

Tool: Public Land Economics

THE HOUSING AFFORDABILITY TOOLKIT

Developed in Partnership with
HR&A Advisors

Public Land Policy

Selling public land at a below-market price to subsidize the development of housing can improve affordability in a community.

What Is a Public Land Policy?

A public land policy for affordable housing is a process and set of criteria established by a local government to select and sell parcels of publicly controlled land at below-market prices (often free) to improve affordability. The reduced land price lowers the cost of development and allows for lower rents and greater affordability.

Public land includes any land that is owned or controlled by a government entity or quasi-governmental entity, including:

- Transit agencies
- Housing authorities
- Redevelopment agencies
- Municipal facilities
- School districts

“ Allocating public land for affordable housing can be an especially valuable way to reduce development costs and meet housing needs with less need for public subsidy.”

- Urban Land Institute

How Public Land Policies Work

The sale of public land involves a public-private partnership between the government entity that controls the land and the private developer who creates the housing. Public land sales typically follow these steps:

1. Selection of a parcel of public land
2. Land listed for sale
3. Proposal or bid submission
4. Public-private partnership established
5. Development

Effective Public Land Policies

A well-designed public land policy will adhere to the three principles below to maximize value and community benefit.



1. Include a broad portfolio of publicly controlled land.



2. Maximize the value of public land.



3. Ensure a defined selection process.

Considerations

Before adopting a public land policy, local governments should consider how it fits in a larger housing affordability strategy.

Impact

The impact of public land disposition is directly tied to the **quantity and quality of land made available for development. More and better quality parcels can have a greater impact on affordability.**

In most communities, a public land disposition policy alone, even with a significant portfolio, will produce less than 100 units annually. As such, public land disposition should complement a larger housing affordability strategy and is not a solution on its own.

Market

Public land disposition can operate effectively and create community benefits in strong and weak markets alike. In strong markets, disposition creates opportunities for affordably priced housing where market forces would otherwise price out affordable units. In weaker markets, discounted land values create an opportunity to catalyze reinvestment while maintaining the affordability of the neighborhood.

“**In a constrained financial environment, [public land] can be an asset, regardless of market strength.**”

– Enterprise Community Partners

Prioritizing Tax Credit-eligible Parcels in Wake County, NC

Wake County reviewed its portfolio of publicly owned land, prioritized land that was likely to leverage LIHTC projects. By leveraging LIHTC, and other funding sources, Wake County increases the impact on affordability of selling public land at below-market prices.

Housing Goals



**UNITS PRICED
AFFORDABLY**



**MIXED-INCOME
NEIGHBORHOODS**

In implementing housing policies, local governments may pursue a range of housing goals. Public land disposition policies are effective at **creating units with affordable rents, as well as promoting mixed-income neighborhoods.** However, public land disposition policies do not address displacement or preservation of existing housing.

Recommendations

1. Effective public land policies include a broad portfolio of publicly controlled land.

Conduct a thorough inventory of public land before adopting a public land policy. Local officials need to understand what parcels are available, any barriers to developing them as housing, and scale of housing they will produce to make their policy effective.

Apply public land policies to land held by all governmental departments and quasi-governmental agencies. Policies limited to a single department or direct control by local government are less effective. Instead, local governments should consider not only land they control directly, but also land controlled by their public partners to ensure they also prioritize housing affordability when making disposition decisions.

Local governments should look to include land controlled by:

- Transit agencies
- Housing authorities
- Redevelopment agencies
- Municipal utilities
- School districts

Prioritize high-value sites. There is often pressure to exclude high-value sites because selling those parcels at a reduced price has a greater impact on a local government's budget. However, including these sites allows localities to increase affordability in more desirable, high-opportunity neighborhoods that are often closer to jobs and transit. It also fosters mixed income communities.

Encourage co-location of government facilities and housing. Many communities limit public land policies to 'surplus land', which only includes vacant and unused parcels. This narrow definition covers only a sliver of public land in most communities. A more expansive view that includes parcels with existing government facilities on them broadens the portfolio of available land to help housing affordability.

Redesign public facilities to support co-location.

Redesigning public facilities to support co-location with housing is difficult. It often involves higher construction costs and scrapping existing design standards. However, it is necessary to expand the portfolio of public land and have an effective public land policy. Large surface parking lots can be an opportunity to co-locate housing with existing facilities. For new development, facilities will have to be redesigned, such as shifting an elementary school from one to three

Fire Station Co-location

In Washington, DC's Foggy Bottom neighborhood, the city used a competitive solicitation process for two District-owned parcels to create a fire station that included 52 units of affordable housing above it. The result is *West End Square 50*, a 110,000 square foot, mixed-income, multi-use development.

“ Thinking outside of the box resulted in a project that is putting residents into high-quality homes that are close to amenities, transit, and crucial safety services like this new fire station.”

– Polly Donaldson, Director of Housing and Community Development, D.C. Government

Recommendations

2. Effective public land policies maximize land value, contributing the value in exchange for greater affordability.

The more land value contributed to a project, the greater the affordability that can be obtained.

Local governments should consider contributing land for free or at the greatest possible discount to maximize affordability.

A public land policy should allow for mixed-income developments.

Mixed-income housing developments have greater value and can provide more subsidy to improve affordability. The value from rents for market-rate units can be used to offset the reduced rent for affordably priced units, allowing for deeper affordability, or more units with affordable rents. Public land can be used to model and catalyze the type of mixed-income development a local government wishes to see more of in the market. *See the public land tool for a more detailed description of how mixed-income development increases affordability.*

High-Density Transit-Oriented Workforce Housing in Atlanta, GA

Atlanta's public land disposition guidelines, which include zoning relief for project modifications, and higher density uses and reduced parking requirements, helped the Metropolitan Atlanta Rapid Transit Authority (MARTA) recruit developers for station-area transit-oriented demand (TOD) contracts that include workforce units.

“...public land can play an important role in providing the diversity of housing the city needs, especially in areas with high and rising values.”

– Coalition for Smarter Growth

A local government should use its regulatory authority to allow for higher density development.

Local governments are better positioned to obtain approval for higher density development than private developers. By securing the ability to develop at a higher density prior to disposition, the local government increases the amount of housing that will be developed and the value of the land that can be used to support affordability.

Public land used to improve housing affordability should be “fast tracked” through regulatory approval processes.

A streamlined or “fast tracked” regulatory approvals process encourages developers to make proposals for the development of public land and speeds up the process of housing being brought online. This is another area where local governments can increase the value of the land, and thus the subsidy available to support affordability.

Recommendations

3. Effective public land policies follow a defined selection process.

Local governments must use a clear and simple selection process. Overly complex selection processes discourage developer participation out of concerns that the final selection will be subjective or influenced by factors other than strength of their proposal. A simple and clear process will attract more, and stronger, developer responses, which will ensure the local government is getting the most public good in exchange for the discounted land value.

Community Engagement: Baltimore, MD

Community engagement is a key part of Baltimore's "21st Century Schools Initiative," in which Baltimore City Schools will transfer 26 school buildings to the City over a 10-year period.

The City created a robust community engagement process to explore opportunities to re-use and redevelop the schools. It included a dedicated website with an explanation of the redevelopment process, a detailed map and inventory of properties, and an opportunity to submit an expression of interest in school re-use or redevelopment.

Affordability goals and public benefits should be defined in the solicitation. Affordability goals might be tied to the number of units, income levels, or tenure type. Public benefits could include park space, infrastructure improvements, or community facilities. Local governments should make their goals clear so developers can focus their proposals on the desired public objectives and local officials can evaluate and defend strong proposals.

Affordability Goals: Transit in Seattle, WA

Seattle's metropolitan transit agency, Sound Transit, introduced an "equitable transit-oriented development" policy for land disposition. The policy designates surplus properties for the development of affordable units, following voter-approved transit investments.

The agency requires that developers set aside 80 percent of their residential units for tenants earning 80 percent of the area median income or below. Designated surplus properties now have upwards of 600 units planned for development throughout the Seattle metropolitan area.

Community engagement should be carefully incorporated into a public land policy. To ensure community support for redevelopment, engagement must be initiated early on. Understanding neighborhood expectations at the outset can prevent eventual opposition to development that slows the building development and production of affordably priced units.

Public Land Policy

Effective public land policies follow a defined selection process.

Five-Step Framework for Public Land Disposition

As local governments develop their public land policy, they should adapt a basic framework to meet their needs. It is important to adopt a clear process, enabling local governments to work through an entire portfolio of publicly held land and ensure the greatest impact possible. Without a clear implementation process, a local government is likely to approach each parcel of land on a one-off basis and never work through its entire portfolio, greatly limiting opportunities for affordability.



1. Selection of a Parcel of Public Land

An inventory of public land is conducted to evaluate the suitability of publicly controlled land for housing development. One or more feasible sites are then selected to list for sale.



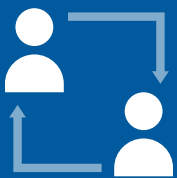
2. Land Listed for Sale

Local government issues a request for proposals (or bids) to develop the housing. Land may be listed with specific housing requirements or with defined criteria on which proposals compete.



3. Proposal or Bid Submission

Interested developers submit proposals or bids that are reviewed and scored by the local government.



4. Public-Private Partnership Established

Local government selects a developer and negotiates a development contract with them, entering into a public-private partnership.



5. Development

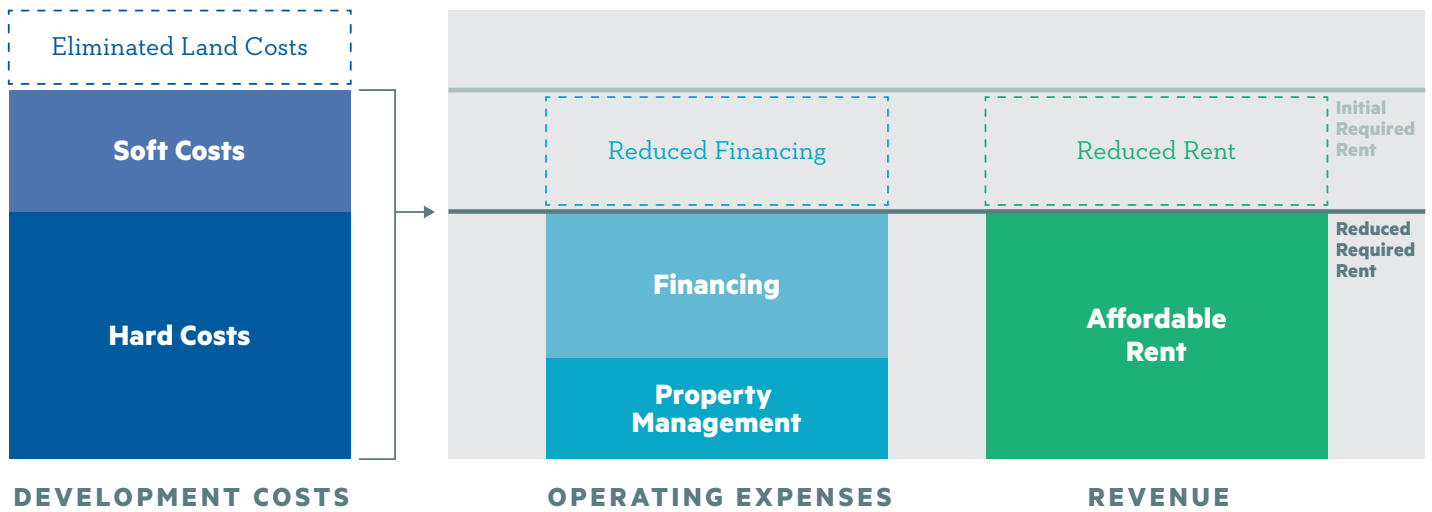
The selected developer executes the development and the proposed housing is built, improving affordability in the community.

Public Land Economics

The subsidy from the discounted sale of public land can either be spread across all of the units built or concentrated in a few.

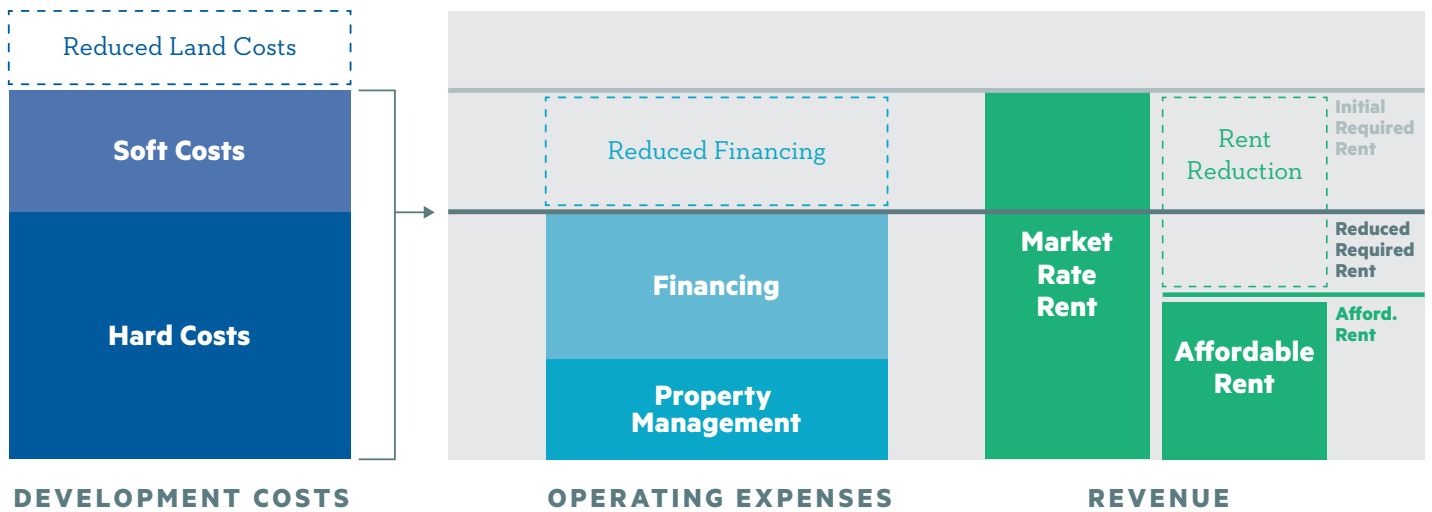
Fully Affordable Developments

A requirement that 100% of the units be affordable creates more units with below-market rents but lowers the rents by a smaller amount. To reach rents that are affordable to households with low incomes, other housing tools, such as tax abatement or public financing (Low-Income Housing Tax Credits, etc.), should be combined with the discounted sale of public land.



Mixed-Income Developments

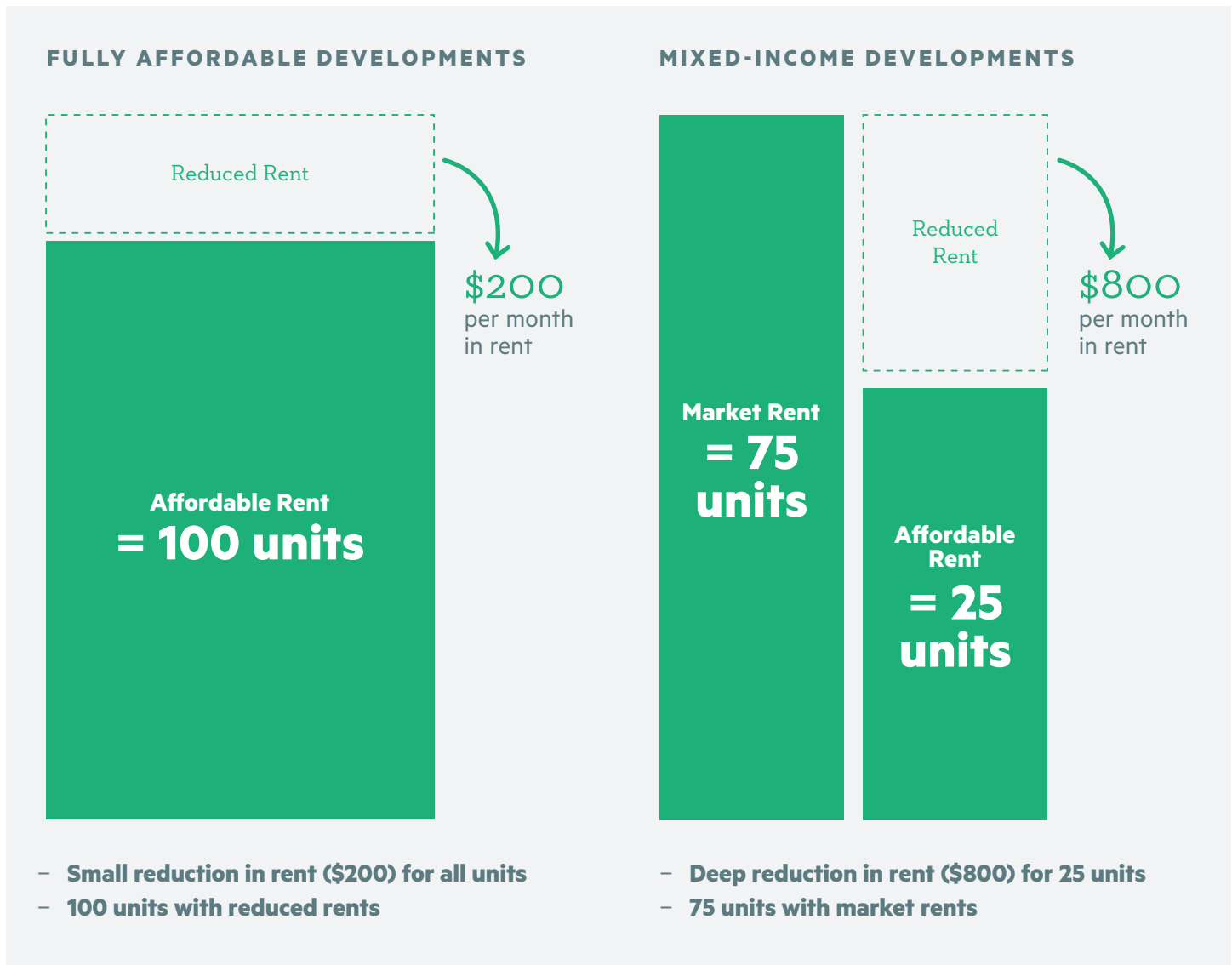
If a public land policy allows for mixed-income development, the subsidy from the discounted land can be targeted to fewer units, and those units can have significantly lower rents. The fewer the units with below-market rents, the greater the discount.



Public Land Economics

Public land policies should be crafted to target development projects that will advance community goals.

Local entities should have clear priorities when developing and executing a public land policy. If the goal of the policy is to moderately reduce rents for as many households as possible, then public land should be targeted toward fully affordable developments. If the goal is to significantly reduce rents for a smaller group of severely burdened households, then public land should be used for mixed-income developments.



Recommendations Summary

To design an effective public land policy, a city should take a three-tiered approach.

1. EFFECTIVE PUBLIC LAND POLICIES INCLUDE A BROAD PORTFOLIO OF PUBLICLY CONTROLLED LAND

- Apply a public land policy to land held by all governmental departments and quasi-governmental agencies (e.g., transit or redevelopment agencies, housing authorities, municipal utilities, school districts, etc.)
- Prioritize high-value sites, rather than exempting sites in desirable areas.
- Encourage co-location of housing and government facilities, including redesigning public facilities.
- Conduct a thorough inventory of land to understand availability and barriers.

2. EFFECTIVE PUBLIC LAND POLICIES MAXIMIZE LAND VALUE IN ORDER TO CREATE MORE AFFORDABLY PRICED UNITS

- The more land value contributed to a project, the greater the affordability.
- By allowing mixed-income, high-density developments on high-value sites, public land policies can create more affordability.
- Public land can be used to model and catalyze the type of mixed income development a local government wishes to see more of in the market.
- Affordability can also be supported through ‘fast tracked’ regulatory processes, reducing uncertainty and development costs that threaten affordability.

3. EFFECTIVE PUBLIC LAND POLICIES FOLLOW A DEFINED SELECTION PROCESS

- The best selection processes will be clear and simple enough to attract a broad range of developers and competitive proposals, ensuring that a local government can get the best possible public value from a discounted land sale.
- Public benefits and affordability goals must be detailed and specific, helping developers strengthen their proposals.
- Early and effective community engagement is critical to a successful public land policy. Engagement can help to create a broadly supported selection criteria and prevent eventual community opposition to development.