2018 Social Innovation Summit: Innovations in Urban Housing

Summary Brief

On April 27th, 2018, the Price Center's Social Innovation Summit focused on Innovations in Urban Housing. The summit convened scholars, policymakers, and civic actors in a day-long conversation to identify and elevate innovative approaches and practices to increase the affordable housing stock, house the homeless, and house the workforce. This brief summarizes key points, ideas, and actions discussed and shared.

Introduction and Overview

The Price Center's 2018 Social Innovation Summit: Innovations in Urban Housing explored innovative models to address housing challenges in major urban cities. In addition to panel discussions, the Social Innovation Summit featured hands-on activities designed to help spur the development of creative solutions to challenges in urban housing. The Price Center worked closely with Harder+Company Community Research to plan and facilitate these interactive activities. The three focus areas of the summit were:

- Increasing the affordable housing stock

- Housing the workforce

- Housing the homeless

Design thinking, a human-centered approach to solving problems that encourages creative problem-solving, guided the format and spirit of the activities for the day.

Keynote and Panel Discussions

The conference was organized around the three focus areas outlined above into three panels, with interactive activities interspersed between the panels. Below is a summary of the keynote address and the three panel discussions.

Keynote Address

Alison Clark, Associate Director of Impact Investments at the John D. and Catherine T. MacArthur Foundation, gave the keynote address at the 2018 Social Innovation Summit. Ms. Clark discussed the role of philanthropy in supporting affordable housing development and innovation. "Rental housing plays a critical role in the broader economy," said Clark. "Roughly 30 percent of households in the United States live in rental housing, and almost everyone will need to live in rental housing at some point. We saw rental housing as being a critical piece of the national infrastructure. It facilitates household formation; it lets people move for jobs. If we don't have that stable housing stock of rental housing that's affordable for people at the lower end of the workforce, the economy suffers."

Clark highlighted the importance of investing at the entity level, as opposed to the project level. "Investing in organizations is like betting on the jockey and not the horse," said Clark. "We're trying to give organizations flexible, equity-like capital that lets them play in a marketplace around other well-resourced developers so they can act quickly." She continued, "Investing in organizations in a way that that lets them be strong and nimble often gets overlooked, but that is an innovation."

She discussed the importance of creating new pathways for investors to enter into the impact investment market. Real estate investment trusts and liquidity facilities are two new innovations bringing fresh capital and new investors into the affordable housing market. "What we're really talking about is pooling capital to support innovation at scale," explained Clark. "Catalytic capital means making market opportunities by taking the risk that the capital markets won't, so that they can come in."

Panel 1: Innovations to Increase the Housing Stock

Moderated by Dr. Stephen Oliner, Senior Adviser to the American Enterprise Institute's Center on Housing Markets and Finance, this panel featured Robin Hughes, President and CEO of Abode Communities; Moe Mohanna, President of Highridge Costa Development Company; and Mary Leslie, President of the Los Angeles Business Council.

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> **—Alison Clark, John D. and Catherine T. MacArthur Foundation**

Dr. Oliner defined workforce housing as housing that is affordable to lower to middle income households, and is located close to jobs. He explained that in the L.A. Metro area, 75% of lower income workforce households ($35-50K) are rent burdened, defined as spending more than one-third of your income on housing. "Rent burdens are reflective of the fact that there is inadequate housing supply that is affordable at the low-middle income range," said Oliner. Robin Hughes added that about 80-85% of the people who live in Abode Communities affordable housing have jobs. "These individuals represent the lower wage workforce that really holds our economy together," Hughes said.

The panel also discussed the big challenges to getting workforce housing built. "One of the biggest challenges to getting development done is entitlements. A by-right development for affordable housing would cut down time, create greater predictability, and we would get housing on the market sooner," said Hughes. She continued, "What comes along with affordable housing is a whole host of other things that are not housing related. We have sustainability requirements, job requirements, these layers of wonderful social and public benefit that come along with our housing, but it increases the cost associated with the housing. We're taking housing resources to address other public good."

Panel 2: Innovations to Increase the Affordable Housing Stock

Moderated by Richard Green, Director and Chair of the Lusk Center for Real Estate, this panel featured Tony Salazar, President of West Coast Operations for McCormack, Baron, Salazar; Jonathan Lawless, Vice President of Product Development and Affordable Housing at Fannie Mae; and Ben Winter, Director of Housing & Community Development Policy for Office of Mayor Eric Garcetti.

Dr. Green framed the issue, noting how the convergence of high interest rates for construction loans, land use regimes, outdated lending practices for home buyers, changing demographics and changing lifestyle choices are resulting in a decrease in homeownership, leading to increased pressure on the rental market.

Tony Salazar commented on the LA region's production problem. "We have to build more housing and create more housing opportunities for people at all income levels," said Salazar. "We're kidding ourselves if we think we're going to solve this problem without building density. Neighborhoods are going to change. The city is going to look different." Salazar also expressed the need to create a bridge between philanthropic foundations, government entities, and nonprofit organizations that have the money to underwrite affordable housing developments, and the private developers who have the expertise, experience, and skill to build quickly and efficiently. Mr. Lawless pointed to innovations in the home lending and construction to illustrate technologies role in increasing the housing stock. Drone home appraisals, using block chain for title, and 3D printed houses are new innovations that are cutting costs and improving efficiency in the housing market. Ben Winter noted that housing affordability is the biggest issue in the minds of mayors in California, including Los Angeles Mayor Garcetti. Mr. Winter noted that when big policies such as Prop. HHH, which created 1.2 billion dollars in general obligation bonds, are combined with small innovative policies and bureaucratic changes, real impact can be achieved.

Panel 3: Innovations to House the Homeless

Moderated by Dr. Gary Painter, Director of the Price Center for Social Innovation and the newly launched Homelessness Policy Research Institute, this panel featured Andrea Iloulian, Senior Program Officer of the Conrad N. Hilton Foundation's domestic grant making program; Dora Gallo, CEO of A Community of Friends; Senator Kevin Murray, President and CEO of the Weingart Center; and Chris Ko, Director of Homeless Initiatives for the United Way of Greater Los Angeles.

Dr. Painter explained that to solve homelessness, we need to understand what drives inflows into homelessness, and what the effective interventions are that increase exits from homelessness. Andrea Iloulian spoke to the solution of ending homelessness. "We know how to end homelessness," said Iloulian. "We know that the solution to homelessness is housing. Our responsibility is to get the resources, and figure out how to increase efficiency and effectiveness of the use of those resources." Dora Gallo added that giving someone a home is sometimes not enough. To end homelessness, in addition to housing, some require a broad range of individualized services in order to keep them housed permanently.

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> **—Andrea Iloulian, Conrad N. Hilton Foundation**

Senator Murray emphasized that there is room for a lot more innovation when it comes to ending homelessness. Chris Ko noted that in many ways, the 'housing first' is an innovation in itself. Mr. Ko emphasized the importance of creating the right environment for innovation. He listed good data, supportive policymakers, access to flexible money that allows for innovation and public support as key components to solving homelessness.

Using Design Thinking for Innovations in Urban Housing

Design thinking, a human-centered approach to solving problems that encourages creative problem-solving[1], guided the format and spirit of the group activities. Interactive group activities were interspersed between panel discussions for conference participants to discuss and work together to understand the problems in urban housing and work together to identify innovative solutions to those problems. Below is a summary of the small group activities.

Understand our key stakeholders through empathy mapping. In small groups, conference participants gained a deeper and shared understanding of key stakeholders through empathy mapping to understand what they need and desire, and what challenges they are facing. Participants read case studies about personas of a homeless individual living on the streets of downtown Los Angeles, a single mother and children in need of affordable housing, and a young working professional in need of workforce housing.

Discover and define problems and opportunities to solve. Leveraging what they learned about key stakeholders during the first activity, participants discussed and identified problems and opportunities to solve in four solution focus areas—policy and infrastructure, programs and services, financing and funding, and community engagement. Participants worked together to identify key problems, barriers and challenges experienced by the personas they read about in the first activity, and prioritized problems by those with the most urgency to solve. Problems identified as high priorities are listed and explained below.

Generate ideas for solutions to the problems. During the final activity, teams brainstormed and generated innovative solutions to the problems identified in the second activity. Participants discussed and categorized their ideas for solutions, flagging their most innovative solutions, "low hanging fruit", and ideas that had the most promise for impact.

Defining the most pressing problems in urban housing

A key question posed to participants and discussed throughout the conference was: *what are the most intractable problems in urban and affordable housing that need to be solved?* During the second activity, participants were tasked with identifying and prioritizing the most urgent problems to solve. They used information they read about in the personas about a homeless individual living on the streets of downtown Los Angeles, a single mother and children in need of affordable housing, and a young working professional in need of workforce housing, and insights they've gained from working in the field to guide their discussions. Below are the prioritized problems participants identified that cut across focus area and persona.

Exhibit 1. The group activities were guided by the first three stage of the design thinking process
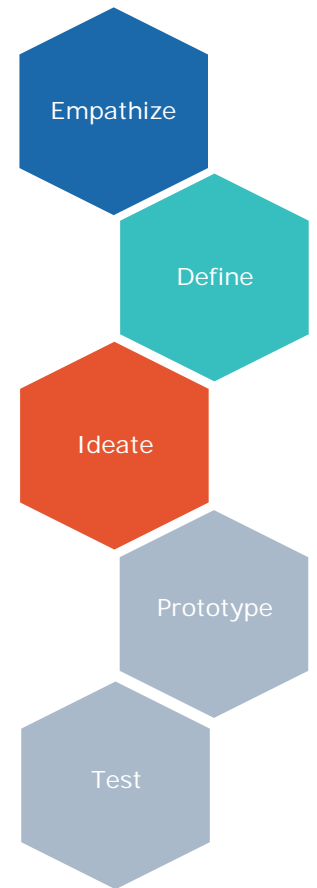
Solution focus areas

Discussions about problems and solutions were focused around four focus areas:

1. **Policy and Infrastructure**

2. **Programs and Services**

3. **Financing and Funding**

4. **Community Engagement**

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[1] Interaction Design Foundation (February 2018). "5 Stages in the Design Thinking Process".

- **Lack of affordable housing.** This was a key problem identified by all groups and emphasized by various speakers throughout the conference. Participants also noted lack of affordable workforce housing as a key issue. The lack of financing and funding options for affordable housing further exacerbates this problem.

- **Misalignment between needs and programs and services.** Individuals and families with the highest needs don't know where or how to access the programs and services they need. They face significant challenges in navigating different resources and services, because the systems are complex and disjointed. Participants added that some service providers need capacity building and training to more effectively serve and respond to the needs of homeless individuals and individuals seeking affordable housing.

- **Sentiments of NIMBYism in communities.** There is resistance to affordable housing and housing for the homeless in many neighborhoods. Participants and panelists described the pushback they have received from community members when trying to build affordable housing in certain neighborhoods.

> **Other urban housing problems**
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> A few other urban housing problems identified by participants included:
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> - **Lack of political will**
> - **Lack of living wages**
> - **Limited poverty preventions/safety net**
> - **Limited social connections**
> - **Poor public transit infrastructure**

Recommendations for Innovative Solutions in Urban Housing

The Price Center's 2018 Social Innovation Summit: Innovations in Urban Housing successfully convened housing leaders from academia, government, and the community to identify and elevate innovative approaches and practices to increase the urban housing stock, house the homeless, and house the workforce. A key goal of the conference was to ideate innovative solutions to urban housing challenges and identify actions moving forward. To close out the day, participants worked in teams to generate ideas for solutions to the problems in urban housing they identified in the second activity. Teams had robust and fruitful conversations, and leveraged what they heard and learned from the panel discussions. Below is a summary of recommendations for solutions developed by participants.

Speed-up, incentivize, and lower the cost of building affordable housing. Nearly all teams identified building more affordable housing as a critical need. They described several ideas for solutions including: lowering construction and development costs, implementing government incentives for affordable housing investments, and building simple housing with no "frills". Several teams pointed to the need for government to provide financing that incentivizes private investment. One team also suggested streamlining the entitlement and review process by creating and affordable housing workgroup in the city's planning department. Another team suggested implementing a HUD pilot program for 3D printed housing to speed-up and lower the cost of the construction process.

Make housing more affordable for potential tenants and homeowners through subsidies, workforce housing, and increased access to credit. Several teams pointed to solutions to make housing more affordable for tenants and homeowners. They discussed the need to expand the eligibility criteria for financial support and subsidies to be more realistic given the mismatch between low-paying jobs and rising costs of rent. Participants also highlighted workforce housing as a potential solution, including incentivizing employers to subsidize or support the housing costs of their employees. Workforce housing is defined as housing that is affordable to households earning 50% to 120% of the Area Median Income (AMI). For Los Angeles County, that translates to roughly $26,500- $63,600 per year in gross income[2]. One team suggested implementing a housing support tax credit as a way to incentivize employers to subsidize their employees' housing. Participants also identified increased access to credit and credit repair assistance as potential solutions to help increase access to homeownership.

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[2] Los Angeles Business Council (2012). Building Livable Communities: Enhancing Economic Competitiveness in Los Angeles.

Encourage and implement living wages. Given the rising costs of rent and housing, participants emphasized the importance of advocating for and implementing living wages. A living wage is the minimum income necessary for individuals to meet their basic needs, including food, housing, and other essential needs. Some teams talked about implementing a universal basic income at the city level. One group suggested continuing to increase the minimum wage until it gets to living wage levels. Another group suggested creating a living wage job campaign targeted at industries and businesses. Several cities, such as Kansas City[3], have implemented living wage registries, which list employers who pay worker wages higher than the national and state minimums, as a way to recognize businesses that pay their employees living wages and encourage others to do the same.

Combat NIMBYism through public education and raising awareness of affordable housing. Teams also discussed the importance of addressing NIMBYism, an acronym for "Not In My Back Yard" and term for individuals opposed to proposed development in their neighborhood. NIMBYism was identified by participants and discussed throughout the day by panelists as a key barrier to developing affordable housing. Participants suggested strategic outreach and engagement to combat the stigma associated with affordable housing. One team suggested reaching out to local neighborhood councils to raise awareness and get their buy-in. They also noted the need to diversity neighborhood councils.

To view photos, videos, and presentations from the USC Social Innovation Summit: Innovations in Urban Housing, visit
https://socialinnovation.usc.edu/past_events/innovations-urban-housing/

For more information about the USC Price Center for Social Innovation, please visit
socialinnovation.usc.edu and follow us on Twitter @USCPriceCSI

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[3] City of Kansas City (2018). Living Wage.