Freddie Mac MULTIFAMILY

Zoned Out: What Options do Renters Have to Access High Opportunity Areas?

December 30, 2021

Housing opportunities for low-income renters that provide access to quality education, transportation, health care and jobs (i.e., high opportunity areas) are limited and building new multifamily housing in these locations is often challenging.

To encourage greater access to high opportunity areas, some states have sought to incentivize the creation of new affordable housing, in large part through the Low-Income Housing Tax Credit (LIHTC) program. Incentives can be a powerful motivator and can help overcome economic hurdles to constructing new housing. Economics are only one part of the challenge, however. In many high opportunity areas, zoning and available land inhibit building multifamily housing.

In this paper, we examine localized land-use rules and access to high opportunity areas as defined by state LIHTC programs, which are designed to address specific local needs. Because zoning and decision-making is often localized and therefore varied across the country, it is difficult to compare all zoning ordinances nationwide and draw conclusions. Therefore, we examine housing stock and zoning rules in three markets with different geographic, demographic and land-use characteristics: Chicago; Columbus, Ohio; and Fairfax County, Virginia – a traditionally suburban county just outside of Washington, D.C. To this end, we focus on three questions:

1. What housing options do renters have in high opportunity areas today, and are these options affordable?
2. How does zoning relate to access to opportunity and the location of rental housing?
3. What new options will renters have as new multifamily rental housing comes online?

We observe that:

- In high opportunity areas, there is less rental housing (both single family and multifamily) compared with outside high opportunity areas.
- The rental housing stock in high opportunity areas is evenly divided between multifamily and single-family rental (SFR), though there are variations based on local markets. Both forms of housing are important options for renters, as they can offer access to neighborhoods zoned for different housing types.
- Affordable rental housing is limited in high opportunity areas. In the states surveyed in this analysis, only 10.7% of all rental housing in high opportunity areas is affordable to renters making 60% of the area median income (AMI) or less, compared with 27.2% outside of high opportunity areas.
- Substantially more of the land in high opportunity areas is zoned for low density, single-family residential housing as compared with land outside of high opportunity areas.
- New multifamily units are being built at a slightly higher rate (relative to the existing rental housing stock) in high opportunity areas than outside of high opportunity areas. While potentially promising, more in-depth analysis of this trend is required to understand the root causes in local markets and the extent to which these can affect affordability in the near term.

The relationship between zoning, housing and economic mobility is a deep and nuanced topic. This paper is intended to take an initial look into these questions to further understand and aid in considerations of methods to increase access to high opportunity areas for low-income renters.

Our observations suggest that, as states and localities undertake policy changes and provide economic incentives to create new supply, it is also important to consider how to best leverage the existing rental housing stock – both SFRs and multifamily. Public and private innovations that seek to preserve or increase the affordability of existing rental housing of both types could help increase access to high opportunity areas for low-income renters in the near term.

Definition of High Opportunity Areas

For this paper, we look at high opportunity areas[1] defined by the Federal Housing Finance Agency (FHFA) in the Duty to Serve regulation. FHFA defines these areas as either:

i) An area designated by the Department of Housing and Urban Development as a Difficult Development Area (DDA)[2] during any year covered by the Duty to Serve Plan or in the year prior to the Plan's effective date, whose poverty rate is lower than the rate specified by FHFA in Evaluation Guidance – those tracts with poverty rates below 10% (for metropolitan DDAs) and below 15% (for nonmetropolitan DDAs); or
ii) An area designated by a state or local Qualified Allocation Plan (QAP) as a high opportunity area, and which meets a definition FHFA has identified as eligible for Duty to Serve credit in the Evaluation Guidance. To meet this component, FHFA has elected to use state or local definitions of high opportunity areas (or similar terms) contained in Low-Income Housing Tax Credit QAPs or QAP-related materials that meet the following criteria:
    a) The definitions are intended to describe areas that provide strong opportunities for the residents of housing funded through the QAP; and
    b) The QAP describes the location of the areas in sufficient detail to enable them to be mapped and/or includes a list(s) or map(s) of such high opportunity areas.[3]

While DDAs represent a core component of FHFA's high opportunity area definition, we limit our analysis in this paper specifically to the QAP aspect of the definition for two reasons: (1) it reflects local needs as defined by each state, and (2) it is tied specifically to economic incentives to create affordable housing in high opportunity areas to address historical discrimination, deconcentrate poverty and further opportunity

[1] There are many definitions of high opportunity areas. In our 2018 paper entitled, "Affordable Housing in High Opportunity Areas" (https://mf.freddiemac.com/docs/Affordable_Housing_in_High_Opportunity_Areas.pdf), we analyze several: The Federal Housing Finance Agency's (FHFA) Duty to Serve regulation definition, Enterprise Community Partner's Opportunity360, and Harvard's Opportunity Insights Project. While they use different definitional criteria and have some geographic variances, they all include common themes of access to education, jobs, transportation and health, though under different measures.
[2] Per the U.S. Department of Housing and Urban Development, Difficult Development Areas are defined as: any area designated by the Secretary of HUD as an area that has high construction, land, and utility costs relative to the AMGI. Again, limits apply. All designated Difficult Development Areas in MSAs/PMSAs may not contain more than 20% of the aggregate population of all MSAs/PMSAs, and all designated areas not in metropolitan areas may not contain more than 20% of the aggregate population of all non-metropolitan counties.
[3] https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/Final-Evaluation-Guidance-DTS-Program.pdf

for renters. Under the QAP component of the definition, FHFA identified 19 states that meet their qualifying criteria, which we will use as the basis for our analysis in this paper.

In prior research, we analyzed all 50 states' QAPs and the District of Columbia in our paper, "Opportunity Incentives in LIHTC Qualified Allocation Plans,"[4] co-authored with the National Housing Trust. Through our analysis, we have determined that five indicators of opportunity are the most common: Access to Education, Economic Growth/Jobs, Income Levels, Access to Health Care and Access to Transportation.

Access to Rental Housing in High Opportunity Areas

The interplay of land use, housing stock and access to rental housing in high opportunity areas varies considerably by market. Therefore, we examine these relationships in three specific markets that represent a gradient of varying densities, scales, demographics, geographic locations and approaches to zoning: Chicago; Columbus, Ohio; and Fairfax County, Virginia. Each state in which they are located has FHFA-approved designations for high opportunity areas. For context, we compare these markets with broad observations across the 19 states identified by FHFA – labeled below as "multi-state" – with qualifying criteria.

Chicago is a highly populated city with a dense urban core of financial buildings, hotels, apartments and other high-rise structures. Columbus, on the other hand, is less dense and comprises more single-family owned homes. Of the three markets, Fairfax County has the largest land area. Fairfax County has the highest homeownership rate (and therefore the lowest relative access for renters) at 69.5% above the multi-state rate, while both Chicago and Columbus have homeownership rates near 50%, below the multi-state rate of 62.1%. Summary statistics in Table 1 below illustrate more precisely how these markets fit along a spectrum of different qualities and how these three markets compare with the 19 states with high opportunity areas.

Table 1: Characteristics of Selected Markets

	Multi-State	Chicago, IL	Columbus, OH	Fairfax County, VA
Income ($)	70,222	57,337	59,196	119,264
High Opportunity Area Census Tracts	94,108	93,333	85,899	146,776
Outside of High Opportunity Area Census Tracts	62,664	52,052	44,494	104,040
Homeownership Rate	62.1%	48.9%	52.7%	69.5%
High Opportunity Area Census Tracts	75.4%	61.2%	66.7%	82.6%
Outside of High Opportunity Area Census Tracts	56.9%	44.9%	43.8%	59.9%
High Opportunity Area Coverage	31.0%	12.8%	25.8%	50.4%
High Opportunity Area Population Coverage	24.0%	12.8%	35.2%	34.8%

Source: Freddie Mac Tabulations of 5-year American Community Survey (ACS) for 2019

[4] https://mf.freddiemac.com/docs/Opportunity_Incentives_in_LIHTC_Qualified_Allocation_Plans.pdf

Notably, these three markets have substantially different percentages of the land designated as high opportunity areas. In Fairfax County, just over half the land is in a high opportunity area, while only 12.8% in Chicago. This is, at least partially, the result of different criteria set by each state for designating high opportunity areas, in addition to the specific characteristics of each market. While these definitional differences potentially influence some of the results, they are similar in their intentions made by each state regarding where they believed they should prioritize the construction of affordable housing through LIHTC, and where they intend to increase access for renters.

The Current Rental Housing Stock

In high opportunity areas across the 19 states studied, the homeownership rate is 75.4% compared with an overall[5] homeownership rate of 62.1% and a 56.9% rate outside of high opportunity areas. High opportunity areas essentially have fewer rental opportunities than areas outside of high opportunity areas: 24% of the housing stock within high opportunities areas is rental, while 42% is outside these locations. This divergence holds true across the three markets when comparing rental housing stock inside and outside high opportunity areas. However, Chicago and Columbus have rental housing rates notably above the multi-state level, both within and outside of high opportunity areas, while Fairfax County's rate is below, which is to be expected given its high homeownership rate.

Table 2: Rental Housing Stock by Unit Type as a Percentage of Overall Housing Stock

		SFR 1 /Overall Housing	SFR 2-4/Overall Housing	Multifamily /Overall Housing	**All Rentals/ Overall Housing**
High Opportunity Areas	*Multi-State*	*8.7%*	*3.4%*	*11.9%*	***24.0%***
	Chicago	2.4%	9.1%	27.0%	**38.5%**
	Columbus	8.5%	5.9%	18.0%	**32.4%**
	Fairfax	8.3%	0.6%	8.1%	**17.0%**
Outside of High Opportunity Areas	*Multi-State*	*13.9%*	*7.3%*	*20.8%*	***42.0%***
	Chicago	6.1%	19.8%	29.4%	**55.2%**
	Columbus	17.1%	12.5%	26.0%	**55.6%**
	Fairfax	10.8%	1.5%	27.3%	**39.6%**

Source: Freddie Mac Tabulations of 5-year ACS (2019) data

[5] Both inside and outside of high opportunity areas.

Looking at the breakout of rental housing across the states analyzed, we see the stock is split evenly between SFRs (1-unit and 2-4 units) and multifamily.[6] Among SFRs, there are typically more 1-unit SFR (SFR 1) than 2-4 unit SFR (SFR 2-4) properties. However, this varies when viewed at a local level, as different types of rental housing are more prominent in different markets, and even in different neighborhoods.

Table 3: Rental Housing Stock by Unit Type as a Percentage of All Rental Housing[7]

		SFR 1/Rental Housing	SFR 2-4/Rental Housing	MF/Rental Housing
High Opportunity Areas	*Multi-State*	*36.1%*	*14.3%*	*49.5%*
	Chicago	6.3%	23.6%	70.1%
	Columbus	26.2%	18.2%	55.6%
	Fairfax	48.9%	3.6%	47.5%
Outside of High Opportunity Areas	*Multi-State*	*33.1%*	*17.4%*	*49.5%*
	Chicago	11.0%	35.8%	53.2%
	Columbus	30.8%	22.4%	46.7%
	Fairfax	27.4%	3.7%	68.9%

Source: Freddie Mac Tabulations of 5-year ACS (2019) data

In Chicago, renters in high opportunity areas have substantially more multifamily rental options than SFR options, as multifamily rentals represent approximately 70% of the rental housing stock. SFR options are more concentrated in 2-4 unit properties than 1-unit properties, reflecting both the dense nature of the city and its historical housing stock.

In Columbus, renters in high opportunity areas also have more multifamily rental options than SFR options. Multifamily comprises approximately 56% of rental housing. SFR options are somewhat more concentrated in 1-unit properties than in 2-4 unit properties, reflecting the lower density of Columbus when compared with Chicago.

In Fairfax County, there are relatively fewer rental options in high opportunity areas. Here, the rental stock is composed of slightly more SFRs (1 and 2-4 unit) than multifamily. Fairfax County also has a smaller percentage of SFRs out of its overall housing stock compared with Chicago and Columbus, despite this housing stock having the most single-family homes of the three markets.

When considering the needs of renters, there is often greater focus on multifamily properties and increasing density. Multifamily is important, but it is not the only way to provide rental housing – especially in areas that are typically zoned for single-family homes. In those neighborhoods, SFRs are vital for providing renters access.

[6] A very small portion comprises other miscellaneous rental housing types.
[7] In this table, we calculate total rental housing as the sum of multifamily and SFR units. It does not include other forms of miscellaneous rental housing, such as boats and recreational vehicles.

The Availability of Affordability

Affordable rental housing of any variety – SFR or multifamily – is limited in high opportunity areas. Only one-third of rentals are affordable at 80% of AMI, and just 10.7% are affordable at 60% of AMI. By comparison, outside of high opportunity areas, affordable rental housing is far more prevalent: roughly two-thirds of all rental housing is affordable at 80% of AMI and 27% is available at 60% of AMI. While this varies somewhat by market, generally for those making 60% of AMI or less, there are very few affordable rental options available in high opportunity areas. In Chicago, 5.8% of rental units in high opportunity areas are affordable at this level, while in Columbus and Fairfax County, the rates are even lower at 4% and 1.1%, respectively.

Table 4: Percent of Rental Units Affordable at 60% and 80% of AMI Inside and Outside of High Opportunity Areas

	Less than or Equal to 60% of AMI		Less than or Equal to 80% of AMI	
	High Opportunity Areas	Outside of High Opportunity Areas	High Opportunity Areas	Outside of High Opportunity Areas
Multi-State	*10.7%*	*27.2%*	*35.2%*	*65.3%*
Chicago	5.8%	46.6%	21.5%	81.0%
Columbus	4.0%	54.6%	60.8%	95.2%
Fairfax County	1.1%	6.3%	48.5%	68.4%

Source: Freddie Mac Tabulations of 5-year ACS (2019) data

Many of the affordable units today are not subject to rent or income restrictions. Because of this, they are at risk of losing affordability if market rents increase faster than incomes or if these unrestricted properties are acquired by buyers whose intention is to increase rents.

The two largest project-based regulatory programs (LIHTC and Section 8) cover just 4.7% of all rental units in high opportunity areas in the multi-state population. In Columbus and Fairfax County, these programs comprise an even smaller percentage of the multifamily units in high opportunity areas compared with the multi-state share. These programs are more prevalent outside of high opportunity areas.

Table 5: Share of Rental Units with Section 8 and/or LIHTC Restrictions

Region	High Opportunity Areas	Outside of High Opportunity Areas	Overall
Multi-State	*4.7%*	*9.7%*	*8.9%*
Chicago	5.0%	10.4%	9.8%
Columbus	2.9%	11.6%	9.4%
Fairfax County	3.5%	7.9%	7.0%

Source: Freddie Mac Tabulations of National Housing Preservation Database Data and 5-year ACS (2019) data

Ultimately, within the existing rental housing stock, high opportunity areas may provide opportunity for renters, but largely for those who can already afford it.

Local Zoning and Land Rental Opportunity

The current housing stock reflects a long history of land use policies and decisions. Historically, zoning ordinances were used to inhibit racial and ethnic minorities from moving into certain neighborhoods, whether through minimum lot size and square footage requirements or limits on building heights.[8] Housing segregation was extended to property types. Multifamily rental properties were often prohibited in predominantly white communities. Apartments were even described as "a parasite" that would lead to the ultimate destruction of neighborhoods by the landmark 1926 Supreme Court case *Village of Euclid v. Ambler Realty* that enabled the locality to establish and enforce zoning ordinances.[9] While much has changed since 1926, the persistent use of zoning to maintain development patterns often results in perpetuation of existing economic and de facto racial segregation.

A variety of efforts in local markets across the country have sought to remediate issues of exclusion. As such, zoning ordinances in place today can be a mix of both contemporary and historical decisions. While much land is already built upon and devoted to uses that have been in place for years, analysis of current zoning gives insight into what housing is allowed today – and what can be built.

Using the zoning ordinances in Chicago, Columbus and Fairfax County in effect at the time of publication, we manually sorted and grouped each zoning district by permitted use and allowed development intensity. Groupings generally encompassed single-family (low density), mid-level housing (medium density),[10] apartment housing, mixed housing[11] and planned development that allowed residential and non-residential districts.[12] For each grouping, we then broke out the percent of land coverage for high opportunity areas and non-high opportunity areas.

In the following sections, we provide a brief overview of how Chicago, Columbus and Fairfax County designed their zoning ordinances and how those ordinances are reflected in the land area devoted to different types of residential uses.

While there are local variations, in these three markets we find that:

a. Residential land in high opportunity areas is less densely zoned than outside of high opportunity areas – the majority of residentially zoned land is devoted to single family and/or low-density housing, and
b. High opportunity areas have less non-residential use than non-high opportunity areas.

---

[8] https://pubs.aeaweb.org/doi/pdfplus/10.1257/app.20140430
[9] Village of Euclid, Ohio v. Ambler Realty Co., 272 U.S. 365 (1926)
[10] Such as townhomes or attached single-family homes.
[11] Such as downtown districts or mixed business and residential districts.
[12] Generally included areas zoned for industrial uses, parks and open space, transportation, and many others.

1. Chicago

Zoning in Chicago

Typical of many zoning ordinances, the Chicago zoning ordinance[13] details various specifications for structures built in certain areas. These specifications include maximum height, minimum lot area, density (minimum lot area per unit), floor-to-area ratio, side setbacks, front-yard setbacks, backyard setbacks, among many other more nuanced factors.

Most zoning ordinances also have each zone's permitted land use broken out as permitted, special use or prohibited, and tend to include districts designated for different land uses, such as business, residential or downtown. Within these broad designations, there are specific variations. For example, some business districts do allow residential units above the ground floor, such as Chicago's B2 district.

The distribution of zoning districts varies considerably by high opportunity area and non-high opportunity area regions. In both cases, the majority of land designated for residential use is zoned for single-family homes, however this is more prevalent in high opportunity areas, where 86.9% of residentially zoned land (excluding largely non-residential use zones) is devoted to single family. Outside of high opportunity areas, 76.5% of residential zoning is devoted to single family.

Table 6: Chicago – Distribution of Land by Type of Zoning District in Chicago[14]

District	% of Land in High Opportunity Areas	% of Land Outside High Opportunity Areas
RS: Residential Single Family	60.51%	38.03%
RT: Residential Two-Flat, Townhomes, Multi-Unit	4.73%	8.29%
RM: Residential Multi-Unit	1.64%	3.35%
DX: Downtown Mixed-Use	2.22%	0.39%
DR: Downtown Residential	0.30%	0.03%
B2: Neighborhood Mixed-Use	0.17%	0.20%
Largely non-Residential Use Zones	30.43%	49.71%
Overall	*100.0%*	*100.0%*

Additionally, high opportunity areas have much more downtown mixed-use area and far less non-residentially[15] zoned area. By comparison, nearly half of the land outside of high opportunity areas is devoted to non-residential uses, while only 30% of high opportunity areas comprise this land use.

[13] Municipal Code of Chicago. Last updated June 25, 2021.
[14] https://data.cityofchicago.org/Community-Economic-Development/Boundaries-Zoning-Districts-current-/7cve-jgbp
[15] These zones include but are not limited to certain business and downtown districts, and all commercial, manufacturing, transportation and parks districts. All business districts, C1 and C2 districts *do* allow down units

2. Columbus

Zoning in Columbus

Analysis of Columbus' zoning ordinance[16] suggests flexibility in some zoning requirements, especially height restrictions. For most zone districts, the ordinance has recommended height maximums that serve almost as starting points or default limits; however, namely for apartment residential zones, the maximum heights are ultimately decided at the time the area is zoned, not per the ordinance. Per correspondence with the city zoning office,[17] these height assignments depend largely on the specific circumstance of the area being zoned, e.g., whether the area is more urban or suburban. On top of the fluid height assignments, the Columbus ordinance allows individual building exceptions in 35- or 60-foot height districts: The ordinance allows an additional one foot in height above the maximum for every two feet the building is further set back from all setback lines.[18] For 110- or 200-foot height districts, the ordinance allows an additional two feet in height above the maximum for every one foot the building is further set back from all setback lines (Section 3309.142).[19]

In Columbus, all residential areas comprise similar proportions of both high opportunity area and non-high opportunity areas. Unlike in Chicago, where high opportunity areas had a clearly higher percentage of land devoted to single-family residential, in Columbus the distribution is relatively even between both single-family and multifamily allowances. An estimated 40.5% of high opportunity areas are zoned for low density single family, while 38.8% of non-high opportunity area land is zoned for low-density single family.

(above the ground floor), but only B2 allows most other types of more typical housing and is therefore counted as mostly allowing residential for the purpose of this table.

[16] A Codification of the General Ordinances of the City of Columbus, Ohio. Last updated March 8, 2021.

[17] Correspondence as of 10/13/2021.

[18] For apartment and residential zones.

[19] To simplify analysis, Limited overlays ("L") are treated the same as the zones they overlay. For example, LAR1 is treated as AR1.

Table 7: Columbus – Distribution of Land by Type of Zoning District[20]

District	% of Land in High Opportunity Areas	% of Land Outside High Opportunity Areas
SF: Rural	10.34%	10.52%
SF: non-Rural	30.18%	28.26%
Mid-Level Residential (1-4 Families)	2.12%	5.35%
AR: Apartment Residential	12.45%	10.66%
MHP: Manufactured Home Park	0.00%	0.13%
C: Commercial (allows Residential)	9.07%	4.04%
PUD: Planned Unit Development (and Planned Community)	14.49%	4.23%
TND (NE, NG, NC, TC)	2.59%	0.71%
DD: Downtown Districts (including EFD)	0.00%	1.91%
Largely non-Residential Use Zones	18.76%	34.20%
Overall	*100.0%*	*100.0%*

There is more non-residential zoning outside of high opportunity areas, however high opportunity areas having a larger percentage of land devoted to Planned Unit Development (PUD) districts. These PUD districts are "designed to allow the greatest flexibility of land and site design... employing any type of housing in any combination at low densities, fitted to various measures of land use intensity including dwelling unit density" to help make available "practical benefits and amenities available under traditional zoning districts." These districts allow single-family and apartment housing, so long as they meet the minimum density requirements – which are high. The least dense housing in a PUD district must be a minimum of 5,400 square feet per dwelling unit, identical to the average non-rural single-family density zoning of approximately 5,400 square feet per dwelling unit. The average density for apartment zones is far less: 1,800 square feet (which would be even lower if including apartment zones without any density restriction). This density minimum suggests it would be difficult to build apartments. If PUDs generally favor single-family homes, then the area of land devoted to, or at least allowing, single family would be considerably higher within high opportunity areas than outside.

[20] https://opendata.columbus.gov/datasets/base-zoning-districts/explore?location=39.982231%2C-82.990871%2C11.00

3. Fairfax County

Zoning in Fairfax County

Fairfax County's zoning ordinance[21] has several noteworthy elements that encourage affordable housing and density. Residential zones R-2 and higher have a different set of zoning requirements for affordable dwelling units and non-affordable dwelling units. These different standards allow for higher density development of affordable units via higher dwelling unit per acre maximums, higher maximum height allowances, lower lot area minimums and lower setback minimums. While zoning ordinances for Chicago and Columbus offer similar density allowances, Fairfax County's affordable breakout was more prominent and tailored to each zone type.

Fairfax County also encourages mixed-use properties near transit. This incentive can be found, for example, in one of the objectives of the Planned Tysons Corner Urban District (PTC), a priority district for the county that brings together offices, transit, commercial and high-density residential to "contribute to a tiered intensity of development having the highest intensities located closest to the transit stations…"[22]

Though the ordinance provides clear incentives for affordable and mixed-use housing in these ways, much of the land is devoted to lower density residential, as is to be expected for a relatively large suburban county. To summarize the ordinance, we group the Fairfax County zone districts into Low, Medium and High Density residential for planned and non-planned development districts (*Table 8).* In high opportunity areas, 90% of the land area is zoned for low-density single family, whereas 83% of non-high opportunity areas are zoned the same way. If planned development (low) were included, then that would increase to 96% of land in high opportunity areas and 88% in non-high opportunity areas.

Table 8: Fairfax County – Distribution of Land by Type of Zoning District[23]

District	% of Land in High Opportunity Areas	% of Land Outside High Opportunity Areas
R-A,-C,-E,-1 to -4, MHP: Single-Family Detached, Low Density	79.64%	70.31%
R-5 to -12: Single-Family Dettached/Attached, Medium Density	1.99%	3.70%
R-16 to -30: Apartment & SF-Attached, High Density	0.26%	2.18%
Planned Development (Low): PDH-1 to -4	6.12%	4.19%
Planned Development (Medium): PDH-5 to -12	1.04%	1.97%
Planned Development (High): PDH-16 to -40, PTC, PRM	0.40%	1.35%
Largely non-Residential Use Zones	10.56%	16.30%
Overall	*100.0%*	*100.0%*

[21] Fairfax County Zoning Ordinance. Last updated March 23, 2021.
[22] Fairfax County Zoning Ordinance. Last updated March 23, 2021.
[23] https://data-fairfaxcountygis.opendata.arcgis.com/datasets/zoning/explore?location=38.839771%2C-77.289450%2C11.00

As was the case for the other two markets, we also see there is more non-residential use outside of high opportunity areas for Fairfax County. The medium density housing comprises a small area of the county overall but appears slightly more common outside of high opportunity areas. This significantly greater portion of area devoted to single family is reflected in the overall housing stock, which had the lowest level of multifamily rental housing among the metros studied.

Are There Emerging Opportunities for Renters in the Near Term?

While SFRs provide a viable housing option, the vast majority of new rental housing units being constructed are among multifamily properties. Per the Harvard Joint Center for Housing Studies, only 4% of new single-family housing starts are intended for renting.[24] Therefore, we focus on new multifamily properties, to see trends more clearly in the deliberate creation of rental housing.[25]

We examined the number of multifamily units being built, permitted or proposed from 2014-2019 (*Table 9*). In order to provide insight into the prevalence of the existing rental housing, we break this analysis down by homeownership rates to get a better sense of whether new rentals are being built where rental housing is already prevalent. Across the 19 states analyzed, we find that new multifamily units are being built at a slightly higher rate (relative to the current inventory of rental housing stock) in high opportunity areas than outside of high opportunity areas.

Within high opportunity areas, new or proposed units are broadly distributed across areas of varying homeownership rates. Outside of high opportunity areas, however, most new units are sited in areas that are already largely devoted to rental housing, given the high share of new or proposed multifamily units in low homeownership areas.

---

[24] https://www.jchs.harvard.edu/blog/young-families-and-growing-number-new-single-family-rentals
[25] Here we use Reis new construction pipeline data to understand the prevalence of multifamily construction, which typically caters to larger, institutional property types with 40 or more units, except for some markets down to 20 or more units. As a result, this may not accurately capture smaller multifamily properties in their entirety due to data limitations. In comparing this with ACS multifamily data, which encompasses properties with 5+ units, we use it as a proxy to analyze new multifamily construction by locale.

Table 9: Multi-State – Recent and Upcoming Multifamily Rental Units Within and Outside of High Opportunity Areas

	High Opportunity Areas		Outside of High Opportunity Areas	
Homeownership Levels	MF Upcoming Units/Total Rental Units	Share of Total New Units	MF Upcoming Units/Total Rental Units	Share of Total New Units
>=80%	13.61%	19.01%	10.84%	6.24%
60 < 80%	7.61%	26.37%	5.04%	9.93%
40 < 60%	11.56%	24.02%	5.74%	17.26%
20 < 40%	21.18%	25.36%	8.03%	32.74%
< 20%	20.83%	5.24%	17.23%	33.83%
Overall	12.0%		8.3%	

Source: Freddie Mac Tabulations Regional Economic Information System (Reis) data and 5-year ACS (2019) data

Looking at Chicago, Columbus and Fairfax County, we see some variations, as well as some initial evidence suggesting that high opportunity areas are seeing a relatively greater increase in multifamily units compared with locations outside of high opportunity areas.

1. Chicago

In Chicago, apartments permitted or built from 2014-2019 represent 9.4% of all the rental housing stock. The growth of new units[26] within high opportunity areas is 23.1% versus outside of high opportunity areas at 8.2%.

Table 10: Chicago – Recent and Upcoming Multifamily Rental Units Within and Outside of High Opportunity Areas

	High Opportunity Areas		Outside of High Opportunity Areas	
Homeownership Levels	MF Upcoming Units/Total Rental Units	Share of Total New Units	MF Upcoming Units/Total Rental Units	Share of Total New Units
>=80%	0.54%	0.13%	10.84%	1.54%
60 < 80%	2.56%	2.92%	5.04%	5.02%
40 < 60%	29.82%	58.78%	5.74%	20.89%
20 < 40%	33.73%	38.16%	8.03%	60.89%
< 20%	-	0.00%	17.23%	11.66%
Overall	23.1%		8.2%	

Source: Freddie Mac Tabulations Reis data and 5-year ACS (2019) data

In high opportunity areas, the largest share (58.78%) of newly permitted and constructed units is located where there is a relatively even mix of renters and owners – with a homeownership rate between 40% and 60%. Nearly all the remaining new units are located in areas with a lower homeownership rate, between 20%-40%. In both these brackets, new units represent a sizable share of all of the rental housing.

Outside of high opportunity areas, the newer units appear more in areas with an even higher concentration of renters. Over 70% of new units are located in areas where the homeownership rate is under 40%.

[26] Growth of new units is calculated as new multifamily units divided by total rental units.

2. Columbus

In Columbus, apartments permitted or built from 2014-2019 represent 13.1% of all the rental housing stock. The relative share of new units follows a similar pattern to Chicago, with a higher growth rate in high opportunity areas (28.1%) versus outside of high opportunity areas (9.6%).

Table 11: Columbus – Recent and Upcoming Multifamily Rental Units Within and Outside of High Opportunity Areas

	High Opportunity Areas		Outside of High Opportunity Areas	
Homeownership Levels	MF Upcoming Units/Total Rental Units	Share of Total New Units	MF Upcoming Units/Total Rental Units	Share of Total New Units
>=80%	32.63%	13.64%	8.28%	1.47%
60 < 80%	19.17%	22.56%	2.55%	3.13%
40 < 60%	27.41%	42.68%	3.46%	9.87%
20 < 40%	48.80%	21.13%	9.92%	37.48%
< 20%	-	0.00%	19.97%	48.05%
Overall	28.1%		9.6%	

Source: Freddie Mac Tabulations Reis data and 5-year ACS (2019) data

In high opportunity areas, new units are distributed across locations with varying homeownership levels, not just in areas where rental housing is already common. In areas with homeownership rates over 80%, new multifamily units represent 32.63% of all the rental housing in those census tracts.

Outside of high opportunity areas, new multifamily properties are being built largely in areas with the lowest homeownership rates, further concentrating multifamily rental housing in these areas where it already exists.

3. Fairfax County

As is the case in Chicago and Columbus, new multifamily units in Fairfax County represent a meaningful share of the total rental housing stock. Fairfax County apartments permitted or built from 2014-2019 represent 24.8% of all the rental housing stock. Relative growth of new units was somewhat higher within high opportunity areas (32.5%) versus outside of high opportunity areas (24.8%).

Table 12: Fairfax County – Recent and Upcoming Multifamily Rental Units Within and Outside of High Opportunity Areas

	High Opportunity Areas		Outside of High Opportunity Areas	
Homeownership Levels	MF Upcoming Units/Total Rental Units	Share of Total New Units	MF Upcoming Units/Total Rental Units	Share of Total New Units
>=80%	58.27%	80.94%	74.32%	9.84%
60 < 80%	12.38%	12.45%	4.19%	1.88%
40 < 60%	0.00%	0.00%	0.00%	51.07%
20 < 40%	11.02%	6.61%	1.99%	20.93%
< 20%	-	0.00%	-	16.28%
Overall	32.5%		24.8%	

Source: Freddie Mac Tabulations Reis data and 5-year ACS (2019) data

Within high opportunity areas, the overwhelming majority of new multifamily units (80.4%) are located in areas with high homeownership rates, suggesting that new rental housing development deviates from the housing stock and existing patterns of ownership and rentership.

Outside of high opportunity areas, more new units appeared in lower homeownership rate brackets. Consistent with trends observed in all 19 states and in Chicago and Columbus, rental housing is being developed largely in areas that already have high concentrations of renters.

Conclusion

Rental housing is available in high opportunity areas in various forms: 1-unit SFRs, 2-4 unit SFRs and 5+ unit multifamily properties. Concentrations of rental housing vary by local market, and it is largely unaffordable to renters making 60% of AMI or less.

Developing new rental housing in high opportunity areas is complicated by existing zoning, which largely favors low-density, single-family homes, as is demonstrated to different degrees by our analysis of Chicago; Columbus, Ohio; and Fairfax County, Virginia. However, across all three markets – and all 19 states analyzed – there are early indications of a relative increase in multifamily housing in high opportunity areas as compared with other areas, though there remains a need for a focus on the affordable housing shortage. Future in-depth research on local markets could reveal to what extent – and how quickly – policy changes and economic incentives are affecting rental housing supply and affordability.

Efforts to materially increase new supply, such as zoning reform and economic incentives, can take time, and these efforts may not automatically translate to affordability in the near term. In conjunction with these initiatives, deliberate public and private market approaches to leverage both the existing SFR and multifamily properties, along with preserving – or increasing – its affordability could foster greater access to high opportunity areas for low-income renters.

Appendix

This appendix details supporting information and methodologies for this paper, detailed information on where we sourced our data, how we managed it and assumptions we made for our analyses.

Data Management

Zoned regions were mapped and analyzed in the geographic information system (GIS). The GIS data on each zoned region was then exported so it could be analyzed. For each area, the zoning data came from:

- City of Chicago: Boundaries - Zoning Districts (current) | City of Chicago | Data Portal
- City of Columbus: Base Zoning Districts | Base Zoning Districts | GIS Open Data Columbus, OH
- Fairfax County (includes Town of Vienna and Town of Herndon): Zoning | Zoning | Fairfax County GIS & Mapping Services Open Data Site (arcgis.com)

We also reviewed the specific zoning ordinances for these locations:

1. Municipal Code of Chicago. Last updated June 25, 2021.
2. A Codification of the General Ordinances of the City of Columbus, Ohio. Last updated March 8, 2021.
3. Fairfax County Zoning Ordinance. Last updated March 23, 2021.

When calculating the percent of area zoned for different uses, we use as our denominator the total zoned area captured in the city or county zoning ordinance. In some markets, zoning is implemented at an even more local level, and some land may be unzoned. In Chicago, 77% of the land is included in the city ordinance; in Columbus, 61% is included, and in Fairfax County, 97% is included.

High opportunity area data is from FHFA (for data years 2018-2021). For our entire analysis, we only included the 19 states with FHFA-recognized high opportunity areas based on LIHTC QAPs, as described in the body of this paper. We only use the official definition of each state's high opportunity area. Additionally, we only use counties in states where there exists at least one census tract of high opportunity (high opportunity areas are designated at the census-tract level). This filtering was meant to omit counties that were very distant from high opportunity and could skew the data inappropriately. For example, many high opportunity areas are located on city edges, with a few fragments located within cities. Remote counties without any high opportunity areas were omitted because (1) our analysis compares areas in and out of high opportunity areas, presumably for those with the ability to move between the two. Residents in remote counties far away from these high opportunity areas have reasonably less ability to subsite living arrangements for an high opportunity area, and therefore may skew our analysis; (2) remote counties' distance from high opportunity areas would make census tract comparisons less controlled: A county that has both high opportunity area tracts and non-high opportunity area tracts is likely to yield a better environment for comparisons, with any differences being high opportunity area-related and therefore easier to analyze. For very different reasons, remote counties may have demographics and homeownership rates that are very different from – and even contradict –

counties that contain high opportunity areas. For example, we would expect homeownership to be high in high opportunity areas and rentership to be high in non-high opportunity areas; however, in remote counties without high opportunity areas, homeownership may be higher simply because land is abundant and restrictive zoning may be less common; and (3) the zoning we aim to analyze generally exists in and around MSAs, not in less-populous counties without any high opportunity areas. Although omitted from our analysis, the affordability challenges and potential lack of zoning – specifically in rural counties – warrant continued attention.

The new/upcoming multifamily data is from Reis. We only look at upcoming properties listed between 2015-2019, inclusive. This range is meant to smooth out permitting inconsistencies among individual years. Additionally, we intentionally excluded 2020 to leave out anomalies caused by potential COVID-19 impacts on construction. Within the five-year target period, we only look at permitting data for entries labeled as “Apartments” and those appearing with a status of “Planned,” “Under Construction” or “Constructed” at least once. We do not believe the “Constructed” apartments should have significant overlap with the 2019 count of multifamily units used throughout the paper.

Regarding the remainder of the data: demographic data comes from the 5-year ACS for 2019. Market housing data (multifamily stock, homeownership rate, etc.) comes from the 5-year ACS for 2019 and RealPage. LIHTC property data comes from the National Housing Preservation Database.