

ASU asked developers how Arizona can build more housing. Here's what they said

The Arizona Republic, by Juliette Rihl, January 17, 2023 at 5:45 AM PST

Arizona needs more housing — fast. To build it, state and local governments must loosen their zoning laws, generate more political will and expand government funding, developers say.

A newly released report from Arizona State University's Morrison Institute for Public Policy examines the obstacles that Arizona's housing developers face and identifies potential solutions. The institute interviewed 15 developers who said zoning, community pushback and financing are the biggest challenges they face in trying to build more homes.

The report is part of a larger body of research by Morrison Institute on Arizona's affordable housing crisis. The state is short 270,000 housing units, according to the Arizona Department of Housing. A scarcity of affordable housing, paired with Arizona's booming population growth, has been driving up rental prices and forcing people out of their homes.

"We simply haven't been building enough," said Tom Simplot, director of the Arizona Department of Housing.

The state is currently building between 50,000 and 60,000 new housing units per year, according to the department's research.

"We're not going to catch up at the rate we're going," Simplot said.

Alison Cook-Davis, Morrison Institute's research director, said it was important to include developers' perspectives in the institute's research.

"Developers are really important to being able to actually build more housing," Cook-Davis said. "If the housing isn't meeting people's needs, what's the disconnect? What is the challenge there?"

The problems: Zoning, NIMBYism and funding woes

Zoning has long been a pain point for developers in Arizona and elsewhere.

Many municipalities in Arizona zone about half of their land for single-family homes, according to earlier Morrison Institute research. That means if developers want to build apartments, townhomes or condos, they have to first rezone the land — a process that can take months or even years and opens the proposed project up to community opposition.

The city of Phoenix claims its rezoning process typically takes four to six months, but some developers said it can take up to two years. The process can be "detrimental" to housing projects because it can put them at risk of losing funding or land, according to the report.

Community pushback, or a not-in-my-backyard mentality — known as NIMBYism — goes hand-in-hand with zoning. Residents often raise concerns about new developments potentially lowering home values, bringing more traffic, or increasing crime, though those fears are often based on misconceptions. Some residents also raise concerns about the potential residents of multifamily housing, perpetuating stigma against people who live in apartments, particularly low- and middle-income people.

Compared with the rest of the country, zoning and NIMBYism are particularly challenging in Arizona because land already zoned for multifamily housing is so scarce, said Owen Metz, a senior vice president at the affordable housing development company Dominion.

“Sadly, the zoning cases are less and less about the quality of the housing. We’re having to almost defend a future resident who might live in that housing,” said Metz, one of the developers interviewed for the report.

In 2021, at least 30 apartment developments in metro Phoenix were delayed or canceled due to community pushback, zoning issues or political backlash, according to an industry estimate.

Ashlee Tziganuk, a research analyst at Morrison Institute who spearheaded the report, said while finance and zoning are administrative issues that have clear solutions, community pushback is harder to address.

In addition to zoning and NIMBYism, developers said financing new housing is also a hurdle. The cost of land, construction materials and labor continue to rise due to inflation and supply chain issues, especially since the start of the COVID-19 pandemic, according to the report.

The solutions: Zoning changes, political will and more dollars

Making zoning more flexible, drumming up political support and increasing funding for the creation of affordable housing were some of the potential solutions developers suggested.

Cities and towns could ease zoning challenges by eliminating single-family zoning, implementing inclusionary zoning or allowing by-right development, according to the report.

In 2018, Minneapolis abolished single-family zoning, allowing duplexes, triplexes or accessory dwelling units to be built where only single-family homes were previously allowed. The move has so far resulted in a slight increase in housing, according to an analysis by Bloomberg, though more research is needed.

Inclusionary zoning encourages or requires developers to include a certain percentage of affordable units in their new housing projects. The number of affordable units is typically between 5% and 25% of the project’s total units. For example, in Boulder, Colorado, a quarter of the units in all residential developments must be affordable.

Arizona is one of only seven states that prohibit local governments from enacting mandatory inclusionary zoning, according to the report, meaning state law would have to change before cities and towns could implement it.

Developers also said strong partnerships among governments and community organizations are needed to improve the development process. For example, governments could promote community land trusts, an innovative model where the trust owns the land a home sits on and the homebuyer buys only the home itself, making it significantly more affordable than traditional homeownership.

Finally, in order to improve financing options and incentivize development, Congress must expand the Low-Income Housing Tax Credit program, developers said. The program, which offers either 4% or 9% tax credits, has funded over 58,000 homes in Arizona between 1986 and 2021, according to The ACTION Campaign, a national coalition that advocates for expanding the program.

Arizona funded just 16 of the 33 applications it received for the 9% Low-Income Housing Tax Credit program in 2022.

“Many developers believe there are not enough tax credits to go around for all who wish to take advantage of them,” according to the report.

The ultimate goal of the report is “to break down the barriers and challenges,” Cook-Davis of Morrison Institute said, “and be able to find ways to build more housing across the housing spectrum.”

Juliette Rihl covers housing insecurity and homelessness for The Arizona Republic. She can be reached at jrihl@arizonarepublic.com or on Twitter [@julietterihl](https://twitter.com/julietterihl).

A grant from the Arizona Community Foundation supports coverage of housing insecurity on azcentral.com and in The Arizona Republic.

This article originally appeared on Arizona Republic: [Developers: AZ housing could get boost from funding, zoning changes](#)