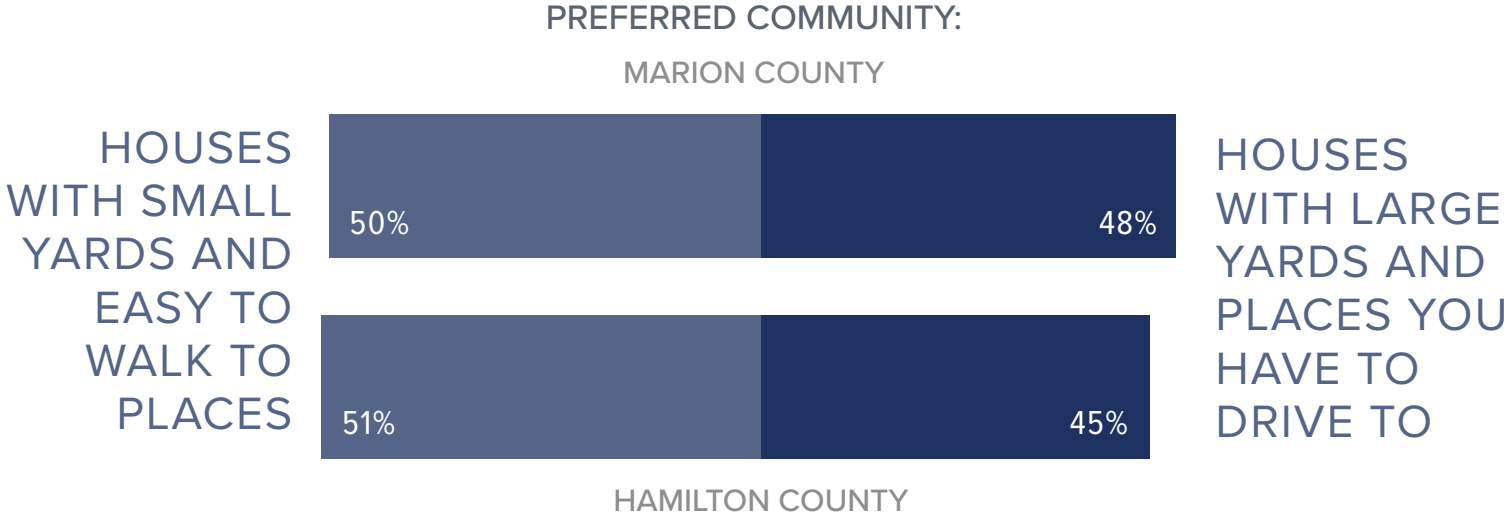
greenstreet



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

#IEDC #IEDCAnnual

# DEMAND FOR WALKABILITY IS HIGHEST WHERE SUCH PRODUCT ALREADY EXISTS.



greenstreet

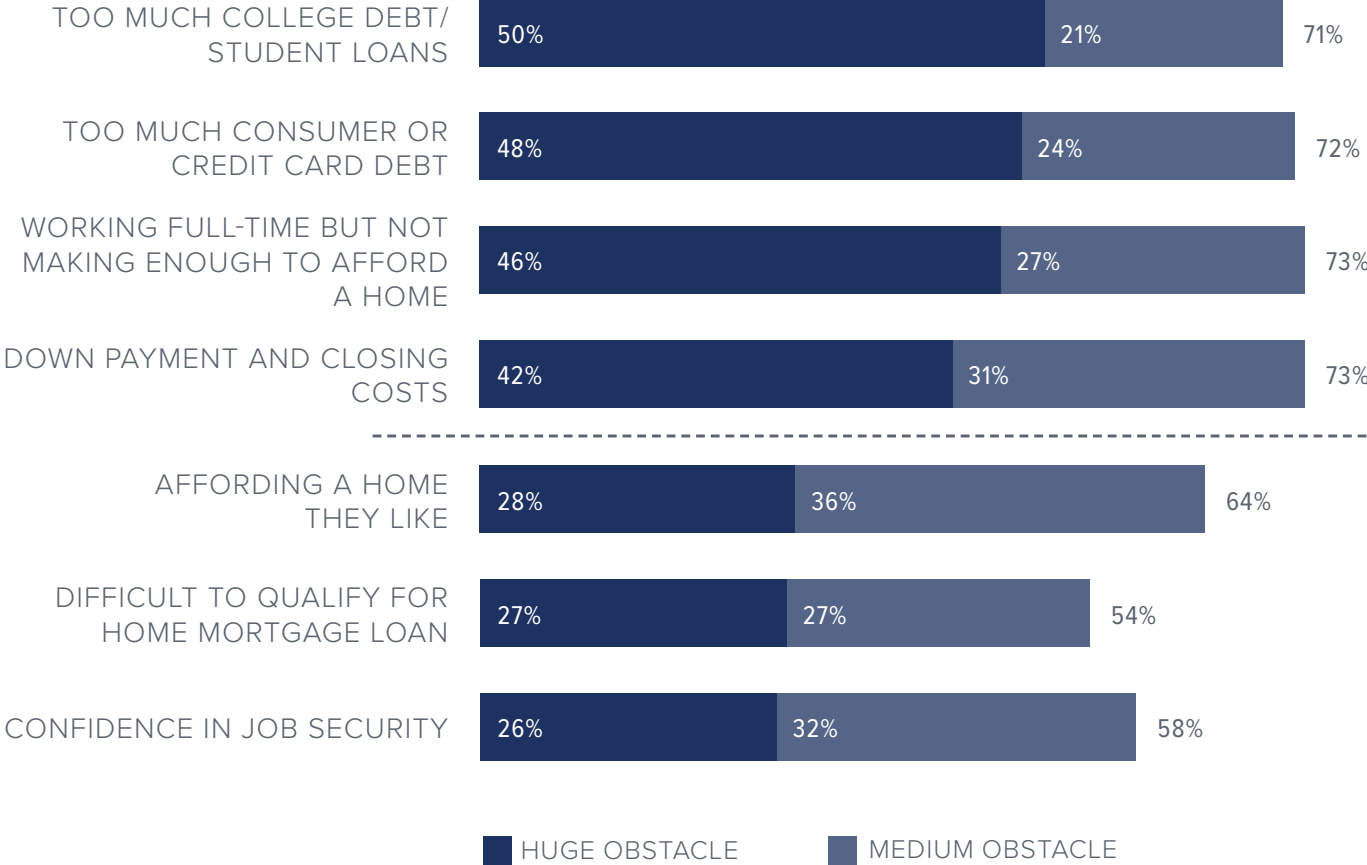


INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

#IEDC #IEDCAnnual

# STUDENT & CREDIT CARD DEBT, LOW WAGES, & DOWN PAYMENT COSTS ARE TOP OBSTACLES TO BUYING A HOME.

## POTENTIAL OBSTACLES TO BUYING A HOME



greenstreet



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

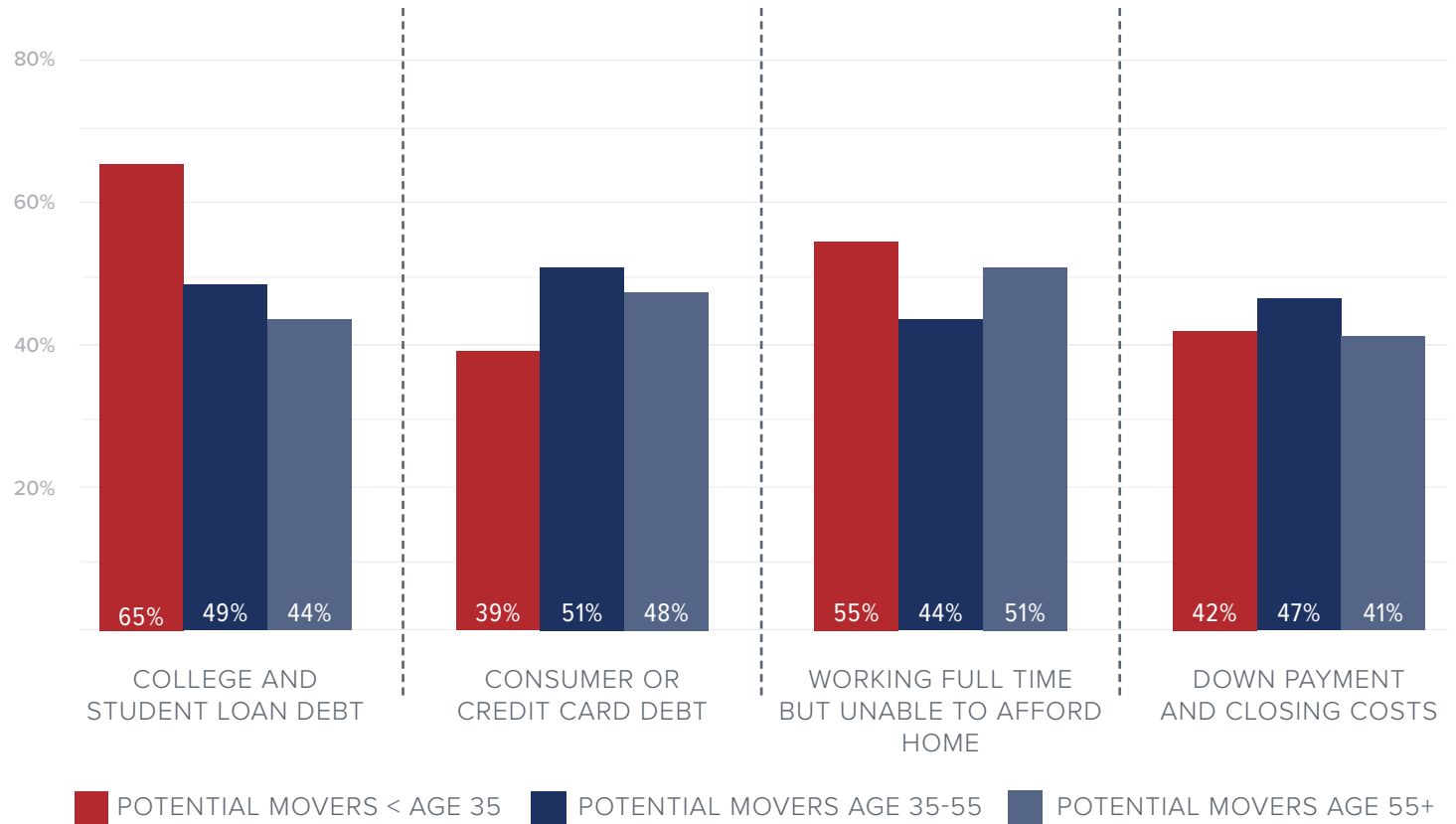
#IEDC #IEDCAnnual

# AMONG ALL POTENTIAL MOVERS, DEBT & LOW WAGES ARE TOP OBSTACLES TO OWNERSHIP.

Two-thirds of potential movers under age 35 cite student loans as a huge obstacle.



HUGE OBSTACLES TO BUYING A HOME: THOSE WHO WOULD LIKE TO MOVE IN THE NEXT FEW YEARS



greenstreet



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

#IEDC #IEDCAnnual



DISCUSSION



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL

#IEDC #IEDCAnnual

