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WEBINAR

POLICIES TO ADDRESS A CHANGING RENTAL HOUSING MARKET

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ROUNDTABLE DISCUSSION - SINGLE-FAMILY RENTALS

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MODERATOR:
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EDELBERG: Welcome. I'm Wendy Edelberg, director of the Hamilton Project. There are urgent issues in real estate. Rising housing costs have outpaced wage growth in many regions, making it increasingly difficult for low and middle-income families to secure housing. There's simply not enough housing available, and this lack of supply is helping to make rental housing in particular unaffordable. At the same time, the post-COVID transition to remote and hybrid work has upended the commercial real estate market. High vacancy rates are posing challenges for cities across the country. This opens an opportunity for us to rethink U.S. housing policy for renters.

Today, the Hamilton Project releases two proposals aimed at addressing these challenges. The first one takes aim at a shortage of housing and the oversupply of offices, along with a third goal reducing greenhouse gas emissions. Arpit Gupta, Candy Martinez, and Stijn Van Nieuwerburgh offer a real 'how to' on converting less environmentally friendly office buildings into green apartments. Under their criteria, about 9% of all office buildings across the U.S. are physically eligible for conversion. An interactive calculator on our website allows you to determine which conversions are financially viable without any government help. Some conversions, however, particularly those with affordable units and upgrades, will require subsidies to be financially viable. The proposal highlights how the Inflation Reduction Act, for example, could be a source of those subsidies. The interactive calculator will help developers, local officials, and policymakers to figure out how big that subsidy would need to be, project by project.

Today, Stijn will discuss conversions with Tracy Loh from Brookings Metro and Vincent Reina from the White House's Domestic Policy Council, which is currently working on ways to stimulate these conversions. Another proposal out this morning by Laurie Goodman and Ingrid Gould Ellen will take-- it takes a close look at the single-family rental market. The growing presence of institutional investors in that market has generated attention and concern in recent years. The review will gather evidence about how institutions help protect renters, tenants, and potential owners, such as rental registries and improvements to renovation financing. They also suggest imposing more requirements on large investors who, due to their size and capacity, can be asked to do more to serve and protect tenant's interests. Laurie and Ingrid will both be joining to share their insight on the single-family rental market, and I'll be back to moderate that conversation. But first, we have a fireside chat between Mayor Randall Woodfin of Birmingham, Alabama, and Emily Badger of the New York Times. If you have questions for speakers throughout today's event, you can email them to us at info@hamilton project.org. And with that, I will turn things over to Emily Badger.

BADGER: Thank you, Wendy. And Mayor Woodfin is here as well. Hi, mayor. It's nice to meet you.

WOODFIN: Good morning, Emily.

BADGER: Yeah. So, for people who aren't familiar with Mayor Woodfin, he's been the mayor in Birmingham since 2017, and really came into office and was elected on a mandate of talking a lot about revitalizing all 99 neighborhoods in the city. And this is something that's still central to his agenda, and I think is probably-- everyone who's participating in this event can appreciate. Like, that is a goal that is absolutely inseparable from the housing market and from dealing with challenges in the housing market. So, he and I are going to talk a fair amount about some of the ideas and issues that are going to come up later in the event in the context of the academic papers, but about how they're playing out on the ground in a specific city, and from the point of view of a mayor.

So, Mayor Woodfin, I wanted to ask you to start by sort of situating Birmingham for us in the national broader context of a national housing shortage, housing affordability shortage. You know, Birmingham is not Washington, D.C., where I'm sitting. It's not New York, where, you know, several of the other panelists are sitting. It's not Austin. You know, it doesn't have this sort of super-heated rental market. It doesn't have the pressures of population growth. But these underlying problems of a housing shortage, of cost burdens on renters that are really, you know, reaching new highs, those problems still show up there. They just may show up looking a little bit different in a in a post-industrial city than they do in some of these other, you know, very high-cost cities. So, could you just sort of, you know, put us on the ground in Birmingham with you, and tell us a little bit about like what do the challenges look like there when you're thinking in particular about housing supply and quality housing, in particular for, you know, your residents who are renters and who, you know, may feel like homeownership is is not an option to them right now.

WOODFIN: Well, thank you, Emily. Good morning to you, to the Hamilton Project, and to Brookings. I'm grateful for the opportunity to spend time with you and the audience before us. I can also say I think there are a lot of smarter people who are well more versed in this topic that could be here. And so, I appreciate the opportunity. With that said, if you are a mayor of any urban core in the entire nation, at whatever level it is — high, medium, or small — we're all dealing with the issue you described and painted so well. And so just to provide a little bit more context for the city of Birmingham, the crisis in the commercial real estate market here is not the greatest challenge, if I'm being honest, for our city and community when it comes to housing alternatives. However, we have pointed out that, you know, Birmingham faces a primary challenge of pockets of blight and abandonment in our outlying neighborhoods, versus downtown where we've seen renters be priced out, not just in Birmingham but across the nation.

Well, related to our downtown housing, we have seen an influx of wealth which can oddly pull from the surrounding neighborhoods. And the rental market sees a significant sum of household income that is spent on housing. And I think, I think it's ridiculous. More than half spend 30% of their income or plus — so the camp is on plus because a lot of the renters here are spending well north of 30% of their income to provide for their rent. But we are fortunate because through projects like the Choice Neighborhood Grant that we receive $50 million for, for mixed use of affordable and marketed housing, which a significant amount will be rental, right, but our downtown neighborhood, as well as an area called Southtown, we're doing a revitalization project there for affordable housing as well.

What the city of Birmingham is doing is focusing on revitalization that creates mixed-use opportunities. We believe that's our best fight to balance the market as it relates to renters being able to participate. We're also reimagining vulnerable school properties. For example, a school on the west side of town called Ensley High School that's been vacant, I want to say since about 2002, if I'm correct. But this is another example of development where it would be for affordable housing. But I think one of the things I'm most excited about for us is that we established an affordable housing trust fund using our American Rescue Plan dollars. This allows us to spur growth. We still need state support, enabling legislation to be able to use that money at the local level. But the things I've just described, these are things we're trying to do to offset the high. the high increase in rising rental costs. And the balance, we think, should be leveraged for us with local dollars to support those who want to participate in the rental market here in Birmingham.

BADGER: You touched on a couple of things that I want to come back to a little bit later, but you-- one of them is that you mentioned that, you know, what's happening in your downtown is is notably different from what's happening in several of your surrounding neighborhoods. And I've read you describing some of the challenges that you have in those outlying neighborhoods as sort of snaggle tooth neighborhoods, meaning that, you know, what's happening on one parcel is different from what's happening on the next parcel. And maybe you've got vacancies where you've got blight. Would you describe a little bit for us like what that looks like and what you have tried to do about it? Because part of the, you know, part of the challenge of the housing market for you is that you've got a lot of old housing stock and it's not in great condition, and you know that that can contribute to having a shortage of housing, even in a market that we don't think of as, you know, being, you know, as high cost as many other places.

WOODFIN: Absolutely. I think the frame I can share for the audience that's present this morning is, you know, Birmingham-type population, I would say, in the late '70s, was about 340,000 residents. Today, from the 2020 census, we are right at 200,000 residents. And so that is a significant decrease in population for a post-industrial city. And with that, we inherited all type of problems that included just, I would say, flat-out abandonment of those who own homes and just walk away. I would say a lot of homeowners did not have a will or a trust. and a lot of properties have been caught up in the web of who owns the property, and nobody has taken care of it. And so those blighted, those blighted structures, those blighted properties saw a significant increase in the '80s, '90s, early 2000s, and now and in the 2020 era. We've been intentional about addressing what to do about that. And so, we've addressed this issues through several folds.

The first thing we did — and this is not something I'm bragging about, this is not something I'm excited about because this has cost taxpayers millions of dollars, actually — but we, we went in and we did-- we spent millions on just blight removal, literally getting rid of the blighted structure that was either burned out, or the roof caved in, or something of that nature. But with that, removing that structure, unfortunately, the notion of a 'snaggletooth neighborhood' came to play because you would, you'd have a home, and then the lot next to it, you wouldn't have a home. There would be just an empty lot. And then on the other side of that lot was another home. And then on the other side of that home was an empty lot. And that's the whole notion of 'snaggletooth.' And so, then it becomes about, what are the solutions to go vertical — put single-family homes in now that you've removed the blight on that empty lot. And for us, we partnered with our Jefferson County legislators to create a land bank.

So we now have a land bank that allows us to to kick start and spur growth and find ways to get these empty lot back into use, reimagine what should be on these empty lots. And then to be in a position to go vertical with single-family homes on these empty lots in partnership with private developers as well as what's our responsibility at City Hall in support of our land bank and accelerating growth to get rid of snaggletooth neighborhoods, So, in, in and decreasing one problem of the actual blighted structure, unfortunately, we created another problem: empty lots. And so, it has been our focus to support our land bank partnership with private developers to go vertical with more single-family homes.

BADGER: And do you think of those policies as sort of trying to buttress the wealth-building of the existing homeowners who are there? Because obviously, they can-- properties blight are, you know, they're destroying the wealth contained in the housing of people who continue to live there, people who have built it up. And so, it's potentially a set of policies that could do multiple things at one time, both sort of supporting people who already own homes as well as trying to create more new housing.

WOODFIN: Well, the answer, the short answer, is yes, right? That's the best way to answer that question. But if I was to provide you any detail what we think about the existing homeowner that's to the left and the right of that blighted structure or now today's empty lot, the whole notion is, how can we support them? And so, not-- let's put a pause on policy and just ask a simple question: what's the city's role or what can be our role in supporting those homeowners? Well, we created a program that we've been able to leverage federal dollars from, as well as using our local dollars for a home repair program. That program's also been in-- it's also a genuine public-private partnership with corporate Birmingham to help existing homeowners rehab their roof, or rehab their porch, or paint for their exterior of their home, and things of that nature. Or for those who are elder, who have an-- have had increased in age, this something need to be converted to make sure they can actually get to and from their home, and. in a way, that keeps them safe, whether they need to use a walker or anything of that nature.

So, for us, it's not just been about that empty lot that the city is now, the city is now in ownership of through the land bank, but also how can we support the existing homeowners? In addition to that, what we've also done is create programs and allow residents to come in, and free of charge to them, we partner with our legal community to offer a free clinic because as it relates to wills, trusts, and estates to help citizens create something so if and when something, there's a transition, that the home actually passes to someone in the next generation that can actually be responsible for taking care of it, so it doesn't go into despair or blight as well.

BADGER: You, you mentioned that, you know, the goal with the land bank and what you're trying to do with these vacant parcels is, is to ultimately, hopefully, one day put single family homes on them. I'm, I'm guessing that the vast majority of the discussion in Birmingham about adding new housing stock, including, you know, addressing affordable rentals, we're really talking about single-family homes, there's significantly more than multifamily. Is that right?

WOODFIN: It depends on which side of town. We acknowledge that I would say about, probably about 95 of the 99 neighborhoods, definitely single-family. And then the other four, which includes downtown, South Side, and then a few other areas that is adjacent to our, our city center, are multifamily. But I want to be honest with everybody here. I think it's real easy to get caught up and say it needs to be single-family or multifamily. I think in between we need to be [inaudible], what does Duplex's just look like? What does Triplexes look like? And, you know, not the the visual what we know the traditional duplexes and triplexes to look like but getting creative in additional forms of housing outside of single-family only or multifamily only. And that's, that's the space that I have charged my community development department to get super, super creative in because, you know, multi-use in a neighborhood that's majority single family, if you have several lives that have had blighted structures now removed, maybe you can do something outside of single family, but that still supports the fabric and makeup of the neighborhood.

BADGER: Is it legal to do that in much of Birmingham, to build these other kinds of housing types that you're talking about? To, you know, to combine parcels, to put mixed use things in neighborhoods primarily [inaudible?]. You need to do some other work before you get to being able to do that work?

WOODFIN: The-- yes and no. The 'no' part is what I just said, that requires not just creativity, but it requires us to engage the following: our legal department, zoning, as well as the city council, to approve mix-

- mixed-use and repurpose of existing sites and land that are zoned currently single family. But what does it look like in the area that you want to convert to duplexes, triplexes, etc.?

BADGER: One of the things that we're going to hear more about a little later in the event today is specifically thinking about single-family renters and single-family rental properties and institutional ownership of those kinds of properties which, you know, which we've seen this growth of since the housing bubble. And we know that this is particularly prominent in the Southeast. Birmingham, I believe, is a region, you know, that has sort of more than the typical share of institutional investors in the rental market for single-family homes. Do you, do you perceive or feel that to be creating negative externalities for your community? Does that come with benefits? I mean, there's a lot of fear that, you know, in a really tight market for home buyers, as an individual family trying to become a first-time home buyer, you don't want to be competing with an institutional investor. But there's also the possibility that, you know, sort of larger investors in the single-family market can enable renter households to move into neighborhoods that hadn't been accessible to them in the past. You know, some hope — which I think we're going to talk more about later — that, you know, these are these are actors who could, you know, be forced to, you know, behave in a way that's providing better maintenance of properties, and being more responsible towards renters than we're able to monitor with mom-and-pop landlords. Do-- well, one, have you seen that activity grow in your time in Birmingham? Do you feel like you can see it, you feel it, you hear about it from your residents?

WOODFIN: So, yes, yes, yes. I feel it, I feel it. I hear about it. And it is part of the discussion. I think your words, your term was institutional investors — that's such a cool way to say it. Well, on the ground, I think people feel some type of way about it, right? That they're are afraid of people buying property in bulk and then sitting on it, and it getting dilapidated, and/or buying property in bulk and then pricing out existing the people that live there, and/or words like gentrification, etc., etc. So, these are legitimate concerns on the ground. I think, for us, what is the city's role, I go back to our land bank, and I have vivid memories of organizations coming to the city of Birmingham and saying they want to buy some of these empty lots in bulk.

And then, when we peel back the layers of what they want us to do, and asking hard questions, turns out a lot of them just wanted to sit on the property, right? They had no interest in going vertical with more single-family homes, whether they were for rent or for purchase right away. They wanted to sit on them for two or three years. And so for us, If an institutional investor, i.e. an organization, comes in and say, "We want to buy in bulk," what I've charged our community development department to do as well as those who lead our landbank to do, is create a memorandum of understanding and a contract that allows callbacks for anything we feel infringes upon, that would be detrimental to the actual neighborhood of wanting to price people out, or folks just sitting on the land, not doing anything to spur development. Literally, in-- within our contract, callback, get this land back if the developer doesn't follow 'A, B, C,' and/or if they just sit on the property for this long. So, with-- through what we're doing through our laws, our local laws, and our local incentive agreements, particularly they request local funding via tax dollars is, you have to do A, you have to do B, you have to do C. And by the way, A, B, and C still include these things. And if you don't do this, then you are in breach of our agreement. One, you won't get city tax dollars. And two, we may just take the land back. And that's our way of offsetting and, I guess, course-correcting institutional investors who want to swoop in and just buy land in bulk.

BADGER: Can you perceive of those actors in the housing market as contributing something positive to Birmingham and helping you sort of solve some of the challenges that you have? I mean, that's sort of a different question from like, how do you mitigate the harm that people fear is caused by them, to like, could you leverage them to, you know, help you actively pursue your own housing agenda, and your residents own agenda?

WOODFIN: Yes, I think that requires, I think that requires a compelling vision from not just me, but any mayor. That this-- these are-- this is our vision, and these are our goals as it relates to affordable housing market rate, housing, attainable housing, workforce housing, in our communities. This is what we see, this is what we're looking for, this is the type of organization we want to partner with, and these are the type of resources the city is offering in return to partner with this private organization. From that standpoint, I think it requires consistent follow-up and accountability to both parties. So, for example, right now on the western side of town, we partner with an organization called NCRC Growth, and it is leveraging a host of partners — local banks through CRA, private developers, as well as city tax dollars. There is land that they have identified in bulk and one community that they're going, they're going vertical — put about 25 single-family housing units. They're doing it on a two other side of town as well. But this was a sample model to see if this partnership can work, and what does a public-private partnership look like for those who want to come in and actually be beneficial and positive to the community, not hurt the community, not price existing people out who've been there 30-40 years. And the model with NCRC Growth has worked. It has worked so well. Again, we're taking that model and we're doing it two other sides of town where we got land in bulk and we're giving it to them to go vertical with more single-family homes.

BADGER: You-- in pursuing a model like that, do you feel like you have the capacity locally in Birmingham, whether that's, you know, community development organizations that are local to the city, affordable housing developers, even market-rate developers, I mean, is that, is that ecosystem all there? Do you need to grow that ecosystem? Do you have to deal frequently with, you know, those actors coming in from outside of Birmingham because the expertise is elsewhere?

WOODFIN: Yeah. So, I would say again, the answer-- I'll give you a short answer first. To your question, the answer is yes and no. Capacity wise, I do feel that what we built and created over the last six years, as well as the people that's leading the effort, I have full confidence and trust in them to have built an ecosystem that supports what we want to do: honestly and genuine public-private partnership to spur growth, whether it is affordable and/or market as well as rental and/or purchase. But it's in pockets, that's one. Two, related to those who want to swoop in and see Birmingham's-- I guess take advantage of Birmingham's market. I will be honest with you, probably about four years ago, we just shut down. We were gun-shy. But with some of those dollars we've been able to leverage with ARPA, some of the dollars we will leverage with the Choice Grant, and some of the other funding sources we've been able to take advantage of, we're now saying, "Dear private developers, this is what-- these are the assets that exist in the city of Birmingham. Here are opportunities in the city of Birmingham. We would like to partner with you. In our partnership, here is what, here's what we would like to see. And if you can provide these things in exchange, then the city of Birmingham can come to the table to offset costs as it relates-- and expedite process, to speed up the opportunity for a person to be a homeowner and/or a renter."

BADGER: Could, could you talk a little bit about-- I mean, the other big topic that that we're going to hear about later during this event is, you know, specifically repurposing of buildings that have, you know, no longer make sense in the use that they've had for the last 30, 40 years. Is-- when you think about assets like that that you have in Birmingham, to what extent are they offices or, you know, to what extent are we talking there about, you know, other kinds of buildings that are part of the industrial legacy of Birmingham? You know, maybe they're not literally offices. They're, you know, related to factories or other kinds of industrial uses that have more environmental contamination that you have to deal with. Like, what is the-- when you are sort of surveying the land in Birmingham and you're trying to think about, "Here are these, here are these buildings that don't serve the purpose they used to anymore. Maybe they're vacant or they're almost vacant. Like what, what are those buildings? What, what is it that you have to work with there? "

WOODFIN: So, the city of Birmingham does not have a shortage as it relates to surplus property that can be reused or repurposed. I think, again, a post-industrial city where suburbia flight existed in droves in the 70s and 80s, and a lot of our city center was left empty. The first thing we've done-- some key points for us is that-- we looked at how could we leverage existing assets, so vacant land or in your question, commercial as-- commercial assets that needed to be reimagined. And it wasn't just about offering incentives for attracting development and/or encouraging types of investment that these buildings needed. We needed to find a way to seek innovative funding mechanisms for the repurpose of commercial use. So, I told you about the Affordable Housing Trust Fund a few minutes ago. And that's going to allow us to be creative with financing to convert this commercial space to affordable units.

But in addition to that, the state of Alabama, how we get creative with tax credits, and we believe has been critical to support sustainable financing for the repurpose of these commercial buildings. Now, I've got a note here — I need to pull it up because I don't want to forget it. In 2015, we made several changes to our zoning ordinance, and that made way for mixed-use districts that allow for more flexibility related to zoning development for mixed-use developments. Thinking about that, we recognize that in order to create — and let me define create. What we wanted was more walkable, sustainable communities, not just in our city center, but across our city. So, land use characteristics have been very important to us to create the flexibility to adjust to — if you have a commercial building has been empty 20, 30, 40 years — how do we repurpose it and still create a process that takes into account community engagement? Because even if it's in your city center where most people work, there's still been ample housing projects going on in our city center.

So, the mixed-use, making sure that everybody was on board with it. If we present this to the council and a developer says they want to do this for this building, does it fit the actual space and support what already exist there? But we've also adopted an adaptive reuse ordinance. And I think this has probably been one of our best tools within our toolbox that allows historic buildings to be preserved as well as restored. And that adaptive reuse by easing certain land and zoning — let me see what word I'm looking for — zoning-related development requirements, that has allowed us to be very, very creative.

BADGER: We just have a couple of minutes left, and I want to use them to ask you about a few other actors, which you have very briefly touched on. Which is, you know, you've been describing things that you can do within your own capacity in the city of Birmingham, you know, changing your zoning. What-- your, your state legislature is not always your best friend. What do you, what do you need them to do at this point? And then, and then, the last thing I want to ask you to address is sort of the same question about the federal government.

WOODFIN: Yeah, well, I'll start backward. The federal government is doing its part. I want to thank the Biden-Harris administration just for everything they've done for mayors across the nation. Think about the American Rescue Plan Act for a second. Prior to this act, cities-- federal dollars would come to the state, and then the state could do whatever it wants as it relates to the disbursement of where those dollars went. You and I both know politically, this blue and red faction or this suburbia / rural versus urban fight, and urban area are left out when those governors don't necessarily agree with who the president is at the time. ARPA changed the game for all of that. Federal tax dollars came directly to cities. And within those ARPA dollars, we kick-started so many projects related to direct growth related to housing in our community. It has been a game changer, including the Affordable House-- Affordable Housing Trust Fund I told you about. That $10 million came from ARPA dollars If, if the Biden-Harris administration didn't think about urban areas and didn't include funding going directly to cities, this conversation with you will be extremely hard because I don't know what solutions that I could provide to you. So, that's the second half of your question.

The first part of your question was the state. Well, where do I start, and how do I say this in the most judicious, nicest way as possible... With Birmingham being a blueberry in tomato soup — I'll put it to you this way, we don't have home rule. And so, unfortunately, that requires us to take out our political hat, and tell our legislators down in Montgomery, where the state capitol is, during a session, "These are the tools we knew-- need to change quality of life in our community, to actually help community-related to housing. Our urban needs are not necessarily the same as suburban rural Alabama. But that doesn't make us in competition. Nor does this make us a foe. So, we need your help." And some of the help we've been able to leverage based on what I've just described to you is, now that we have this Affordable Housing Trust Fund, we still need the enabling act for the state to allow us to use this. Another tool from the state is the local land, the local land bank. We had to get permission from the state. And now, we need to go back to the state and say, "Hey, we need you to accelerate the time period here. You're allowing these these dilapidated properties to sit five to seven years. We need your help to decrease that to 2 to 3 years."

BADGER: Yeah. Well, I, I greatly appreciate you bringing this perspective of how a bunch of these issues play out on the ground, and particularly in Birmingham. And I think this has sort of set up some context that will make it easier and more interesting to discuss the rest of these issues around the country over the next hour or so. But thank you so much for joining us. I'm going to turn it back over to Wendy now, and hopefully, everyone can join me in thanking the mayor for his time.

WOODFIN: Thank you all.

LOH: Hi, everyone. We're going to transition now to our-- the next segment of our event today, which is going to be a panel discussion between Vincent Reina from the White House Council of Economic Advisors, and one of the authors of the paper that Wendy just introduced about converting brown offices into green apartments, Stijn Van Nieuwerburgh. So, welcome. And I'm just going to kick us off with a few opening remarks while Vincent and Stijn come back to join us. So, we're here today to talk about three converging problems. The first is the housing crisis. According to Harvard's Joint Center for Housing Studies, the share of U.S. renter households that spend more than one-third of their income on housing reached an all-time record high in 2021. An incredible 21.6 million households, which is almost half of all the households that rent in the country or 17% of all U.S. households, are spending more than one-third of their income on housing. The rental housing crisis is no longer just in higher-cost metros with large low-income populations, like Miami and Los Angeles. But now, in historically affordable metros, like as we just heard, Birmingham.

There are two key drivers. First, rents are rising faster than incomes. Second, the stock of low-rent units has fallen almost ten percentage points in the last ten years, even after adjusting for inflation. However, at the same time, rising interest rates mean that even higher-income renters are facing a new barrier to homeownership. According to the Joint Center, the estimated annual income needed to afford media and homeownership costs rose 20% to 107-- $170,000, just between March 2022 and March 2023. In addition, the supply of homes for sale remains at near-record lows. The second problem is the disruption of the office commercial real estate market by the surge in hybrid and remote work. The scale of vacancy in some of the country's largest office submarkets is vast. Fifty million square feet vacant in Midtown in New York, which is 863 empty football fields stacked on top of each other, and more empty nearby in Midtown South and the financial district. Another 670 football fields unplayed in downtown Washington, D.C. Almost 300 fallow fields in downtown Seattle, and so on. The lost foot traffic of office workers is killing retailers, changing the sense of order on the streets, and could take down entire transit systems.

And finally, climate change continues to manifest in complex and disruptive ways. The crisis of the Panama Canal is only the latest example of the ways in which too many carbon emissions are reshaping our climate, and thus, our world. But did you know that almost one-third of U.S. emissions come from real estate, and older buildings emit more? These crises are converging in the urban core where buildings are older, office-using occupations are concentrated, and housing costs are higher. Is there an opportunity here for an elegant solution? So, I'm a skeptic on this issue. I've called the office-to-residential solution a very costly way to get just a fraction of the supply we need. But Vincent, can you tell us more about what the White House sees as the opportunity here? Vincent, I don't have sound from you.

REINA: There we go. Can you-- do you have sound from me now?

LOH: Yes.

REINA: There we go. Well, first, thank you for having me here today. It's really wonderful to join you and Stijn, and the many other great panelists here. So, I want to take a step back because what we'd like to think of our recent conversion announcement that we announced last week, and our thoughts in the space, is really kind of rooted in a broader set of work. So, the President and the White House are committed to addressing our housing supply and affordability needs. That's why in May 2022, the White House launched its Housing Supply Action Plan. The plan set a path for federal actions across a broad set of areas, right? First, reducing barriers to building housing, like restrictive and costly land use and zoning rules, right? We put out the $85 million pro-housing [inaudible] from HUD. It created incentives and over 10 billion dollars of competitive funding to reduce land use and zoning barriers. We've expanded financing for affordable, efficient, and resilient housing.

I want to thank the mayor for all his great work, and also for his note there, right? We're really proud about the tremendous flexibility offered through state and local fiscal recovery funds and the way localities are using it. There's over 2,500 projects coming through the state and local fiscal recovery project funds, and it's HOME-ARP is funding over 20,000 units, right? We have some pretty exciting opportunities through IRA, new funding, to invest in our housing stock. for example, the other week we announced that we awarded over 100 million from HUD through the Inflation Reduction Act, the largest investment in clean energy and climate action ever, to help renovate the homes of more than 1,500 low-income families to be zero energy and climate-resilient. And we know that's more needed. That's why the president proposed a really ambitious and bold $150 billion housing budget, the largest housing budget proposal in decades, that has a broad suite of housing aspects to it.

And finally, we're making our programs work better. We're improving the way subsidy layering works. Recently, hopefully, you saw, we allow a portion of ADU rental income count towards FHA mortgages and a broad set of other things around a tax credit program and other areas. So our thoughts around commercial residential conversions and transitory development really reflect that broad and comprehensive approach, right? I agree with you, Tracy. Conversions are not a panacea, but they're really, really, truly critical piece of addressing our broader housing supply and affordability needs. There's no one simple solution here, right? We need to be firing on all cylinders. And there's a real opportunity to do this here. Stijn and his colleagues really explained the landscape and complexities well and their paper, and their optimism and skepticism is one we share.

But the reality is, that even if a fraction of commercial properties convert, that would help our housing supply needs, as well as local and regional economies. And these conversions help address our affordable housing needs. We often also think about you pointed to the fact that building emissions are-- buildings are contributed an important part of our overall greenhouse gas emissions levels. We often focus on building emissions during the operations phase, but we know there's a lot of embodied carbon in buildings as well. So, conversions really present an adaptive reuse opportunity to meet our emissions goals, right? Both through the construction phase, reuse, and also through the operations phase as well. And we also know the commercial properties approximate to transit often, which presents another real emissions reduction-related opportunity.

So, what we were trying to do here, and then in our announcement last week, is really fill a critical financing gap. And I'm confident that, actually, the suite of resources we're putting together really complements what Stijn and team have proposed, and also put together in their calculator, to both enable these transactions to happen, but also to make sure they actually could be affordable for the lowest income households and reduce building emissions. So, I can give you a really quick rundown of what those things are; hopefully, you'll check out the fact sheet.

The DOT issued guidance to make it easier to use up to $35 billion of lending capacity for low-cost loans or guarantees to be used for conversions near transit, as well as broader housing supply project near transit. This will significantly reduce the cost of lending and the access to capital in this space for these large-scale properties in a really dynamic and unprecedented way. DOT also released guidance to make it easier for transit agencies to transfer properties to local governments, nonprofits, and for-profits at no cost. HUD highlighted ways that CDBG and others can be used to leverage in this space. I can go on and on. But overall, this announcement really was-- we put together a guy that highlights over 20 programs that can be used. And to us, it's reflective of the fact that these conversions are not simple, they're not easy, but they're actually really important. And we have a unique opportunity here. And we're optimistic that with federal tools and resources and capacity support from our end, that these things can actually happen.

LOH: Vincent, tell me a little bit more about the transit angle here. I'm intrigued by the logic and the attractiveness of, you know, below-market rate financing in a time when, you know, many projects are penciling just because of the higher cost of capital right now.

REINA: That's exactly right. And so this is one of the things we're particularly excited about, and I think really shows the administration's view that like, housing is connected to all these other things, right? And the relationship between housing and transit has been really at the forefront of a lot of DOT actions across the board, including like the Reinvestment Community Neighborhoods Project grants that came out. Their policy statement actually directly speaks to this connection. And so the TIFIA and RIF programs are just really wonderful, and hopefully, they're dramatically used programs that have tremendous lending authority to really, to really be active in this space.

You know, you have to be proximate to transit, but proximate to transit is something actually a lot of our existing built environment already is, right? And we actually know we have land, and often vacant land, actually, right next to transit, right? So, we have this really powerful opportunity of land disposition, right? We have this powerful opportunity of lending authority, both at and below interest rates, but also at scale, right? These are large loans. Those are loans that are often difficult to get, very costly to get. And what this is doing is really presenting a unique opportunity to, to lean into development there, acknowledging that it could really meet multiple of our goals, right — housing supply, housing affordability, building emission — and really have a lot of positive spillover effects. And avoid that doom loop, right, that Stijn and others have referred to in a lot of areas, right? It's, it's really kind of hitting multiple, multiple things at the same time.

LOH: What would be a typical size of a TIFIA or a rift transaction? What kind of dollars are we talking about here and what rates?

REINA: So, the exact rates vary, but they're based on, they're based on treasury rates, right? So they're below-market interest rates that vary. And-- but but overall, you know, I've seen current numbers in the 5% or so ranges, right? And, you know, similarly, though, I would say that one of the things we highlighted in our guidebook is the Section 108 program that similarly has very low rates, right? And allows you to leverage your CDBG funds for loan guarantees up to five times your CDBG allocation, right? The city of Cleveland actually is using that already for a conversion directly downtown. So, what we're talking about is really below market rates. Don't quote me on the 5% budget, but just, we know that it's in that in that general area, right? And also, the scale, to be honest, is very large. We're talking about tens and hundreds of millions of dollar deals, right? That can actually be financed with that with these loans and loan guarantees.

LOH: So, folks, you heard it here first: low-interest rate loans available. I think that there's going to be a lot of interest in what, in what you're here to tell us about today. But I'm also intrigued by this new logic that you're presenting around the case for office-to-residential conversion, given that it's really important that we maximize land use that's in places that are already served by transit. That's a key piece of the logic around the green case for office, for office to residential conversion, because the big-- the single biggest sectoral contribution to emissions in the United States is transportation. But, as I said in my framing remarks, we know that another huge piece comes directly from real estate itself. And so, Stijn, I'd like to bring you into the conversation here to speak to that piece of the green case for office-to-housing conversion. Can you tell us a little bit more about the proposal that you describe in your paper?

VAN NIEUWERBURGH: Absolutely. Thank you so much, Tracy. And I want to start by thanking the Hamilton Project for this opportunity to provide this paper and acknowledge my coauthors, Arpit Gupta from NYU, and Candy Martinez from Columbia here. So, what we do in the paper is essentially three things, right? So we begin by, you know, sort of motivated by these by these three challenges that you laid out at the top. You know, we basically, we have too much office, we have too little housing. So there's this question of, can we convert some of this existing office stock into housing? And so the first thing we do is to ask, you know, "Realistically, what fraction of office buildings are amenable to conversion based on their physical attributes?" And so, you know, to your point that this is not a silver bullet, we end up concluding something on the order of 10% of the existing office stock is potentially convertible. Now, that's not a small number either, and that's sort of where my optimism is coming from. That could potentially create something like 370,000 new housing units in the United States. And not a small number, a year and a half worth of supply.

The second thing we do in the paper is we calculate the economic feasibility of these conversions, right? And that's sort of where we go through the hard work of modeling these conversions. There's a lot of parameters. The interest rate environment obviously plays a major role into that. And so, you know, we're sort of proud to announce in collaboration with Hamilton that we have a web-based calculator that's available, and that will let policymakers, as well as developers sort of understand the financial returns on these conversions case by case, because there's a lot of specificity in each and every case. And then the third thing we do, to answer your question, is we think about what are the policy levers that are possible here, both at the federal, at the state, and at the local level.

And I want to make an important point here, which is, you know, doing nothing is a very bad option here, right? Government intervention is justified based on the negative externalities that are associated with office and retail vacancy. And conversions, whether it be to housing or through something else — could be health care, could be mixed-use, could be, you know, pickleball courts for all I care, right — we got to-- we imagine our downtown areas. Now, typically, it's gonna be necessary for government intervention in case we're talking about housing-- housing conversions and housing conversions with an affordable component. And this is sort of where, again, our calculator comes in handy. We could basically figure out how large is the gap, the funding gap, in the context of affordable housing, and how many dollars, how many taxpayer dollars are necessary to make the numbers pencil. And I think that's going to ensure that the taxpayer dollars are both well-targeted and effective. We don't spend dollars where it's not needed, and we sort of understand exactly, you know, how many dollars it would take to provide a certain level of affordability, a certain fraction of affordable housing.

Now, to your point about the, the green aspect of these conversions, like you said, you know, there's brown office buildings, typically older office buildings, that are, you know, potent-- that are sort of large sources of emission. A lot of local governments, like New York City, have already taken action. Local Law 97 is coming into effect in New York City, January 1st — that's two months from now. And it's gonna, you know, there's going to require these office buildings to be fined or to basically remediate their greenhouse gas emissions, right? And so, sort of there's an opportunity here to take this confluence of factors, take these old brown offices, turn them into green apartments. Now, that cost extra money. And this is where we think, for example, the Inflation Reduction Act could play an important role.

And in our paper, we sort of single out five different parts of that Inflation Reduction Act, five different provisions where there is federal resources available to help subsidize the green aspects of these conversions. And in particular, if I can, you know, I sort of want to encourage the administration — I'm very encouraged, by the way, by what Vincent has been talking about, and I think the federal government has put together an incredibly comprehensive and coordinated plan to facilitate these conversions — I think there's even more that the administration could do here in terms of using, let's say, the greenhouse gas reduction fund, you know, to help fund some of these provisions as well, you know, because some of these provisions are climate justice, low-income households. You know, how is, how is clean-- providing clean, affordable housing in low-income communities, how is that not climate justice, right? So, I think this is sort of a perfect use case for some of those dollars.

LOH: So, Stijn, what I'm hearing you say is that there are multiple parts to the public sector role in understanding the logic of office-to-residential conversion. One is internalizing the cost of the carbon that old office buildings emit. That is not currently internal and is not part of office owners incentives, except in cities like New York that have already taken regulatory action in that area. Then two, addressing the cost of conversion — either bringing it down or helping to pay for it. And then three, asking hard questions about who will benefit from these conversions. In addition to the public placemaking case for ensuring the vitality of the urban core, can you tell us a little bit more about what you learned in your paper in terms of what the potential fiscal impacts on cities of OTR could be?

VAN NIEUWERBURGH: Yes, I think you articulated it very well. I think, though, that sort of the case for intervention. And, you know, one thing we learned about the fiscal implications, the one way I liked-- you know, I've come around to this view that the taxpayer is a part owner in every building in every city, and that is because of property taxes, right? Property taxes are an important part of the expenses for the landlord, but an important source of revenue for cities. And so, we, the taxpayer, own all these offices that-- some of which have now become functionally obsolete because of remote work-- the adoption of remote work and hybrid work. And so, we are staring at a declining tax revenue stream from these offices. Part of the conversion idea is to replace that declining tax revenue stream with an increasing tax revenue stream. Once that brown office becomes a green apartment, it's gonna have a much larger tax revenue potential, and an increasing one as opposed to a declining one.

And so, the difference between these two tax revenue streams is, is basically the benefit to the taxpayer. And so, now, we could think of that as a resource. This is a resource that we've created. And we can use some of that resource that we've created to fund some-- some of that can go towards affordability, towards funding a component of that conversion that becomes affordable, right? And I think that's sort of a, you know, a powerful way of thinking about it. We are investing, as a community, some of these additional dollars that we've gained from that conversion into affordability.

LOH: So, let's, let's dig in a little bit more on how we should understand affordability in the context of this topic. And Vincent, I'd like to bring you back in here. We know, you know, from the research that I was just citing, that the affordability crisis is concentrated in the lowest-income households. But is that who can be served by office to residential conversion? How have you thought about affordability in the context of OTR? Stijn, let's start with you, and then we'll go to Vincent.

VAN NIEUWERBURGH: Okay. Absolutely, right? So I think you're right that affordability is sort of a deeper issue. The lower-income folks that we're talking about. You know, that said, it is an issue, as you mentioned, up at the top, at the top of your remarks across the income spectrum. In fact, it's never been more — the calculus of owning versus renting — has never been more unfavorable towards owning than it is today, right? And so, there is a large segment of the population sort of deep into above average income that is that is renting now. And I think, there's, in our large cities, even folks making 120% of area median income are still struggling to afford to live in these cities. So, I think there's definitely a use case for, you know, providing affordable housing, even for people making somewhere between 80 and 120% of AMI. And I think this is the realm where these conversions could play, could play a role. Now to create even more deeply afford--even deeper affordability is going to cost more money. It's not that it cannot be done, it’s just going to cost the taxpayer more money. And so this will become a political decision in terms of, you know, just how much subsidy do we want to provide to these conversions, and that's going to be a function of how deeply we want that, that affordability to be.

The other point I want to make is that not all of these office conversions need to be conversions to traditional housing. You could imagine conversions to, for example, co-living spaces. And co-living spaces, and let's define them as, you know, apartment buildings where people share kitchens, maybe, maybe they share bathrooms, right? But they have their own individual bedroom. That's the type of living arrangement that can provide housing at a much lower cost. And so, that's an example of living arrangements that, by the way, a lot of young professionals love because of the social interaction of these types of spaces. So there's a lot of demand for this. And people are doing this already informally by roommate-- by rooming with two or three others, two or three other adults in three-bedroom apartments in New York City all the time. So, let's sort of formalize this type of housing arrangement, let's make it legal, and let's create naturally affordable housing without subsidy, right? So I think by being creative about the types of housing we provide, we can, we can sort of afford it. We can broaden this concept of affordability.

LOH: I'm intrigued by what you're saying here because it makes me wonder if also there's a fourth converging crisis that this solution could respond to, which is the loneliness epidemic.

VAN NIEUWERBURGH: Absolutely. I think that is an interesting angle here.

LOH: Vincent, tell me a little bit more about how you understand affordability in the context of office to residential.

REINA: Yeah. So, I would, I would-- I guess I would just say a couple of things. First is, one of our goals here is really to make these deals both financially viable, but to drive down the cost of financing to actually be able to make those units affordable, right? And so, insofar as our financing options reduce the cost of development and create more security around it, which also reduced the cost rate. On multiple levels, we're reducing costs that in theory could drive down the debt levels which allow for you to rent to lower-income households. That said, we're very clear-eyed to acknowledge too that, you know, the lowest income households, those incomes are often very low.

And to Stijn's point, you often need additional resources, which is why we're really seeing this as a part of our broader housing supply and affordability agenda, right? We're putting forward proposals on new project-based section eight contracts — voucher expansion, voucher guarantees for low-income veterans, youth aging out of foster care, right? Really like showing that those tools are critical for leveraging in opportunities like this. We know that conversions already are leveraging the low-income housing tax credit program, the historic tax credit. Any one of these deals is going to probably involve a complex capital stack. And Tracy, I know you know affordable housing development well, but every affordable housing development involves the capital stack. And the reality is, is that we have a broad set of tools. This is the latest to the suite. We are advocating for more needed, but we're really optimistic that municipalities can and should make it a priority to focus on affordability, acknowledging all those externalities, acknowledging the need, and seeing the real opportunity here to make sure that the capital stack and the subsidies involved can actually make this pencil out and increase actual supply for the lowest income households.

LOH: I wonder also if there is an opportunity for housing authorities to directly partner in office-to-residential conversions as a way for them to obtain new inventory without having to build it themselves.

REINA: I mean, I'm looking forward to that concept paper, Tracy, so hopefully you write it. And I will just say, though, to your point there, like, you know, and to the mayor's point earlier, you know, we have resources now that are really pushing us in new and exciting spaces of innovation to think of things like that, right? To see new areas of opportunity, see new areas of partnership, public-private partnership, and activity in spaces that I think are-- open the door for ideas like those. So, so definitely look forward to seeing you put some pen to that idea, hopefully, Tracy.

LOH: Thanks for the homework assignment, Vincent. We have a question from the audience that I think that we need to grapple with as we talk about how to understand the green case for office-to-residential conversion. So, we heard from an audience member, several audience members, who want to know, like, why not just demolish obsolete buildings and replace them with new ones? Is it really okay to be spending money on this? And is it like —you know, demolition and replacement — isn't that how it's done in other international models of flexible built environments that have abundant housing like Tokyo?

VAN NIEUWERBURGH: I'm happy to say a word on this. There is an enormous amount of embedded carbon in existing buildings, right? And so the steel, the concrete, all of that is carbon that we've already expended. And so, the option of demolition basically would sort of have us redo all of that and have all these additional emissions from concrete and steel for the new building. It turns out you can never make up those additional carbon-- that that additional amount of carbon from new construction by having sort of more green and more efficiently operating buildings in the future, right? So, you might think, "This building will be more energy efficient going forward. I'm gonna cut back, and that's going to reduce greenhouse gas emissions for a very long time." It turns out the present value of all those emissions is not enough to compensate for the additional carbon from the construction, right? So, so, basically, you know, you can sort of save 50 to 75% of the carbon by repurposing existing buildings. So, I think that's sort of the-- that's the green case. I think the other green case for this is the point that you made earlier, which is, you know, trends like urban living is environmentally friendly living, right? People walk more, they take public transit, there's more density. So sort of the option of letting our downtowns fall apart, and not take advantage of that, I think is another important part for this green, for this green case here.

LOH: Vincent, do you have colleagues that have taken a look at this?

REINA: I mean, this is definitely a space we're actively thinking about. I think our-- hopefully you saw our fact sheet the other week focusing on housing and energy costs. We're really trying to blend and braid all of our resources together, particularly with the opportunities through the Inflation Reduction Act — which I appreciate the push before, Stijn, on the Greenhouse Gas Reduction Fund, right? There's a lot of really unique opportunities right now. One of the things we actually released in our factsheet was new guidance from treasury on ways that IRA funds could be used to advance multifamily housing. and that could really map on well to this conversion space. So, I'll just say, though, too, you know, one thing that's clear is not every commercial property can be converted, and that's the kind of core of Stijn's paper. And so, I think the reality is that there is a set of properties that are really ripe for adaptive reuse, presents a real opportunity, and when coupled with these other financing tools and resources, particularly with stuff coming in through IRA and other sources, really can meet those emissions goals, acknowledge those embodied carbon aspects, do adaptive reuse as well, and reduce emissions and energy costs going forward.

LOH: Well, I'll be honest with you, I started this webinar as a skeptic, but you guys are winning me over a little bit here. This is a fascinating conversation. I can't bring up Tokyo, though, without asking — Stijn, as you and your colleagues worked on this paper, did you look abroad at all for lessons on how to think about office-to-residential conversion? What do we need to know from the world?

VAN NIEUWERBURGH: We did, and , and one case study — if you'd like — that I would like to share with the audience, which I found fascinating, is the case study of the Netherlands. So, the Netherlands had, like many countries, built too much office. And then when the financial crisis happened, it saw itself with this excess office inventory, and basically, in the decade that followed, it's set up a systematic response in a systematic office to residential conversion plan. And ten years in a row, it produced 10,000 new housing units each year — 100,000 housing units. It's a small country, so this was 10% of the housing supply. So 10% of the housing supply in the Netherlands came from office to residential conversions.

And as they were-- the fascinating thing about it is, as they were going through this and as they were doing more and more of it, initially it was hard, and initially it was the government that, that sort of made some of its own buildings available for conversion to try to figure out how does this work. Then they figured, they figured out sort of the logistics of this. Then they figured out the financing of this. Then they set up a task force within the federal government that would go proactively go into the municipalities and tell them, "Hey, here you have this building. We think this might be a valuable conversion candidate. And by the way, here's how you get the financing, here's how you do the engineering, here's how you do X, Y, Z." And, and, you know, it became-- and the more, the longer they did this, the better they got at it, and sort of the more opportunity they saw. And I think that sort of, that experience actually made me much more optimistic about this. And I'm actually incredibly encouraged by what I saw from the White House, because it's it feels like a systematic response line where there is a task force, within the DOT, for example, that it can help and support municipalities, work through this and help them. And I think the more we do this, the easier this is going to get.

LOH: I'm intrigued by what you're saying here, too, because, you know, I study commercial real estate, and I can tell you that adaptive reuse is a very niche specialty within real estate. Most developers don't know how to do it, and the developers that do tend to be those that are really passionate about historic preservation. They're kind of... like, they might be a little kooky and they really love old buildings, you know, and they do it because they love it, not because it's always like the thing that makes the most sense to do. So, I do think that there's, there's a need for the sector to learn how to do this. Vincent, what Stijn's describing is technical assistance. Can you tell us what the federal government is planning regarding this?

REINA: Yes. So one of the things we leaned into in the announcement is the fact that DOT has direct technical assistance on how to use their TIFIA Rif loan products, and that's very much going to be a part of working with them. Also, HUD has new pools of technical assistance that is specifically also going to be targeted to helping people understand how to use their broad set of financing tools. Again, there's even things like fa-- the mortgage insurance programs, the 221D — enter the next number, right — programs that they have that have been used in this space. And so, between HUD and DOT, and actually, each agency often has a pool of funds that essentially is dedicated towards this kind of technical assistance.

You know, that said, we're doing a series of workshops, and those workshops are really tailored to municipalities and developers to have them really understand the programs. They're going to be overviews of the programs and also case studies of how some of this stuff has come together, and the ways we can imagine the new tools working in these spaces. And so, we're really trying to pull these pieces together as much as possible. In our announcement, we also highlighted a couple of peer-to-peer learning opportunities. The National Association of Counties and the American Planning Association are both kind of doing convenings and peer-to-peer learning to help folks learn from the space, to develop a lot of local land use and zoning rules, local opportunities with financing funding opportunities that really layer on in important ways here. And so, all to say is we're really excited to engage more on this, and hopeful that we could really bring these tools to bear. As you said, this is not easy, right? This takes, to Stijn's point, a concerted effort, and we're excited to be working through all of the all the kinks and cracks to make sure this actually comes to fruition.

LOH: Yeah, it's not easy and it's not free, but it seems like it's also not impossible. Stijn, can you tell us what you learned in your paper in terms of like what might the-- you were throwing out numbers about the total number of units that office residential conversion could possibly produce, but what's it going to cost us?

VAN NIEUWERBURGH: Again, I think the-- so the way we-- our proposal thinks about this question is it sort of starts off by saying, you know, "What is this office asset that you're buying when you're planning this conversion worth," right? And we're sort of starting from the premise that the value of that office has fallen substantially, and I think as is playing out in the real world right now. And then sort of the keeper-- and then we're sort of asking in a first step, "Is it feasible to convert this defunct office into market-rate housing," right? And, and we do this for a generic calculation — also, let's call it a Class B office — in the largest 20 cities in the United States, and that's sort of what our calculator does. And in many cases, the answer is yes, okay? So there is a profitable conversion to market-rate housing that is feasible, given reasonable cost estimates and reasonable market rents for the apartments.

And then the second step of the calculation is, "Well, what if you want to have some units in that building be affordable?" And then there's basically a parameter you get to set in our calculator — you know, how many units you want to be affordable, at what level do you want them to be affordable and then what is the funding gap? That-- typically the answer at that point becomes, "There is a funding gap." And then the question becomes sort of, "How large is the funding gap?" And then there's a range of tools you can use within the calculator for bridging the financing gap, one of which is property tax abatements. Another one is the IRA subsidy that we, that we sort of conceptualize in the calculator. Another one is subsidized debt. And so, then you can sort of play around with these parameters to see how much, how much you need to fill. And again, the answer depends on the specifics of the question how deeply affordable, how many affordable units. The deeper the affordability, the more affordable units, the more the larger the subsidy needs to be.

LOH: And can your calculator tool also be customized to work for different regional housing markets, understanding that like asking rents do vary quite a bit from place to place, for example?

VAN NIEUWERBURGH: Yeah. So it's set up for the largest, I forget, 10 or 20 markets. And for each one of them, we basically provide median income in that market, we provide the market rent for the apartment in that market, the cost of the office in that market, and the construction cost. Those are sort of the main parameters we varied across different cities.

LOH: Okay. Vincent, what are we going to do for everybody else who isn't in the top 20 housing markets in the U.S.?

REINA: Well, that's something we care about. This is affecting big cities and small towns., right? And the reality is, is the financing tools we put forward in [inaudible] in all those settings, right? And so we're really eager to see this working in bustling big city downtowns and main streets all across the country. So, so our tools cross across the spectrum, and, and I think all of our agency partners are really keen to see that be the case. USDA is a partner in our work here as well, both in thought and in actions as well. One of their programs is in our guidebook. And so, we're really committed to an interagency approach to make sure that everyone can really access this-- these important resources.

LOH: So, let's conclude by helping point people to where they can go to follow up on. I heard about workshops; I heard about a calculator. Where does everyone go to get these resources?

VAN NIEUWERBURGH: So the calculator is on the Brookings website, on the Hamilton Project website, and it's live.

LOH: All right. And with our incredible SEO, I know that anyone could just Google "Brookings Hamilton conversion calculator," and you're going to find it right away. Vincent, what about you? Where does that-- how do we get everyone plugged into these workshops?

REINA: Yeah. So on the base level, right, check out the White House factsheet, right? There's more information there. I think there's going to be more announcements coming out from DOT and HUD around TA opportunities. The workshops itself, we're setting those up right now, and we're going to be doing a blast around those as well and doing kind of a public outreach. That said, you know, I imagine a lot of people on this call as well are already in touch with a lot of our federal partners, and they're-- and have their way of getting in touch with them. I know since our announcement, several of them have already said they've seen an uptick, right? And so, I think our hope here is that you know, developers, municipalities, interested parties engage directly with the agencies who are the experts on these tools and who will be the kind of key partners in having these things come together.

LOH: Okay. Well, we're at time. So, Stijn and Vincent, I want to thank you so much for this conversation today. I learned a lot. I'm not gonna say my mind is fully been changed, but you have given me a lot to think about. And so with that, I'm going to hand it back over to Wendy.

EDELBERG: Thank you so much, Tracy. I am going to pause for a second until I see my picture come up. Well, I see Laurie. All right. I'm just gonna, I'm just gonna keep pressing my fingers till it's all working. And I'm guessing if you have found us, then you do indeed know where to find [inaudible]. I promise you, it is very easy to find us [inaudible]. I want it to be a resource, so give us feedback. My internet connection is slow. Switching gears, [inaudible] being a bigger presence in the rental market for single-family homes, first tell us what you and Ingrid found there, and then we'll, we'll turn to the policy proposals that you all have in mind.

GOODMAN: Yes. Thank you very much for the question and thanks very much for giving us the opportunity to write about this topic. So, basically, what we found is that-- we looked at recent trends in terms of large investors in the market. We found that large investors are about 3% of the single-family rental market overall, but they tend to be concentrated in certain areas. So they own about 27% of the single-family rentals in Atlanta, 22% in Jacksonville, and 20% in Charlotte. They tend to buy homes that are newer and larger than other single-family rentals in the markets in which they operate. They tend to buy homes in neighborhoods with above-average rental incomes. They tend to target homes that need repair, as they have a large comparative advantage in doing the repair.

We also discovered that there's a lot we don't know about investor behavior. So, we don't know the impact of large institutional investors on rents in the area. We know that mega investors tend to target fast-growing areas for better returns. These are areas in which both prices and rents would have increased more than other areas on average. It's hard to determine how much they've actually contributed to the increase in rents in that area. Work by — in those areas — so work by CoreLogic has shown that investor activity actually lags rent increases. That is, investors are reacting to the increases by increasing their share in the area. When we look at rent increases of institutional investors versus other smaller investors, we find that institutional investors do have rent increases that are marginally larger. But more importantly, they seem quicker to raise rents when rents are going up, and quicker to mute rent increases when rents are decelerating. When we look at the management of delinquent tenants, we find that there's a lot we don't know there. We do know that mega investors send out more eviction notices than smaller investors. This is a rental-- this is a technique for rent collection. It's unclear, however, if they actually evict more, as we have no data whatsoever on actual evictions. That said, eviction filings can be detrimental in and of itself as it's a factor for some landlords when screening tenants.

When we look at tenant screening and who actually rents in these units, we know that large mega investors tend to rely heavily on screening algorithms rather than gut feelings. They generally use self-showing technologies and rarely meet the tenant. They'll check previous evictions, criminal history, and often credit scores. Smaller landlords tend to meet the tenant and directly show the apartment themselves, so they sort of get a gut feeling about the tenant. When you look at the tenant experience and maintenance issues, this is an area that's just absolutely ripe for further research. There is no data on whether large landlords do a better or worse job on maintenance. They tend to rely on in-house property management operations. They definitely have staff available 24/7, and they've incorporated technology into the maintenance process. So, for example, the mega investors generally have a maintenance truck that can handle a large proportion of the repairs on the spot. However, the lack of a personal connection may make it harder for the landlord to understand the tenant's needs and for the tenant to hold the landlord accountable. So again, you know, we spent a lot of time looking at investor behavior and discovered that there's just a lot we don't know.

EDELBERG: And so I think that's, that's going to play a role in what you propose. So, Ingrid, now let's turn it to you. So, given, given your findings, tell us what you and Lauri propose for this for the sector.

GOULD ELLEN: Yeah. And let me just add my thanks to to you and to your team at that at the Hamilton Project or for inviting us to write this paper. I think I can speak for Laurie that we've learned a lot in doing this, but there's a lot that we didn't learn. So that's sort of point a minute think writing this paper. But let me say, it's sort of our policy recommendations coming out of — our analysis are really threefold, there's really three sets. And the first concern is transparency, and writing this paper, I think, underscored for us how little we actually know about rental properties and their ownership. It seems like ownership of rental properties is one of the best kept secrets.

And so, what we call for is the widespread adoption and enforcement of, of of rental registries that basically would require landlords to register their properties with the local governments. In the case of LLCs, important, right, report on the names and the ultimate-- of the ultimate parent entities, so that jurisdictions can more easily identify owners' full portfolios within a jurisdiction. And this is something that, I mean, you know, this would, this would clearly facilitate better research and analysis, right? But it would also benefit local policymakers. And Mayor Woodfin earlier in this event, right, referenced the fact that they really struggled when they found these sort of dilapidated properties that were sort of abandoned. They couldn't figure out who owned them. I mean, this sort of-- and, and so, and you can imagine, right, if code inspectors of a local government find a building with a ton of egregious code violations, well, shouldn't they be able to then proactively inspect the other buildings owned by that owner? And they don't have the ability to do that right now because the realm of sort of ownership is so, you know, complicated and hidden.

So, so-- and we think that such transparency would benefit renters too. I mean, there's an argument, right, that renters should be able to know who their landlord is. They should know who they should-- who they can contact when concerns arise, when they, when they need repairs. And you know, it also-- we also, you know, suggest that these registries could be publicly available and searchable so that renters could also-- and also empower renters in their housing searches to be able to understand what the record is. I mean, landlords can see the records of tenants, but that to to empower tenants with more information about their landlords. And, and, you know, when we talk about the fact that that — I mean, this is ultimately sort of would be a local government role — but we talk about the ways that we suggest that the federal government could importantly, we think, develop a model registry that would help local jurisdictions more quickly implement registries, and ensure that the information collected through those registries is adequate and it's consistent across jurisdictions. And that would allow you to really understand, people to understand this, the scale of ownership. And the federal government could also incentivize the adoption, creation and adoption, of these registries through, through, you know, conditioning competitive grants on, on creating, and enforcing such system. So, so this is the first set of recommendations.

The second set is-- concerns new regulations to be imposed on institutional owners. And we argue that policymakers should impose stricter rules and regulations on institutional owners who have, who have the size and the scale and, you know, the organizational infrastructure to enable them to sort of bear the cost of a variety of actions that really could help to serve and protect tenants, right? And, for example, we argue that large-scale owners could be required to, for instance, accept housing choice vouchers, which, you know, it's legal in many parts of the country to refuse, and many landlords do refuse to serve tenants who are paying part of their rent with housing choice vouchers. We suggest that they could be required to accept security insurance in lieu of security deposits or to spread security deposits over several months so that security deposits don't become a barrier to entry for renters. We recommend that these larger scale landlords be required to offer rent reporting to tenants to allow them to build credit and improve their credit scores; that they'd be required to disclose fees and in a transparent and understandable manner before the renter signs the lease; that they allow tenants potentially to pay their rents to two monthly installments; and that-- and, potentially, that they require, you know, that regulators require good cause and/or more notice at least before filing an eviction. So, that's sort of the second bucket, right?

The third set of policies really concerns renovation financing for owner-occupants. And this is about easily leveling the playing field between institutional purchasers and, and individual homeowners. And, you know, the current programs that are available to home-- prospective homebuyers who want to buy properties that need renovation are very cumbersome and they have a very high denial rate. And so, we call for changes in renovation financing offered by the FHA and the GSEs to make it easier, for in-- for individuals, or individual homeowners, to compete against institutional investors in trying to buy homes that need renovations. And that was-- that's in a nutshell. More details in the paper. I think Wendy may be frozen.

EDELBERG: All right, so we spent a-- all of us have thought a fair bit about the effectiveness of policy [inaudible] during the pandemic. How would information [inaudible] So, if we had had this information, [inaudible] would have been, as we tried to help renters in distress. I think that's a question for Ingrid.

GOULD ELLEN: So, is this how the information about ownership would have helped during COVID, help distressed renters during COVID?

EDELBERG: Yeah. I mean, so you talked a fair bit about how better information about these large institutional investors would help the tenants, but I don't think you talked as much about how it would help policymakers to have this information.

GOULD ELLEN: Yeah, no, absolutely. I mean, it would help them, again, in being able to — just to reiterate — it would help them to be able to-- if they see one building, and it's like the egregious code violations, they could then inspect — proactively —inspect the other buildings. But during COVID, you know, many cities struggle to deliver emergency rental assistance to, to tenants because they couldn't identify the owners of those properties. And that's something that just seems crazy, right? I mean, rental-- and so, I think the widespread availability of, you know, rental registries that are clear and that are enforced would have really sped up the allocation of rental assistance, somewhat would have allowed for needed help to get into the pocket of renters much, much more quickly.

EDELBERG: And so, Laurie, a question for you. So, so on one hand, you guys aren't proposing actually limiting ownership of these single-family homes for rent among large investors. But on the other hand, you guys are proposing additional requirements on them. So, so how would you answer the criticism that you're basically going to make their business unprofitable? So, we've thought very carefully about how to balance the rights of landlords and tenants. So, we've deliberately chosen items that a landlord can do at very low cost that would have set-- that would enhance the tenant experience. So, for example, rent reporting may be cumbersome to initially set up, but it's going to cost less than two dollars a month per tenant, likely less with skilled negotiations. Security deposit insurance is paid for by the renter — the landlord has to administer it. Transparent leases don't cost money other than the initial design. So we've deliberately thought about proposals that would enhance the tenant experience while not costing the landlords a lot of money.

EDELBERG: I'm going, I'm-- just for myself [inaudible] reassure everybody that I'm not, you know, insecure. But now, now I've turned my picture off again. Okay, so last, last couple of minutes. So, to both of you, what single point do you want readers to take away?

GOODMAN: I'll go first.

EDELBERG: Whoever wants to go, first.

GOODMAN: I'll go first. So, the notion that the single-family institutional investor has just generated a ton of emotion on both sides. Those who believe that investors push — the large mega investors— push up rents for the community while failing to maintain those properties. On the other hand, there are those that believe that these mega investors are giving renters the opportunity to live in nicer renovated properties than would otherwise be available. Despite the huge amount of emotion on these-- on both sides and these deeply held views, our research highlighted how little we actually know about investor behavior by size tier and its impact on renters and the rental market.

GOULD ELLEN: Yeah. And I would just add really quickly that the way people tend to think about renters as all living in multifamily buildings. So, I think that there's-- fundamentally, the most fundamental point is just that a lot of renters live in single-family homes, and the single-family rentals are actually a critical part of the rental housing landscape. They allow renters the ability to live in larger homes and to live in communities that are closed off to multifamily buildings. And, and also, I will just say — if I sneak in one more — which is that, that that sort of overtime, I mean, even back in 1993, we show in the paper that a third of all occupied rental units were single-family homes. And so, and now that number is like inched up slightly to like 34.5%. So, it's sort of like we haven't seen-- this has really sort of been-- the single-family rental market has been consistently an important part of the rental market. And that is not new.

EDELBERG: Well, excellent. I thank you both for producing a really useful and [inaudible], and I encourage everybody to go look at it. And they, they actually turned me off, they turned off my video — how funny. So, thank you to everybody, and to the mayor. And I encourage everybody to look at the website. Thank you for joining us.