Expanding Housing Supply:
A Call for Municipal Property Advisors

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Summary

Cities across the United States possess extensive but underutilized land and property assets that hold immense potential for addressing pressing housing challenges. The leveraging of public assets could be used as a vehicle to make affordable housing projects "pencil," lowering the costs of production and engaging public sector entities as equity partners. Unlocking this potential could be part of broader initiatives to produce hundreds of thousands of affordable housing units.

The Putting Assets to Work (PAW) Initiative has been working with several U.S. cities to pioneer a replicable solution. Cities like Austin are using local procurement practices to contract with external third-party entities — "Municipal Property Advisors" ("MPAs") — to serve as intermediaries on the jurisdiction's behalf. These MPAs are responsible for identifying, monetizing, and redeveloping underutilized public assets to drive public objectives, including the production of affordable housing, through private investments.

The Challenge this tool solves

Cities face multiple challenges in realizing this opportunity. Most U.S. localities do not have a full inventory of public assets, partly because the ownership of public assets is fragmented across many local governments and their individual departments, public authorities and public utilities. Many of these separate public entities, in turn, lack the knowledge and expertise to work with public, private and nonprofit developers and financial institutions to convert public land and buildings into housing.

Types of Communities that could use this tool

Governments of all levels and sizes could benefit from a new approach to identifying and developing public assets.

Expected Impacts of this tool

The use of Municipal Property Advisor (MPAs) could potentially unlock hundreds of thousands of affordable housing units to be produced on public assets that otherwise remain underutilized. Indeed, the Center for Geospatial Solutions at the Lincoln Institute of Land Policy estimates that local governments own over 230,000 acres of land served by transit, which could unlock as many as 5.9 million housing units.

Background

The American housing crisis has reached a critical juncture, characterized by record-high homelessness alongside record-low rental affordability and homeownership rates. This crisis not only

impacts individual Americans and their families but also has profound socio-economic implications for the entire population and economy.

One solution is hidden in plain sight: the public sector could play a major role in catalyzing the production of affordable housing via the strategic disposition or repositioning of underutilized assets. The public sector is a substantial owner of land and buildings across all layers, federal, state and local, of government. As cities have grown and evolved, many holdings like surface parking lots and administrative facilities are underutilized, particularly those that are in or near employment centers and transit stations; these assets are perfect candidates for expanded or alternative uses. By conservative estimates, a strategic disposition or repositioning of public assets could help drive the production of hundreds of thousands of homes and apartments.

A partnership between Accelerator for America and government technology firm Tolemi is supporting 17 cities in the Data for Housing Solutions initiative, which leverages a data analysis tool and peer learning to provide insights into local real estate markets. The goal is to use those insights to help preserve and build affordable housing, keep families in their homes, combat predatory real estate investors, and ensure publicly owned real estate is utilized for the greatest community benefit. To-date, the initiative has identified over 100,000 publicly owned properties managed by more than 450 public entities across the cohort of 17 cities, allowing local leaders to evaluate these sites for potential transformation into affordable housing.

In some European cities like Copenhagen and Hamburg, public asset corporations have been established to design and deliver ambitious asset leveraging strategies. In Copenhagen, since 2007, the publicly owned and privately managed City & Port development corporation has spearheaded large-scale urban redevelopment overseeing half of all new developments in the city. Those developments adhere to the national mandate that requires 25% of all new housing projects be allocated for affordable and social housing. Simultaneously, City & Port has used revenues from redevelopment to finance the city's extensive metro system. In Hamburg, the HafenCity Hamburg development corporation has pioneered innovative urban solutions in collaboration with private developers for both housing and businesses. These initiatives have significantly shaped the city's unique future by creating a diverse mixed-use redevelopment area and catalyzing a diverse set of clean energy initiatives.

The United States now has an urgent imperative to adapt European and other models to spur the production of affordable housing. Over the past two years, the Putting Assets to Work Initiative (hereinafter "The PAW Initiative"), a collaboration of the Government Finance Officers Association, Common Ground Institute, and Urban3, has worked with multiple cities and counties to find a sensible and scalable approach to public asset disposition in the United States. The PAW Initiative has worked with localities as diverse as Atlanta, Austin, Chattanooga, Cleveland, Evanston and Salt Lake County to identify and map publicly owned land holdings and real estate assets, estimate their value, and develop strategies to engage intergovernmental partners and community stakeholders. The goal is to attract private capital and generate new revenue from these assets.

The PAW Initiative has pioneered the creation of an Asset Map, which is a tool used to inventory government-owned land and buildings across various jurisdictions. For instance, Boston's City-wide land audit identified parcels owned by the nine different city-controlled entities, segmenting them

between "large opportunity sites," infill sites, and others. While many jurisdictions maintain lists of owned parcels, they often lack awareness of the full scope, market value, or potential of these assets. The ownership of government assets is fragmented among a multitude of public entities including general purpose city and county governments, separate public utilities and public authorities (e.g., Public Housing Authorities, Port Authorities, Airports, Redevelopment Agencies (RDAs), Land Banks, Transportation Authorities, Public Works Departments), and various state and federal entities. An Asset Map addresses these gaps by providing a geospatial representation of publicly owned properties, integrating data from geographic information systems (GIS), county assessors, internal records, and staff interviews. These maps highlight specific parcels suitable for prioritized investment or development efforts.

Asset mapping, while foundational, is not sufficient.

Typically, the next step a city takes to unlock the potential of an underutilized asset identified in the asset map would be to issue an RFP. An RFP is a familiar approach that local governments take to create public-private partnerships for the purpose of real estate development. An RFP process, however, can both be time-consuming and expertise-intensive and places the burden of the workload on already overburdened government staff. The PAW Initiative found that, following the assessment of public assets, most jurisdictions have limited capacity and expertise to drive the process forward. Elected leaders and agency staff are often rightly focused on their core functions and immediate priorities. Regardless of their potential economic upside, complex, long-term initiatives like PAW often get placed on the back burner.

For that reason, several cities involved in the PAW Initiative are pushing new innovations. The City of Atlanta, for example, has established a specialized entity, the [Atlanta Urban Development Corporation](#) ("AUDC"), to lead the [redevelopment of public land into marketable, mixed-income housing](#) that is attractive and accessible to tenants across all income levels. The City of Atlanta appropriated $4 million to launch the AUDC and authorized additional bonding of $100 million to support the mayor's affordable housing initiative, leveraging the city's underutilized public assets.

The City of Austin, by contrast, is using local procurement to hire third-party entities to manage the disposition and repositioning of public assets and drive redevelopment. The City of Austin worked to identify city-owned parcels of land that are unused or underutilized that are suitable for housing development or other beneficial uses which they identified as "reposition properties". The city then issued a Request for Qualifications (RFQ) to solicit comprehensive Reposition Property Advisor or Development Advisor services aimed at advancing strategic planning and redevelopment. Tasks outlined in the RFQ encompass analyzing the utilization of public assets, devising innovative financing models, fostering collaboration among city departments and stakeholders, conducting market analyses, drafting RFPs for development projects, offering guidance on zoning regulations, and facilitating the negotiation of development agreements.

Both the Atlanta and Austin reforms, taken holistically, are pathbreaking and deserve serious consideration. The Atlanta effort adapts the institutional successes of Copenhagen and Hamburg to the United States and is already playing a major role in Mayor Andre Dickens' stated objective to produce 20,000 affordable homes over eight years. The AUDC has the further benefit of blending public,

private and philanthropic capital in efficient and effective ways, creating new capital stacks and financing mechanisms that can yield results over the long term. The harsh reality, however, is that most U.S. communities do not have the capacity to design, incorporate, capitalize and stand up a fully operational Urban Development Corporation.

Austin offers an approach that can be more easily scalable and adaptable to different local contexts and needs. Using RFQs, for example, is a common practice in forging public-private partnerships (PPPs) in real estate development. Many cities across the U.S. already use these tools for procurement in various sectors, making it familiar territory for local governments and private developers alike.

Moreover, Austin's method is better fit to the reality of scarce local public resources and capacity. By leveraging external expertise through competitive procurement, cities can effectively manage their development projects without overextending internal capabilities.

For that reason, this tool focuses on scaling the Austin innovation and making the procurement of Municipal Property Advisor services a norm rather than the exception in the United States.

Proposed Solution: Municipal Property Advisors

To unlock the value of public assets and overcome the capacity challenges faced by most local governments and public entities, we propose creating and scaling a new class of housing professionals — Municipal Property Advisors — to identify and utilize public assets as a key solution to the housing crisis.

Under this approach, a city could issue an RFQ to select a municipal property advisor, or advisors, for a defined period of time. Selected advisors are pre-qualified to evaluate the city's real estate portfolio, identify asset opportunities, present development proposals and negotiate terms directly on behalf of the jurisdiction, subject to final approval by the jurisdiction of the particular process and terms, and ultimately participate in the project redevelopment to ensure its success. This approach is similar to how local governments pre-qualify outside local counsel or bond underwriters to represent them in financial transactions generally and not confined to individual legal matters or one-time bond issuances.

Municipal Property Advisors fill the gap between public sector capacity and private sector investment by evaluating project options, assessing market interest, identifying capital sources, running RFP or RFQ processes to select a project developer, and coordinating large-scale development projects aligned with the long-term overall development strategy of the city. As part of the selection process, the local government can set goals and guidelines around using public assets to advance the production of affordable housing.

The Municipal Property Advisors should be highly skilled and trained in the redevelopment and revitalization of public assets in the private market. Their tasks include creating an overview of public assets, selecting the most promising locations for revitalization, and executing first-mover projects to demonstrate the potential value of public assets. They will ensure that new developments fit and feed into the city's overall strategy. They will also research and resolve complex title issues often associated

with publicly owned property, design and manage public-private partnership formations (which may include competitive bid processes or other processes approved by the jurisdiction) and negotiate contracts for jurisdiction approval.

Additionally, MPAs formulate various financing options and innovative approaches to capital formation for approval by the jurisdiction and private parties, prepare relevant documentation, supervise project implementation and development activities on behalf of the jurisdiction, and report on ongoing performance metrics.

This third-party intermediary approach can operate on minimal investment from the jurisdiction by allowing the Municipal Property Advisor to assess project participation fees from transactions. These kinds of fees are already common in government where a jurisdiction uses a real estate broker to sell public property who is compensated through a fee on the land sale transaction, or a municipal financial advisor or underwriter who is compensated through bond issuance fees or other financial transaction fees. Similarly, this structure is commonplace in private-sector transactions where developers readily pay a "finder's fee" or origination fee to parties who source transactions or a capital sourcing fee to parties who bring investment capital to support various projects. However, we are proposing to aggregate the real estate broker and the finder of the finder's fee into an all-encompassing role to enable a holistic approach that fully leverages the full potential of the public assets.

Diffusion and Scaling Municipal Property Advisors

We believe strongly that the adoption of Austin's Municipal Property Advisors approach by dozens if not hundreds of other localities will yield substantial housing benefits in the short, intermediate and long term. The scaling of this work can be aided by technical assistance to government leaders. The Task Force supports the work of the PAW Initiative as a valuable intermediary that can codify and routinize the procurement and practice of Municipal Property Advisors and move the solution across cities and counties in the nation. The expansion of this work to more places will require five core elements.

Create Successive Cohorts of Adopters: The PAW Initiative proposes to work with multiple cohorts of cities (five to ten cities per cohort) a year that commit upfront to use a common approach around asset mapping, MPA procurement and affordable housing production. Cities must have commitments from local elected officials as well as key corporate and civic leaders.

Routinize Core Elements: The scaling of an innovative practice starts with the sharp distillation of its core features and components. Repetition requires codification, which is best accomplished using a common template that is flexible enough to accommodate places with very different governance structures, market conditions and institutional capacities.

Routines matter. They reduce risk, lower costs and simplify replication. Common term sheets. Common capital stacks. Common metrics. Common analytics. Common technologies.

To reach more places, we need to create and make widely available sample RFP and RFQ agreements, making these easily accessible for any city wanting to go down the Municipal Property Advisor path.

It will also develop a catalogue of potential financing options and performance metrics. Success could be measured by the provision of affordable housing options, tailored to the specific needs of each city, county and metropolitan area.

Municipalities can enhance the impact of Municipal Property Advisors by establishing right-to-build policies. Cleveland has, for example, adopted (a) as-of-right zoning for 1 to 4-unit housing; (b) as-of-right accessory dwelling units; and (c) pre-approved housing designs.

Peer Learning and Knowledge Dissemination

As the use of MPAs grows, PAW hopes to foster a collaborative network among municipalities, facilitating the exchange of best practices and innovative solutions. By posting common agreements and performance metrics and by documenting successes and lessons learned, PAW plans to build a repository of knowledge that can support localities in overcoming common challenges and achieving maximum housing impact. By making practical information widely available, the PAW Initiative will be able to empower local governments to optimize their assets in ways that benefit their communities economically, socially, and environmentally.

Professionalize Municipal Property Advisor Industry

We anticipate that an industry of Municipal Property Advisors will naturally evolve as more and more cities use this tool. In addition to convening cohorts of cities, the PAW Initiative plans to bring together firms and nonprofit entities that act as Municipal Property Advisors multiple times or in multiple cities. This will enable the creation of standards of practice that can become norms for the burgeoning industry. As the industry progresses, certifications of Municipal Property Advisors should be considered. To that end, the PAW Initiative can both create acceptable standards for the industry and provide the initial "Good Housekeeping" Seal of Approval.

Advise Federal and State Governments

Federal and state governments are also large owners of land and buildings and can be part of the housing solution via the disposition of their own assets. The National Housing Crisis Task Force has already recommended ways in which the federal government can expand the disposition of its assets in ways that drive the production of affordable housing. The PAW Initiative can be an ongoing source of support and information as federal and state efforts take hold.

There are many steps that local — and even state — governments can take today at no or little cost to better put their public assets to work and begin the process to implement a Municipal Provider Advisor approach that builds more affordable housing. The fuller scale implementation, including cohorts, knowledge center, templates, and professionalization of the positions, will require additional funding. The PAW Initiative is grateful to the Robert Wood Johnson Foundation, Schmidt Futures, the Lincoln Institute of Land Policy, and other local and national foundations that have seeded this important work.

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