

Senate Bill 34 “Affordable Housing Modifications” Update

Political Subdivisions Interim Committee

Utah League of Cities and Towns

September, 2020



SB 34 overview

- Connects state transportation investment and local government planning
- Requires cities to update the moderate housing income component (by Dec 2019) and the transportation component of the local general plans
 - Cities plan for housing, but we don't build housing
- ULCT resolution from 2018 Annual Convention
 - Population growth, housing affordability, affordable housing, housing gap
- Commission on Housing Affordability bill
 - SB 34 did not address the construction labor shortage, cost of materials, or cost of land
- Acknowledges there's no one-size-fits all solution for all communities
- Annual reporting and data collection

SB 34 implementation

- Enacted in March of 2019
- Phase I
 - Required 82 cities (based on population) to comply with new moderate-income housing plan requirements by December 1, 2019.
 - The 82 cities must select 3-4 of 24+ strategies for mitigating housing costs and planning transportation and land use more efficiently.
 - All 82 cities are compliant.
 - ULCT, Wasatch Front Regional Council, and Mountainland Assoc. of Gov'ts did major outreach with elected officials and staff about SB 34 strategies
 - Compliant cities eligible for TIF projects
- Phase II
 - Requires annual progress reporting on implementation of chosen strategies to DWS, beginning at the end of 2020.
 - Compliant cities eligible for TIF projects

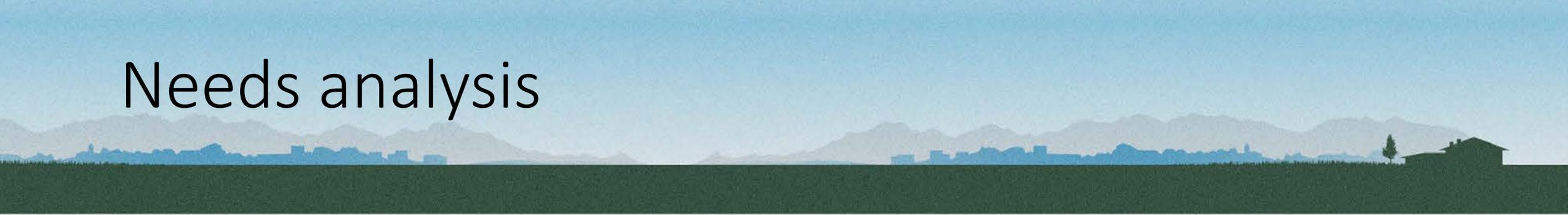
Transportation Investment Fund (TIF)

- The TIF was created in 2005 and collects revenue from legislative appropriations, sales tax, and vehicle registration fees.
- TIF projects can be for improved transportation capacity and maintenance.
- Estimated TIF amounts:
 - 2019: \$668.1 million
 - 2020: \$754.8 million
 - 2021: \$605.7 million

What is a general plan, anyway?

- General plans are comprehensive local government planning documents to guide future growth and development
 - Public participation is a key part of the process
- General plans are typically updated every 5 years
- General plan elements are governed by state statute
 - Transportation
 - Land use
 - Housing/Moderate-income Housing
 - Optional elements may include recreation and open space

Needs analysis



- Population growth
- Housing affordability – median price of homes in a given region
- Affordable/moderate income housing – the volume of housing units available to households with below median incomes for a given region
 - 80% AMI
 - 50% AMI
 - 30% AMI

Top 3 MIHP strategies



- (A) rezone for densities necessary to assure the production of moderate income housing;
- (E) create or allow for, and reduce regulations related to, accessory dwelling units in residential zones;
- (F) allow for higher density or moderate income residential development in commercial and mixed-use zones;

Production trends

Research Brief
September 2020



What's Keeping Utah's Real Estate Market Hot in the Time of COVID?

Dejan Eskic, Senior Research Analyst, Kem C. Gardner Policy Institute

The recent global health pandemic has shaken the foundation of our everyday lives and likely forced cultural shifts that will stay with us for a long time. Every part of the economy has been impacted to different degrees. While the economy fell into a record recession and experienced all-time high unemployment, Utah's construction industry set a record for the first six months of the year.

The recent release of the Ivory-Boyer Second Quarter Construction Report, which measures Utah's construction activity through the first six months of the year, shows that overall permitted construction value slightly increased over last year. While both residential and nonresidential construction value decreased slightly, the 19.0% increase in additions, alterations, and repairs made sure construction value for the first two quarters of 2020 remained nearly identical to 2019. Total permitted residential units also remained similar to 2019, with 13,792 units between January and June of 2020. Apartment activity decreased by 25.8%, but single-family units increased by 9.6%, and condos, townhomes, and duplexes increased by 17.5%. While the decrease in apartment permits can be attributed to the impacts of the public health crisis, with a shift toward more space for both social distancing and work-from-home purposes, it is important to note that the number of dwelling units approved through the middle of 2020 ranks as the highest on record.

Table 1: Mid-Year (January-June) Construction Highlights (All values compared with mid-year 2019, in billion dollars)

	Value	Change
Total Construction Value	\$4.82	0.4%
Residential Construction	\$2.96	-0.3%
Nonresidential Construction	\$1.16	-8.0%
Additions, Alterations, and Repairs	\$0.81	19.0%
Total Dwelling Units Permitted	13,792	0.8%
Single-Family	6,422	9.6%
Apartment	3,585	-25.8%
Condos/Townhome/Duplex	3,175	17.5%

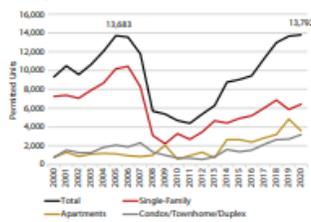
Source: Ivory-Boyer Construction Database

Residential Construction

Former Utah Governor Mike Leavitt once said, "Nobody looks good in a pandemic"—except for the housing market, which set a record for the first six months of the year by permitting 13,792 units, edging out the previous record set in 2005 (see Figure 1). There were 6,422 single-family permits, an increase of 9.6% from last year, and condominiums/townhomes/duplexes permitted units increased 17.5%, adding 3,175 units. Three major areas are keeping the housing market strong.

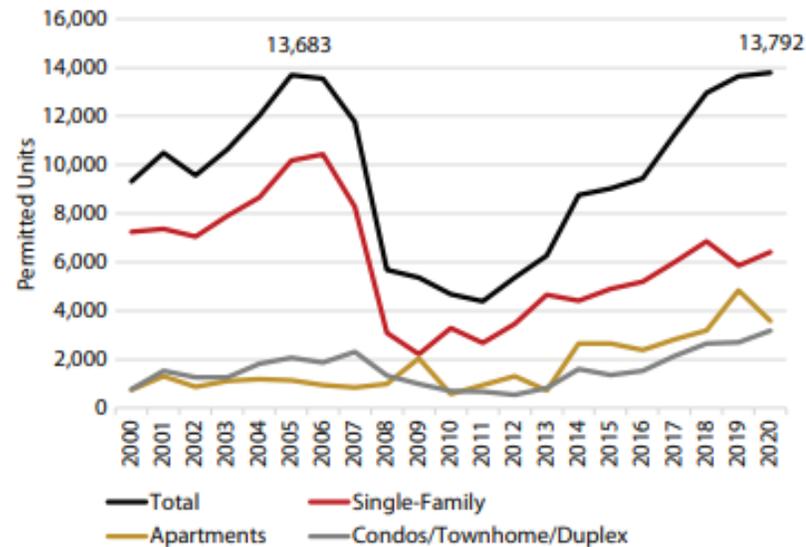
- Pent-up demand:** Utah's housing shortage has led to a tight housing market over the last decade and continues to drive up housing prices. The shortage of 53,100 units as of 2019 has put homeownership out of reach for many young households (see Figure 2).
- Record low resale inventory:** As the home-buying season kicks off in the spring, the number of for-sale homes typically increases (see Figure 3). But as the number of COVID-19 cases grew, the hesitation of existing homeowners to put their properties on the market led to

Figure 1: Permits Issued for Residential Units in Utah, January-June 2000-2020



Source: Ivory-Boyer Construction Database

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Source: Ivory-Boyer Construction Database

Figure 2: Annual Cumulative Change in Utah's Housing Shortage, 2010-2019



Source: Kem C. Gardner Policy Institute

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"What's Keeping Utah's Real Estate Market Hot in the Time of COVID?" Dejan Eskic, Senior Research Analyst, Kem C. Gardner Policy Institute: <https://gardner.utah.edu/wp-content/uploads/C19RealEstateBrief-Sep2020.pdf>

