

Policies for Community Investment Without Displacement

Executive Summary

Beginning in August 2019, task forces organized by Urban Land Institute (ULI) District Councils in Chicago, Phoenix, Sacramento, and Tampa worked to address local policy and regulatory barriers to creation of healthier and more equitable places. These initiatives were part of ULI's District Council Task Forces for Health and Social Equity Project, led by ULI's Building Healthy Places Initiative with support from the Robert Wood Johnson Foundation (and Vitalyst Health Foundation in Arizona). The ULI Arizona task force examined the important connection between health, social equity, and housing affordability.

Health suffers when housing is unaffordable, and an affordability crisis has been mounting in the Phoenix region. Rising land costs, supply and labor shortages, and stagnant wages are contributing to a perfect storm decreasing housing affordability. Most of the Valley's housing spectrum – from providing temporary emergency shelter to assisting working families of modest means – is under stress and socio-economic disparities are worsening. Nearly 70% of all renter households in Phoenix earning the median income or less are housing cost burdened, and more people are being priced out of high opportunity areas – places that benefit from healthy food access, transit infrastructure and cultural systems.

One of the biggest threats to health and equity is displacement of people from where they live – the concept of real estate investment bringing in new higher-income people and pricing long-time residents out of their neighborhoods. More often the adverse impacts of gentrification disproportionately impact people of color, families with lower incomes, and renters. To learn how other regions in the

country addressed anti-displacement, the ULI Arizona Housing, Health and Equity Taskforce partnered with an Arizona State University graduate student to: 1) research a broad range of strategies and policies; and 2) determine their potential to be implemented in Arizona.

A list of 74 anti-displacement policies was developed using expert interviews, an extensive review of housing policies from across the United States, and a review of relevant Arizona Revised State Statutes and local policies. Twenty interviews were conducted with local housing, health, and legal experts; interviewees provided critical feedback on the legality and viability of the policies, the barriers and benefits of each, and areas for improvement.

This policy brief summarizes some of the findings. Access the entire research report online at vitalysthealth.org and the ULI Arizona Task Force reports and information at arizona.uli.org.



Arizona's Legal Landscape

In interviews, local experts identified state-level policies and trends in the legal landscape impacting the viability of the anti-displacement policies. These experts identified four themes. A summary of state housing and land use policies comprised in these themes are described below to provide context when considering anti-displacement policies.

1. Limited Affordable Housing Creation and Preservation Tools for Localities

Rent control, mandatory inclusionary zoning, and special economic incentives are tools often used in other parts of the country to create or preserve affordable housing. The authority to implement these tools in Arizona is explicitly preempted, or prohibited, by state law.

2. Private Property Rights State

Legislation and anecdotal evidence indicate the Arizona State Legislature's strong support and prioritization of private property rights. Proposition 207 also called the

Private Property Rights Protection Act passed by Arizona voters in 2006 limits the use of eminent domain and provides that a property owner is entitled to just compensation if the value of a person's property is reduced by the enactment of land use laws. The state also strictly prohibits real estate transfer taxes, flip taxes, and anti-speculation taxes which may prevent rapid gentrification and displacement within a community.

3. Limited Taxation Tools

Taxation tools are limited in Arizona. Tools that are commonplace in other states are off-limits to Arizona local governments, including tax increment financing, taxes to prevent speculative purchases of properties, and constraints to how development impact fees can be levied.

4. Landlord-Friendly State

Arizona landlord-tenant laws favor landlords more than tenants. House Bill (HB) 2115 prohibits cities from establishing their own landlord-tenant standards as of December 31, 2018. Any code or ordinance already in place prior to December 31, 2018 was grandfathered in. HB 2115 severely limits the ability of individual cities to protect tenants, which is particularly important as eviction rates and homelessness are on the rise.



Anti-Displacement Policies

Based on a policy review process and 20 expert interviews, several policies were identified to be effective tools in preventing neighborhood displacement. These policies represent a broad set of tools to support equitable development and intergenerational wealth building in neighborhoods, including zoning, legal, financial, development, partnership, monitoring and maintenance, and education and advocacy tools.

1. Existing Arizona Policies with Potential for Improvement and Expansion

- **Accessory Dwelling Units (ADUs)** Expanding policies to allow ADUs in more jurisdictions with greater flexibility in regulations, including supports for financing and education, could increase supply.
- **Community Land Trusts (CLTs)** CLTs already exist in Arizona with strong community partners. Their expansion potential and ability to scale to support larger developments will create greater impact.
- **Emergency Homestead Stabilization Fund** Expanding the financial and administrative capacity of this program could better protect and support more homeowners.
- **Emergency Rental Assistance** This assistance is a short-term, stop-gap measure.
- **General Obligation/Housing Bond Sales** Bonds can be designed to serve a variety of purposes, like the creation of affordable housing. The Industrial Development Authorities (IDAs) can issue bonds.
- **Home Repair Assistance Program** Housing Rehabilitation Programs could be expanded and refocused around social equity and displacement prevention.
- **Housing Trust Funds** Recapitalizing and increasing the Arizona Housing Trust Fund will institutionalize a steady, long-term source of public funding to support affordable housing creation and preservation. Counties and municipalities can establish local Housing Trust Funds to have greater impact and capacity.
- **Incorporating Affordable Housing into Joint Development** Municipalities can partner with transit agencies when they sell or lease surplus land near transit stations and require developers to include affordable housing in joint development projects when the project is designed to increase transit usage.
- **Low-Income Tax Housing Tax Credits (LIHTC)** Possible improvements include increasing the supply of federal tax credits, creating a state LIHTC program, and extending the length of affordability covenants, among others. Numerous other states have enacted their own LIHTC programs.
- **No Net Loss Goals** Communities can use tracking tools or require housing impact statements for all new development to analyze affordable housing preservation (City of Tempe).
- **Prioritizing Affordable Housing for Publicly Owned Land, Vacant and Surplus Land Policy** This is done operationally in some municipalities but would be most beneficial with institutionalized policy passed by the State or by individual cities requiring prioritization of affordable housing.
- **Property Tax Exemptions/Abatements for Qualified Homeowners & Property Owners** A clearly written, widely distributed standard interpretation of the law would ensure continuity across counties overtime as assessors change.
- **Regional Housing Plan and Preservation Goals** Creating a regional housing strategy with cohesive goals and objectives will unite local governments to address challenges, identify gaps, and leverage opportunities. This is a low-risk, potentially high-reward strategy.
- **Rental Registration and Inspection** In addition to identifying at-risk properties, and providing resources, the program could be expanded to provide tenants information on their rights and the required home standards before they sign a lease.
- **Small-Site Acquisition Program or Naturally Occurring Affordable Housing (NOAH) Impact Fund** Two strategies to preserve and improve NOAH include (1) small-site acquisition programs to purchase, restore, and affordably market this housing and (2) an impact fund to acquire and preserve properties at risk of speculative purchase and displacement. Arizona cities could adopt similar programs and prioritize preservation of NOAH to prevent displacement.

- **Tenant Right to Organize** In Arizona, tenants have the right to organize, but there are no special protections or resources allocated for this purpose.
- **Voluntary Inclusionary Zoning** Voluntary inclusionary zoning is legal in Arizona. Localities can pair voluntary inclusionary zoning with planning and zoning incentives to create high-density, mixed-income developments. For example, some cities like Flagstaff and Tucson, give density bonuses to developers to encourage them to build affordable units.

2. Highly Feasible Policies

Highly feasible policies do not currently exist in Arizona, but they are legal, and the policy environment is conducive for implementation.

- Creation of local housing affordability task forces
- Establishing an Affordable Housing Preservation Office
- Community Benefits Agreement (CBA) between developers and the community
- Land banking using a land acquisition fund
- Legal and mediation support expansion for evictions
- Readopt the Neighborhood Stabilization Loan programs
- Property tax exemptions for publicly owned land
- Single Room Occupancy (SRO) preservation
- Small Area Fair-Market Rents (SAFMRs)
- Speculation watch list or catalogue at-risk properties
- Tenant Protection Act



3. Opportunities for Private Sector Driven Change

- Private Investments Funds would support acquisition and preservation of at-risk affordable housing and development of new affordable housing. More funds like the voluntary Arizona Housing Fund are needed.
- Public-Private Below Market Debt Funds could purchase or preserve affordable housing.
- Community Investment Trusts targeted for lower income participants will build income of existing residents and businesses by capturing the value of successful development – keeps wealth within neighborhoods.

4. Potentially and Limited Feasible Policies

These policies require further research to concretely determine legality and barriers to implementation.

- Neighborhood Stabilization Overlay (NSO) establishing zoning requirement in neighborhoods vulnerable to displacement
- Zoning new sites for mobile homes or zoning existing sites for mobile homes
- Affordable housing impact fees, commercial impact fees, or jobs-housing balance fees
- Comprehensive mobile home park resident acquisition program
- Eviction notification ordinance to track evictions
- Just Cause Eviction Controls (JCECs)
- Mandatory inclusionary zoning
- Rent control, stabilization, or regulation and rent review board
- Renter's right to counsel
- Tax Increment Financing (TIF) to fund future redevelopment efforts
- Tenant Opportunity to Purchase Act or Right of First Refusal

ACCESS THE ENTIRE REPORT, *POLICIES FOR COMMUNITY INVESTMENT WITHOUT DISPLACEMENT*, ON THE VITALYST HEALTH FOUNDATION WEBSITE: VITALYSTHEALTH.ORG

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