RETURNING AMERICA TO AN EFFICIENT URBAN FORM

BALANCING THE FEDERAL DEFICIT AS A RESULT
If you could only achieve one policy change, enabling the right housing to be built in the right places will have a more positive impact on the U.S. economy than any other policy decision you could consider.
EXECUTIVE SUMMARY

- Shortfall Components
- Single-Family Shortfall
- Multi-Family Shortfall
- Cumulative Shortfall
- Incremental Starts to Recover to GDP Trend
RETURNING AMERICA TO AN EFFICIENT URBAN FORM

ACTUAL VS. TREND REAL GDP

1 Source: Peter Linneman Presentation to Holland Investor Conference, Linneman, P in Holland Investor Conference (2016)
COMPONENTS OF U.S. $3 TRILLION SHORTFALL

- **Housing**
  - 68.8%
  - $2.1 Trillion

- **Auto**
  - 10.9%
  - $0.3 Trillion

- **Other**
  - 20.3%
  - $0.6 Trillion

1 Source: Linneman Letter, Linneman, P (2017)
CUMULATIVE SHORTAGE OF SINGLE-FAMILY STARTS
(COMPARED TO 1971-2001 AVERAGE)

\[ \text{THOUSANDS} \]

2.6M UNIT GAP

CUMULATIVE SHORTAGE OF MULTI-FAMILY STARTS
(COMPAARED TO 1971-2001 AVERAGE)

930K UNIT GAP

TO FULLY RECOVER TO TRENDED GDP, WE MUST INCREASE OUR STARTS BACK TO OUR 30-YEAR TREND OF 1.5-MILLION UNITS ANNUALLY THEN ADD 350,000 UNITS ANNUALLY FOR A DECADE.

Source: Housing Production Shortfall, Linneman, P (2017)
ANNUAL ABSORPTION AND COMPLETIONS/NET COMPLETIONS

![Graph showing annual absorption and completions/NET completions from 2004 to 2019.](image)

*Market Strategy Advisor for the United States as of First Quarter 2017, Witten Advisors LLC (2017)*
DON'T BOTHER ABOUT PUTTING HIM BACK TOGETHER.... WE'RE HERE FOR THE OMELETTES!!!
Almost everyone working on new entitlements lost everything.

1980–1986

1986 – 1,802

1987 – 2,064

1988 – 1,788

1989 – 2,202

1990 – 2,342

1991 – 1,014

1992 – 2,321

1993 – 2,247

1994 – 2,086

1995 – 2,084

1996 – 1,477

1997 – 1,748

1998 – 1,566

1999 – 1,453

2000 – 1,110

2001 – 981

2002 – 977

2003 – 1,014

2004 – 1,312

2005 – 1,142

2006 – 1,316

2007 – 1,283

2008 – 554

2009 – 554

2010 – 563

2011 – 620

2012 – 830

2013 – 786

2014 – 975

2015 – 1,250

2016 – 1,250

2017 – 1,250

2018 – 1,250

DECREASE IN STARTS 44%

INCREASE IN STARTS 46%

DECREASE IN STARTS 73%

INCREASE IN STARTS 76%

INCREASE IN STARTS 28%

1 Source: Peter Linneman Presentation to Holland Investor Conference, Linneman, P in Holland Investor Conference (2016)

2 Data includes single- and multi-family unit production.
# Recovery to Trend

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost Annual GDP</td>
<td>$2,100,000,000,000</td>
</tr>
<tr>
<td>Economic Multiplier</td>
<td>7x</td>
</tr>
<tr>
<td>Direct Housing Investment Unit</td>
<td>$300,000,000,000</td>
</tr>
<tr>
<td>Unit SHORTFALL</td>
<td>750,000</td>
</tr>
<tr>
<td>Units Recovered</td>
<td>- 500,000</td>
</tr>
<tr>
<td>Current Shortfall to 30-Year Average Housing Production</td>
<td>250,000</td>
</tr>
<tr>
<td>Incremental Annual Starts Necessary to Recover to GDP Trend in 10 Years</td>
<td>+ 350,000</td>
</tr>
<tr>
<td>Incremental Increase in Starts Required from 2017-2026</td>
<td>600,000</td>
</tr>
<tr>
<td>Units is the Current Pace of Residential Construction Cost</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Recovery Target Starts</td>
<td>1,850,000</td>
</tr>
</tbody>
</table>

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2. Source: Holland Experience
EXECUTIVE SUMMARY

■ 87% of New Households are Being Formed Without Children
■ 53% of New Households are Single Person Households
■ Exploding Demand for Urban & Transit-Oriented Housing
■ West Coast: How Does Urban Supply of Housing Compare to Urban Jobs?
■ Key Characteristics of Cities that are Thriving vs. Struggling
# Households by Type 2010-2030

**Figures in Thousands**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Households</strong></td>
<td>116,945</td>
<td>143,232</td>
<td>26,287</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td><strong>HHS with Children</strong></td>
<td>34,814</td>
<td>38,358</td>
<td>3,544</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td><strong>HHS without Children</strong></td>
<td>82,131</td>
<td>104,874</td>
<td>22,743</td>
<td>28</td>
<td>87</td>
</tr>
<tr>
<td><strong>Single-Person HHS</strong></td>
<td>31,264</td>
<td>45,081</td>
<td>13,817</td>
<td>44</td>
<td>53</td>
</tr>
</tbody>
</table>

**Challenge** - To put the right types of housing in the right places.

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2. Percentages may not sum due to rounding.
POPULATION PROJECTION FOR YEAR 2021

GEN Z PEAK
74M GEN Z

MILLENNIAL PEAK
69M MILLENNIALS

AGE
10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

1 Source: U.S. Census Bureau, Population Division
BUILD MORE HOUSING NEXT TO JOBS AND TRANSIT

Supply Constraints
- Low density land use, zoning and regulations /
- Lengthy development approvals / Misaligned fee structure /
- Inclusionary housing policies /
- Rising construction costs /
- Supply constraints “Make housing more expensive.”

Demand Drivers
- Urban repopulation (largest reverse migration since WWII) / Household evolution (post-WWII 75% married with children; today 20% and trending to 12%) / Rapid employment growth in Creative Job Centers

Solution

URBAN HOUSING

Shortfall

Skyrocketing prices / Economic displacement / Severe traffic congestion / Strapped city budgets / Adverse environmental impact
JOBS PER HOUSING UNIT

JOBS TO HOUSING BALANCE RATIO (J/HU)

Vancouver, BC
1.0 (J/HU)

Seattle
2.8 (J/HU)

Denver
3.6 (J/HU)

Los Angeles
5.3 (J/HU)

Portland
5.6 (J/HU)

San Francisco
17.3 (J/HU)

1 Source: Urban Jobs Per Housing Unit Estimates, Concord Group (2017)
A CITY THAT IS THRIVING HAS:

△ Balanced budget
△ Fully funded schools
△ Living wage jobs
△ Broad housing choice
△ Efficient transport
A CITY THAT IS THRIVING HAS:

- Balanced budget
- Fully funded schools
- Living wage jobs
- Broad housing choice
- Efficient transport

ADDITIONAL BENEFITS

- Low tax burden
- Vibrant, walkable urban community
- Decreased reliance on the auto
- Total housing costs lower than average vs. income
A CITY THAT IS THRIVING HAS:

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A CITY THAT IS STRUGGLING HAS:

▼ Strapped city budgets
▼ Underfunded schools
▼ Lack of living wage jobs
▼ Limited housing choice
▼ Traffic congestion
A CITY THAT IS THRIVING HAS:

- Balanced budget
- Fully funded schools
- Living wage jobs
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- Efficient transport

ADDITIONAL BENEFITS

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- Decreased reliance on the auto
- Total housing costs lower than average vs. income

A CITY THAT IS STRUGGLING HAS:

- Strapped city budgets
- Underfunded schools
- Lack of living wage jobs
- Limited housing choice
- Traffic congestion

ADDITIONAL CHALLENGES

- High tax burden
- Escalating impact fees
- Economic dislocation
- Lack of critical mass to support vibrant retail districts
- Housing cost burdened population
These cost-burdened cities have pursued policies that have significantly increased the cost of housing and restricted new development. The result has limited investment in new housing increasing the cost of existing housing available to both working individuals and families.
EXECUTIVE SUMMARY

- Oregon Housing Shortfall
- Rent Distribution by Decade of Production
- Cost of Inclusionary Housing Requirements (new production burden)
- Economic Impact on Market Rents from Inclusionary Housing Requirements
- Economic Calculator for Each $1 Billion Invested in New Housing
ADDRESSING OREGON’S 339,000 HOUSING UNIT SHORTFALL

IF ADDRESSED OVER THE NEXT 10 YEARS, THE OUTCOME WILL:

- Increase economic output by $9.5B per year.
- Create 123,700 additional jobs.
- Add $6.2B statewide personal income per year.
- Increase non-property tax revenue by $522M a year.
- Increase property taxes $783.1M annually or $7.8B cumulative over 10 year.

PORTLAND
- Total Shortage - 160,460
- Housing Units/Year - 16,046
- Economic Output - $5.6 billion
- Jobs - 72,800
- Personal Income - $4.0 billion
- Taxes - $324 million

SALEM
- Total Shortage - 34,468
- Housing Units/Year - 3,447
- Economic Output - $735 million
- Jobs - 7,800
- Personal Income - $359 million
- Taxes - $29 million

EUGENE
- Total Shortage - 30,728
- Housing Units/Year - 3,073
- Economic Output - $650 million
- Jobs - 7,600
- Personal Income - $342 million
- Taxes - $28 million

MEDFORD
- Total Shortage - 17,931
- Housing Units/Year - 1,793
- Economic Output - $378,413,000
- Jobs - 4,800
- Personal Income - $202 million
- Taxes - $19 million

BEND
- Total Shortage - 14,339
- Housing Units/Year - 1,434
- Economic Output - $305 million
- Jobs - 3,900
- Personal Income - $173 million
- Taxes - $10 million

OTHER OREGON CITIES
- Total Shortage - 81,074
- Housing Units/Year - 8,107
- Economic Output - $1.7 billion
- Jobs - 26,800
- Personal Income - $1.1 billion
- Taxes - $111.8 million

Source: Tabulation of Housing Data, Oregon Office of Economic Analysis (2017)
Source: OHCS Tabulation of 2014 American Community Survey Data, Using the National Low Income Housing Coalition’s Gap Analysis Methodology, Oregon Housing and Community Services (2017)
Holland Estimates Developed Using IMPLAN and Proprietary Modeling
PORTLAND’S METROPOLITAN AREA
MULTI-FAMILY HOUSING MARKET

<table>
<thead>
<tr>
<th>TOTAL UNITS</th>
<th>AVG RENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,393</td>
<td>$1,574</td>
</tr>
<tr>
<td>52,745</td>
<td>$1,470</td>
</tr>
<tr>
<td>75,916</td>
<td>$1,257</td>
</tr>
<tr>
<td>50,382</td>
<td>$1,224</td>
</tr>
<tr>
<td>84,309</td>
<td>$977</td>
</tr>
<tr>
<td>43,200</td>
<td>$1,151</td>
</tr>
</tbody>
</table>

AVERAGE RENT $1,206

NEW DEVELOPMENT
2010 OR LATER

2000-2009

1990-1999

1980-1989

1970-1979

1960-1969

1 Source: Axiometrics (2017)
**INCLUSIONARY HOUSING CASE STUDY**

14TH & GLISAN — PORTLAND, OR

<table>
<thead>
<tr>
<th>Inclusionary Requirement</th>
<th>20% @ 80% of Median Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Unit Size</td>
<td>622 Square Feet</td>
</tr>
</tbody>
</table>

**UNIT MIX**

<table>
<thead>
<tr>
<th>No. of Affordable Units (20% Required)</th>
<th>49 Units @ 80% of AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Market-Rate Units</td>
<td>+195 Units @ Market</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>244 UNITS</td>
</tr>
</tbody>
</table>

**RENTS**

<table>
<thead>
<tr>
<th>Market Rent</th>
<th>$2,191 Per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable Rent @ 80% of AMI</td>
<td>- $1,119 Per Month</td>
</tr>
</tbody>
</table>

**SUBSIDY**

| $1,071 PER MONTH |

**PROJECTED REVENUE**

<table>
<thead>
<tr>
<th>Revenue on 244 Market-Rate Units</th>
<th>$6,415,248 Annually</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: Subsidy (49 Units* $1,071, annualized)</td>
<td>- $629,748 Annually</td>
</tr>
</tbody>
</table>

**REVENUE WITH INCLUSIONARY REQUIREMENT**

| 5,785,500 ANNUALLY |

| Annual Inclusionary Tax on Each New Market-Rate Unit | $3,229 Annually |

**MONTHLY**

|$269 = 12.3% INCREASE |

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*Source: Holland Experience*
PORTLAND METRO MULTI-FAMILY HOUSING MARKET

IMPACT OF 20% @ 80% MFI INCLUSIONARY HOUSING REQUIREMENT

<table>
<thead>
<tr>
<th>TOTAL UNITS</th>
<th>AVG RENT</th>
<th>COST OF INCLUSIONARY MULTI-FAMILY ZONING REQUIREMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,393</td>
<td>$1,768</td>
<td>$194</td>
</tr>
<tr>
<td>52,745</td>
<td>$1,651</td>
<td>$181</td>
</tr>
<tr>
<td>75,916</td>
<td>$1,412</td>
<td>$155</td>
</tr>
<tr>
<td>50,382</td>
<td>$1,375</td>
<td>$151</td>
</tr>
<tr>
<td>84,309</td>
<td>$1,097</td>
<td>$120</td>
</tr>
<tr>
<td>43,200</td>
<td>$1,293</td>
<td>$142</td>
</tr>
</tbody>
</table>

Source: Axiometrics (2017)
INCLUSIONARY ZONING REQUIREMENTS EFFECT ON AFFORDABILITY IN DOWNTOWN PORTLAND

WHO SUFFERS?

• Current Average Rent
  - Monthly: $1,206
  - Annually: $14,472

• Average Rent Required to Support
  New Development with 20% Inclusionary Zoning
  - Monthly: $1,355
  - Annually: $16,260

REQUIRED AVERAGE MARKET INCREASE

$149
$1,788
12.3% INCREASE

Total Market-Rate Units

125,019 x $1,788 = $223,533,972

Value of Increased Rents @ 5% Cap Rate

$4,470,679,440

CITIES WITH INCLUSIONARY ZONING REQUIREMENTS

Even if you take 50 years of average production, the 5,000 units produced over just today’s economic impact represent $894,136 per unit.

2 Source: Holland Research
VOUCHER ALTERNATIVE

Instead of straining the market with a $223 million annual burden, a Voucher for $87/month or $1,044/year could be issued.

Take 50 years’ of affordable housing production and for $1.3 million annually, the $223 million burden they just placed on Portland renters would be eliminated.

The irony of this is the property tax on just one new high rise would more than cover the cost of vouchers for the full 5,000 units. This is why Inclusionary Zoning is the most expensive/least efficient mechanism to address affordable housing.

PORTLAND’S AVERAGE RENT PRE-INCLUSIONARY ZONING = $1,206
80% OF AMI RENT LEVEL = $1,119
**FISCAL IMPACTS ASSOCIATED WITH $1 BILLION OF HOUSING INVESTMENT**

$1,167,100,000

Property taxes generated for Portland’s CBD over the useful life of the additional housing

<table>
<thead>
<tr>
<th>People living in additional residential units</th>
<th>People working in additional retail and office space</th>
<th>Number of new jobs created</th>
<th>Annual property tax revenue generated by the additional housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,500</td>
<td>5,000</td>
<td>10,700</td>
<td>$11.7 MILLION</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equivalent cars taken off the roads</th>
<th>Metric tons of CO₂ reduction per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>710</td>
<td>3,400</td>
</tr>
</tbody>
</table>

2,080 Additional residential units built

SDC and impact fee revenue generated $19,371,000

Additional bonding capacity to fund infrastructure $209,946,000

Business taxes produced based on economic catalyst of project $47,338,000

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1 Based on 100-year useful life of asset
2 Person years of employment
3 Bonding capacity based on 60-year duration and a 1.50x coverage ratio
4 Holland Estimates Developed Using IMPLAN and Proprietary Modeling
LONG-TERM RENT GROWTH

3.99% AVERAGE ANNUAL RENT GROWTH
1995-2015

3.4% AVERAGE ANNUAL CONSTRUCTION COST GROWTH
1995-2015

1 Source: Holliday Fenoglio Fowler (2017)
2 Average soft costs have increased .5% annually
EXECUTIVE SUMMARY

- Cost of Delay
- Product Type Property Tax Per Acre
- Impact Fees Per Acre
- Product-Type Opportunity Cost
- Subdivision Infrastructure Burden
- High-Density TOD Pilot Project
- Los Angeles Transportation Infrastructure
- Zoning Bias to Low-Density Developments
**ENTITLEMENT OVERVIEW**

HIGH-BARRIER TO ENTRY MARKETS BECOMING INCREASINGLY UNAFFORDABLE

<table>
<thead>
<tr>
<th>Entitlement</th>
<th>24-30 MONTHS</th>
<th>36-60 MONTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efforts stop</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Permits</th>
<th>06-09 MONTHS</th>
<th>06-12 MONTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2013</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Construction</th>
<th>20-30 MONTHS</th>
<th>20-30 MONTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Summary</th>
<th>50-69 MONTHS</th>
<th>74-126 MONTHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**YEARS TO DELIVER IN HIGH-BARRIER LOCATIONS**

2005: 5 years

2017: 7-10 years

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1 Source: Holland Experience

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RETURNING AMERICA TO AN EFFICIENT URBAN FORM

CLYDE HOLLAND | HOLLAND PARTNER GROUP 34
## Cost of Entitlement Delay

<table>
<thead>
<tr>
<th>Development Cost</th>
<th>Annual Cost</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land 20% of cost at 15% equity</td>
<td>3.0%</td>
<td>15%</td>
<td>30%</td>
</tr>
<tr>
<td>Hard Costs 65% of cost at 6%</td>
<td>4.0%</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>Soft Costs</td>
<td>0.5%</td>
<td>2.5%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Impact Fees</td>
<td>0.5%</td>
<td>2.5%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Code Requirements</td>
<td>1.0%</td>
<td>5.0%</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Total Cost Increase**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45%</td>
<td>90%</td>
</tr>
</tbody>
</table>

1 Source: Holland Experience
# Annual Property Tax Revenue by Product Type

<table>
<thead>
<tr>
<th>Housing Units Per Acre</th>
<th>6</th>
<th>25</th>
<th>45</th>
<th>75</th>
<th>125</th>
<th>500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Square Feet Per Housing Unit</td>
<td>1,500</td>
<td>1,000</td>
<td>900</td>
<td>850</td>
<td>750</td>
<td>650</td>
</tr>
<tr>
<td>Taxable Value Per Acre</td>
<td>$0.74M</td>
<td>$2.46M</td>
<td>$5.53M</td>
<td>$10.14M</td>
<td>$21.51M</td>
<td>$98.32M</td>
</tr>
<tr>
<td>Annual Tax Revenue Per Acre</td>
<td>$0.02M</td>
<td>$0.06M</td>
<td>$0.13M</td>
<td>$0.24M</td>
<td>$0.51M</td>
<td>$2.32M</td>
</tr>
<tr>
<td>Impact Fee Per Acre</td>
<td>$0.21M</td>
<td>$0.23M</td>
<td>$0.41M</td>
<td>$0.69M</td>
<td>$1.15M</td>
<td>$4.60M</td>
</tr>
<tr>
<td>Cost Per Square Foot</td>
<td>$130</td>
<td>$175</td>
<td>$225</td>
<td>$250</td>
<td>$315</td>
<td>$400</td>
</tr>
<tr>
<td>Incremental Cost Premium</td>
<td>29%</td>
<td>11%</td>
<td>26%</td>
<td>26%</td>
<td>27%</td>
<td>27%</td>
</tr>
</tbody>
</table>

1 Source: Multnomah County Assessor (2017)
2 Source: Holland Experience
## Per-Unit Impact Fees

### Impact Fees Should Be Charged on a Per Square Foot Lot Area Required to Break Even

<table>
<thead>
<tr>
<th>Type</th>
<th>Impact Fees Paid Per Acre</th>
<th>Actual Cost Per Acre</th>
<th>Impact Fees Paid Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-Family Home</td>
<td>$210,000</td>
<td>$299,204</td>
<td>$35,000</td>
</tr>
<tr>
<td>25-Unit Garden</td>
<td>$230,000</td>
<td>$149,605</td>
<td>$9,200</td>
</tr>
<tr>
<td>45-Unit 4-Story Slab On Grade</td>
<td>$414,000</td>
<td>$119,684</td>
<td>$9,200</td>
</tr>
<tr>
<td>75-Unit 5-Story Wrap</td>
<td>$690,000</td>
<td>$119,684</td>
<td>$9,200</td>
</tr>
<tr>
<td>125-Unit Podium</td>
<td>$1,150,000</td>
<td>$37,401</td>
<td>$9,200</td>
</tr>
<tr>
<td>500-Unit High-Rise</td>
<td>$4,600,000</td>
<td>$24,934</td>
<td>$9,200</td>
</tr>
</tbody>
</table>

*Source: Holland Experience*
MAXIMIZE SCHOOL FUNDING through investment in high-value alternatives

The higher you build, the more fees and taxes you can collect per child and the less stress you put on the system.

$11K/CHILD
PODIUM
(0.31 CHILDREN / UNIT)

$18.7K/CHILD

$21K/CHILD
HIGH RISE
(0.12 CHILDREN / UNIT)

$75.5K/CHILD
305% INCREASE

1 Source: Holland Experience
PORTLAND SOUTH WATERFRONT

$1.1B LOST
OVER THE LIFE OF THE PROJECT DUE TO LACK OF $116 MILLION DEFERRAL OF FUTURE PROPERTY TAXES

$11.3M
ANNUAL PROPERTY TAX REVENUE LOST

1,800
UNITS LOST

3,300
RESIDENTS LOST

2,274
METRIC TONS OF CO2 NOT REDUCED ANNUALLY

PORTLAND SOUTH WATERFRONT
Lost tax revenue by building lower-density forms

AS DEVELOPED
WHAT COULD HAVE BEEN DEVELOPED

1 Source: Multnomah County Assessor (2017)
2 Source: Holland Experience

RETURNING AMERICA TO AN EFFICIENT URBAN FORM
1,800 HOMES | 300 ACRES | 6 UNITS/ACRE
1,800 HOMES | 300 ACRES | 6 UNITS/ACRE

$90,000,000 INFRASTRUCTURE INSTALLATION | $50,000/UNIT

LONG-TERM MAINTENANCE COSTS ARE ESTIMATED AT $395 MILLION / $220,000 PER UNIT

Source: Holland Experience. Calculations Based on Discussions with Civil Engineers.
ORENCO STATION, HILLSBORO, OREGON

$210M ADDED

PROPERTY TAX REVENUE OVER USEFUL LIFE OF PROJECT FROM A $16.8M PROPERTY TAX DEFERRAL

$2.1M ANNUAL PROPERTY TAX REVENUE ADDED

770 UNITS ADDED

1,425 RESIDENTS ADDED

975 METRIC TONS OF CO2 REDUCED ANNUALLY (EQUIVALENT TO 200 CARS OFF THE ROAD)

ORIGINAL LOW-DENSITY ZONING LIMITATION

Source: Holland Experience

RETURNING AMERICA TO AN EFFICIENT URBAN FORM
LOS ANGELES TRANSPORTATION PROJECTS

FEDERAL INFRASTRUCTURE EXPENSE

$100 BILLION+

- 4 Heavy Rail Lines
- 7 Light Rail Lines
- BRT Lines
- People Mover
- Metrolink

LOS ANGELES COUNTY METRORAIL MEASURE M FUTURE

RETURNING AMERICA TO AN EFFICIENT URBAN FORM

CLYDE HOLLAND | HOLLAND PARTNER GROUP
L.A. 500,000 JOBS, 50,000 HOUSING UNITS

ENTITLEMENT RISK ASSESSMENT

- By-right zoning
- Administrative process
- Reduced risk of appeal
- Appropriate for MND limited scale
- Legal challenge unlikely
- Likely entitlement timeframe: 10-12 months

TYPE III PODIUM

308 UNITS  4.3 FAR  7 STORIES
L.A. ENTITLEMENT RISK ASSESSMENT

- City policy requires full EIR – 2-3 year process & $3 million of cost
- Require rezone — exposed to upcoming ballot initiatives
- Significant exposure to public opposition
- Significant risk of appeal — triggers Quimby and other increased fees
- Legal challenge highly likely
- Likely entitlement timeframe: 5-10 years

TYPE I HIGH RISE

| 1,550 UNITS | 23.42 FAR | 45 STORIES |
LOST PROPERTY TAXES

$870M LOST

ADDITIONAL PROPERTY TAX REVENUE OVER 100 YEARS

$8.7M ANNUAL PROPERTY TAX REVENUE

1,250 ADDITIONAL UNITS

2,000 ADDITIONAL RESIDENTS

2,800 METRIC TONS OF CO₂ ANNUALLY

Source: Los Angeles County Assessor (2017)
Source: Holland Experience

RETURNING AMERICA TO AN EFFICIENT URBAN FORM
Will 23 lanes be enough?

Proposal would put I-75 among country’s biggest

By ARIEL HART
ahart@ajc.com

It’s wider than an aircraft carrier. Far wider than the carving on Stone Mountain. Wider than the White House stretched end to end, twice.

It’s the planned I-75, all 23 lanes, coming soon to Cobb County. As currently conceived it’s 388 feet across, wider than a football field is long.

23 LANES: The state Department of Transportation is planning to expand I-75 (below) and I-675 in Cobb and Cherokee counties. The 23-lane stretch would be between Delk and Windy Hill roads on I-75.

Traffic heads north on I-75, just north of I-285, on Thursday. A proposal for the interstate is enough to make a road builder weep with joy, and make others wonder whether it’s overkill.
YOU HAVE A CHOICE TO ENABLE A FULL RECOVERY OF TRENDED GDP

EXECUTIVE SUMMARY

- 5% Solution
- Shifting the Cost Curve Through Leadership
- Alternative Approach to Impact Fee Nexus/Changes
- Lower Cost Housing Available with Leadership
- Balancing the Federal Deficit as a Result
YOU HAVE A CHOICE

5% SOLUTION

95% STATUS QUO
5% HIGH-DENSITY RESIDENTIAL

IN ORDER TO QUALIFY FOR FEDERAL TRANSPORTATION FUNDING STATES MUST:
Declare 5% of their land area in the urban core/job centers and within a 1/2 mile of transit locations as of rights residential zoning (with zero impact fees or Income restrictions). In addition, for the urban/job centers structures over 10 stories will receive 10 years of property tax abatement. For suburban transit locations the tax exemptions will be for six stories or more. In blighted areas the abatement will be 15 years.
24% REDUCTION IN MARKET RENT WITH AS OF RIGHT ZONING

$2,030
SOFT COSTS

$1,540
SOFT COSTS

HARD COSTS

DESIGN & ENGINEERING

LAND

PARKING

SDC FEES

CONSTRUCTION

EXCISE TAX (CET)

TODAY’S COST

5% SOLUTION

Source: Holland Estimates
CALIBRATE DEVELOPMENT IMPACT FEES

BASED ON FULL COST MODEL, DIFFERENTIATED BY DISTANCE TO THE CORE

BASE CHARGE
ZERO/10 YEARS
NO PROPERTY TAXES
15 YEARS IN BLIGHTED AREAS
1. The right housing can be developed in the right places.

2. The cost of housing is meaningfully reduced for America’s workforce.

3. Cities receive significant increases in living wage jobs, school funding and long-term property tax revenue.

4. This investment can be entirely underwritten by the private sector.

5. When we recover to GDP trend the Federal Government balances its budget. Also, the cities that participate recover their revenue shortfalls.
A RECOVERY IN HOUSING INVESTMENT WILL BALANCE THE FEDERAL BUDGET

EXECUTIVE SUMMARY

- GDP Recovery to Trend
- Effect on Federal Government Tax Receipts
- Balanced Federal Budget
ACTUAL VS. TREND REAL GDP

SOLVING THE U.S. HOUSING SHORTFALL WILL BALANCE THE U.S. ECONOMY

1) $2.1 Trillion of annual GDP is missing due to underinvestment in residential housing.

65% of missing residential investment represents wages
$1.4 Trillion x 25% marginal tax rate.............................$341 Billion

15% of missing residential investments represents profit
$2.4 Trillion x 15% profit x 25% marginal tax...................$79 Billion

2) If we recover our underinvestment in housing the $900 billion investment in autos and other will also be recovered.

(65% x $900 Billion x 25% marginal taxes) $146 Billion
(15% profits x $900 Billion x 25% marginal tax rate) + $34 Billion

$600 Billion

<table>
<thead>
<tr>
<th>CURRENT FEDERAL DEFICIT</th>
<th>$504 Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>POTENTIAL SURPLUS</td>
<td>$ 96 Billion</td>
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EXECUTIVE SUMMARY

- Requiring States to Adopt the 5% Solution in Order to Receive Federal Transportation Funding
- Returning America to an Efficient Urban Form
THE 5% SOLUTION

Building Housing next to Jobs and at Transit is what is necessary to House America’s workforce and families.

In return for Federal Transportation Funding asking States/Cities to declare 5% of their land in urban core locations and at Transit nodes available for high-density residential (without impact fees or Income restrictions) so that sufficient housing can be developed for their workforce and families is a responsible Federal Policy.

A CALL TO ACTION

Making this choice will enable America’s economy to return to its 300+ year GDP trend and balance the Federal Deficit in the process.
THANK YOU