

# 2018 Spring AICP Exam Review

Areas of Practice 3

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American Planning Association  
**Georgia Chapter**

*Making Great Communities Happen*

# Areas of Practice 3: Topics

- Finance & Real Estate
  - General terminology, practices, and principles
- Economic Development Planning
  - Community revitalization, economic analysis and forecasting, incentives, tourism, workforce development, business development, resiliency, shared economy, tax increment financing
- Housing Planning
  - Homelessness, affordability, market analysis, policy, finance, fair housing, manufactured housing, micro-housing, universal design, co-housing, accessory dwelling units

# Finance & Real Estate

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# Practices & Principles

- Local real estate investment impacts fiscal health of local government: residential and business taxes contribute to services and amenities
- Four major roles of the RE market (Sagalyn)
  - Barometer of local economy
  - Revenue generation
  - Financing public investments
  - Policy tool for planning
- Declining federal funding has only increased the linkages between planning and real estate developers

# General Terminology

- **Very general terms:** capital, debt, equity, revenue
- Amortization
- Authorities and special districts
- Capitalization rate
- CDFI
- Cost benefit analysis
- Cost revenue analysis
- Current revenue
- Discount rate/present value/future value
- Empowerment Zone
- Fiscal impact analysis
- General obligation bonds

# General Terminology

- Impact fees
- Lease purchase
- Loan to value
- NIMBY-ism
- Pro forma
- Property tax abatement
- Public-private partnerships
- Regional tax base sharing
- Reserve funds
- Revenue bonds
- Special assessments
- State and federal grants
- Tax increment financing

# Economic Development Planning

Adapted from Gary Cornell, FAICP

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# Evolution of Economic Development

- Industrial Revolution makes manufacturing the key to economic growth – water based transportation, ports
- Erie Canal gives superiority to New York City
- Transition from water to land-based transportation
- Railroads in the 1850's make canals obsolete
- Highway development makes access ubiquitous
- Air transportation and telecommunications make economic development global
- Manufacturing migrates to lowest cost labor
- Conversion to service and knowledge economy in more developed areas



# Economic Development Principles

## Structural unemployment

- Skill-based – agricultural workers, manufacturing
- Geography based – Appalachia
- Capital is more mobile than population

## Purpose for public intervention

- Place-based subsidies
- Efficiency/equity trade-off

# Goals of Economic Development

- Efficiency – optimize productivity
  - Land, labor, capital
  - Workforce development
  - Technology
- Jobs – full employment
- Equity/economic mobility
- Tax revenues for lower cost of services
- Improve quality of life

# Process for Economic Development

1. Needs assessment
2. Market evaluation
  - Strengths and weaknesses (Location Quotient)
  - Roles in the regional economy
  - Linkages and clusters: backward and forward integration
  - Comparative advantages
3. Establish goals
4. Evaluate cost/benefit of alternative strategies
5. Formulate action plan
6. Build partnerships for implementation

# Location Quotient

Industry defined by  
NAICS codes  
(formerly SIC codes)

Industry	A	B	C	D	Total
Local	3,000	2,000	1,000	3,000	<b>9,000</b>
Region	15,000	10,000	20,000	30,000	<b>75,000</b>

$$LQ_A = \frac{\frac{\text{Local Jobs in Industry A}}{\text{Total Jobs in Locality}}}{\frac{\text{Regional Jobs in Industry A}}{\text{Total Jobs in Region}}}$$

$$LQ_A = \frac{\frac{3,000}{9,000}}{\frac{15,000}{75,000}} = \frac{.33}{.20} = 1.67$$

# Tools of Economic Development

- Marketing and promotion
- Subsidization
  - Direct grants
  - Property tax abatement
  - Industrial revenue bonds
- Small area finance arrangements
  - Enterprise Zones
  - Infrastructure provided by government
  - Tax Increment Finance
  - Business Improvement District
- Making sites and buildings available
  - Subsidized land, site preparation, utilities, and building construction
  - Business incubator
  - Zoning for industrial uses

# Economic Analysis and Forecasting

- Used to project tax base (revenue)
- Methods include
  - Projecting past average increases into the future or
  - Using multivariate regression
- Revenue estimators usually adjust the results of their sophisticated estimates with their own judgments

*In urban planning, a primary purpose of forecasting economic growth is to:*

- (A) *Establish a base for estimating market demand for commercial/retail space.*
- (B) *Determine tax structures.*
- (C) *Provide a basis for land use and zoning decisions.*
- (D) *Allocate current resources.*

# Additional economic development considerations

- Business development
- Community revitalization
- Workforce development
- Resilience
- Tourism
- Shared economy

*Which economic development program would be most successful?*

- (A) *Attracting big business with greater than 300 employees.*
- (B) *Working with existing business owners to expand their businesses.*
- (C) *Facilitating the location of state and/or federal government offices in your CBD.*
- (D) *Working toward the development of a research and technology park.*

# Housing Planning

Adapted from Jamie Cochran, AICP





# History of Housing Planning

- The need for housing planning was first evident in the late 1800s/early 1900s as industrialization drew more people to live in cities. This resulted in overcrowding and unsafe and unsanitary housing conditions.
- In 1879, the City of New York's "Dumbbell Tenements" were notorious for the poor living conditions and spurred books and legislation aimed at correcting these conditions.
- By 1901, the City of New York passed a new Tenement House Law which required toilets and running water in each unit and allowed only 70% lot coverage by the structure.

# History of Housing Planning

- **Study Question:** Name a famous housing reformer active in the late 19th Century in the U.S. and his/her contribution to the movement
  - **Jane Addams**, who founded Hull House in 1889 in Chicago
  - **Jacob Riis**, a photojournalist who published *How the Other Half Lives* (1890) and *Children of the Poor* (1892)



Hull House- Chicago, Illinois  
Source: Wikimedia Commons

# Key Concepts in Housing Planning

- **Household**
  - One or more persons living in a single dwelling unit who are related or not
- **Household formation/headship rate**
  - The average size in the U.S. is 2.65, a 20% decrease since 1960
  - Headship rate has leveled off
- **Housing tenure**
  - About 64% of U.S. households are owner-occupied, with the remaining households representing renter-occupied units

# Affordable Housing

- Subsidized affordable housing is restricted based on Area Median Income-based limits
  - Public housing
  - Other subsidized housing (Section 8, LIHTC)
- Naturally occurring affordable housing (NOAH)



*Source: Atlanta Housing Authority*

# Affordability Metrics

- **Affordability standard**
  - <30% of a household's income should go toward monthly housing costs
- **Housing affordability**
  - Measured by median housing cost as a percent of income or share of the housing stock affordable at area median income
- **Cost burdened households**
  - Spend more than 30% of income on housing
- **Housing Affordability Index (National Association of Realtors)**
  - An index of 100 means that the family at the national median income earns enough to qualify for a mortgage on a median-priced home

# Housing Policy

- Inclusionary housing policies
  - Mandatory inclusionary zoning
  - Incentives
  - Dedicated funding for affordable housing
  - Higher density allowances
  - Community land trusts
- Exclusionary housing policies
  - Minimum square footage, lot size, design standards
  - Off-street parking requirements
  - Costly fees, taxes, permitting processes, and bureaucracy



Source: Wikimedia Commons

# Jobs/Housing Balance

- Refers to a broad goal to align the number, type, and salary level of jobs in a jurisdiction with its population characteristics; aligning these reduces the amount of long-distance commuting, traffic congestion, and travel times.



*Source: Wikimedia Commons*

# Market Analysis

- **Analysis of Housing Demand:** May include a study of household trends (i.e. household size, aging of the population, employment, income, and commuting patterns, etc.)
- **Analysis of Housing Need:** May include a study of the affordability index, housing conditions, and key local issues.
- **Analysis of Housing Supply:** May include analysis of homeownership and rental patterns, housing costs, rental costs, supply of housing, and future supply of housing based on expected development.

*A senior planner working in county government has been asked to complete a housing study. Which of the following data would he use to initiate the study?*

- (A) *Most recent Census.*
- (B) *Building permit records.*
- (C) *Assessment information.*
- (D) *Ten year old housing survey.*



# Legal Landmarks

- Several landmark legal cases occurring during the 1970s and 1980s have formed the foundation of housing planning in the U.S.:
  - Village of Belle Terre v. Borass (1974)
  - Moore v. City of East Cleveland (1977)
  - Southern Burlington NAACP v. Township of Mount Laurel (1975) – known as Mount Laurel I)
  - Southern Burlington NAACP v. Township of Mount Laurel (1983) – known as Mount Laurel II
  - Village of Arlington Heights v. Metropolitan Housing Development Corp. (1977)
  - City of Cleburne v. Cleburne Living Center, Inc. (1985)

# Significant Federal Actions and Programs

- Since 1932, the U.S. Congress has passed housing legislation and other laws affecting housing that are pertinent to planning for housing in communities. Some of the most significant laws are summarized in this lesson. Detailed information can be found at [https://www.huduser.gov/hud\\_timeline/](https://www.huduser.gov/hud_timeline/)

# Significant Federal Actions and Programs

1930s	1932 Creation of the <b>Federal Home Loan Bank System</b> , 1934 National Housing Act, 1934 <b>Ginnie Mae</b> 1937 Wagner-Steagall Housing Act, 1938 <b>Fannie Mae</b>
1940s	1944 <b>GI Bill</b> , 1947 <b>Housing and Finance Agency</b> (HFA) created, 1949 Housing Act (also called the Wagner-Ellender-Taft Bill), <b>Urban Renewal Program</b> created and implemented 1949-1973
1950s	1954 Housing Act

# Significant Federal Actions and Programs

1960s

1965 Housing and Urban Development Act created HUD, 1968 **Civil Rights Act (also known as the Fair Housing Act)**, 1968 Housing and Urban Development Act

1970s

1970 **Freddie Mac**, 1970 Housing and Urban Development (HUD) Act creating **Community Development Corporations (CDCs)**, 1974 **Section 8** Housing Program, 1974 Housing and Community Development Act creating the **Community Development Block Grant (CDBG)** program, 1975 Emergency Housing Act, 1977 **Community Reinvestment Act**

# Significant Federal Actions and Programs

1980s	1986 <b>Low Income Housing Tax Credit (LIHTC)</b> (Tax Reform Act), 1987 McKinney Act, 1989 Fair Housing Amendments
1990s	1990 Cranston-Gonzalez <b>National Affordable Housing Act</b> (established <b>HOME</b> Program (Home Ownership Made Easy), 1992 Moving to Opportunity program, 1992 Housing and Community Development Act, 1993 <b>HOPE VI</b> Program, 1995 Moving To Work program, 1996 <b>Native American Housing Assistance and Self Determination Act</b>

# Significant Federal Actions and Programs

2000s	2000 New Markets Tax Credit, 2008 Housing and Economic Recovery Act, 2009 American Recovery and Reinvestment Act, 2009 <b>Neighborhood Stabilization Program (NSP)</b>
2010s	2010 Dodd-Frank, 2013 Rental Assistance Demonstration Program (RAD), 2015 <b>Affirmatively Furthering Fair Housing</b>

# Homelessness

- Rise in housing costs, unemployment leads to increase in homelessness
- Many chronically homeless experience mental and physical health problems in addition to poverty and require social services
- Local and regional Continuums of Care provide housing and services for the homeless
- “Housing First” policy prioritizes permanent housing followed by services
- Housing types include: emergency shelters, transitional housing programs, safe havens, rapid re-housing programs, permanent supportive housing programs, and other permanent housing programs

# Additional Housing Typologies

- Accessory dwelling units
- Cohousing
- Group homes
- Manufactured housing
- Microhousing
- Universal design
- Lifelong communities



Source: *The Guardian*



# Supplementary Materials

- The following supplementary information can assist in understanding the nature of planning for Housing:
  - APA Website: Policy Guides, Planning Advisory Service
    - Introductory sections of the APA Policy Guides on Factory Built Housing, Homelessness, Housing, Impact Fees, Public Redevelopment
  - *Local Planning: Contemporary Principles and Practice* (ICMA, 2009)
  - *The Practice of Local Government Planning* (2002)



**Questions?**