



# **Future of Real Estate: Climate Challenge**

September 14 - October 20, 2022

# Agenda

- Background
- Case Announcement
- Rules, Deadlines and Resources



# About the Competition

## THE FUTURE OF REAL ESTATE IS EQUITABLE

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Caroline Lehman, Ross School of Business  
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### THESS

The future of real estate is grounded in equity and focused on building generational wealth through community investment in historically disinvested communities.

### PROBLEM STATEMENT

Black, Indigenous, and People of Color (BIPOC) communities suffer from disinvestment, a lack of opportunities to acquire assets and build wealth, and development practices that perpetuate inequity.

## COMMUNITY INVESTMENT

### WHAT IS COMMUNITY INVESTMENT?

Community investment refers to the practice of investing in businesses and economic activities to provide capital and support for the growth and development of communities, particularly in underserved areas.

### FUNDING SOURCES

Community investment can be funded through various sources, including government grants, private foundations, impact investors, and community development financial institutions (CDFIs).

### FEATURED COMMUNITY INVESTMENT STRATEGIES

Any type of investment or development in a community that aims to improve the economic and social conditions of the community.

### Common Community Development Goals: Address community wealth & power

Address the needs of the community, particularly in underserved areas.

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### EXPANDING ECONOMIC PARTICIPATION

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## COMMUNITY INVESTMENT IN SMALL BUSINESSES

Small businesses are often the backbone of local economies. Community investment in small businesses can help them grow and create jobs.

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## COMMUNITY INVESTMENT IN REAL ESTATE

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## THE FUTURE OF REAL ESTATE...

### BUILDING GENERATIONAL WEALTH

Building generational wealth is a key goal for many families. Community investment in real estate can help build wealth and create jobs.

### ENSURES COMMUNITY VIBRANCY

Ensuring community vibrancy is a key goal for many communities. Community investment in real estate can help build wealth and create jobs.

### PREVENTS DISPLACEMENT

Preventing displacement is a key goal for many communities. Community investment in real estate can help build wealth and create jobs.

### ACHIEVES FINANCIAL ACCESSIBILITY

Achieving financial accessibility is a key goal for many communities. Community investment in real estate can help build wealth and create jobs.

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# THE FUTURE OF REAL ESTATE IS COOPERATIVE

## AFFORDABILITY

Due to the treatment of housing as a commodity, many people are unable to afford housing. Cooperative housing models can help address this issue.

## STRONGER NEIGHBORHOODS

Cooperative housing models can help build stronger neighborhoods and create a sense of community.

## AUTONOMY, BUILDING SOCIAL CAPITAL

Cooperative housing models can help build autonomy and social capital within communities.

## COLLECTIVE FINANCING

Collective financing is a key component of cooperative housing models.

## DEMOCRATIC DECISION-MAKING

Democratic decision-making is a key component of cooperative housing models.

## COMMUNITY BUILDING

Community building is a key component of cooperative housing models.

## COMBATING INSTITUTIONAL DISCRIMINATION

Combating institutional discrimination is a key component of cooperative housing models.

## COOPERATIVE HOUSING

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## The Future of Accessory Dwelling Unit (ADU) Financing



Lindsay Keare, Ford/Ross '23



### ADU Definition

- Additional living structures on single family or multi-family lots
- Can be new structures, garage conversions, or a separate part of the primary dwelling
- Includes a kitchen and bathroom

### Primary Use Cases

- Adult children
- In-laws moving in/residential elder care too expensive
- Rental income
- Increased home value
- Aging-in-place

### Legislative Landscape

- In the past several years, many states and municipalities have made ADUs easier to build or harder to object to



### ADUs by the Numbers

While cost can vary greatly by municipality, the typical ADU cost between \$100,000-\$150,000. Meaning that the cost of financing an ADU is often prohibitive for many who could most benefit from them.

### Recent liberalization of ADU laws in California led to a major increase in ADU permits issued in LA.

These permits issued in LA... the units they were used to in the housing stock would likely be higher if more financing options existed.

### The graph at right highlights the increase in ADU permit filings in the past two decades, demonstrating that ADUs are not only used by family members, but are also becoming a critical element of the rental housing market.



### Benefits of ADU Asset Class

- Serves as suburban infill
- More NIMBY-proof than other housing forms
- Substitute for building in flood plains and fire prone areas
- Can utilize existing structures
- Can add to housing stock near transit centers in residential areas

### Shortcomings of Current Financing Options

- Geared toward high-income homeowners
- Geared toward homeowners with higher home equity
- Loan limits are sometimes not high enough to finance an ADU
- Loan limits don't take into account rise in home value post-ADU construction or ADU rental income

### Current Efforts to Expand Financing

- ADU-specific credit line loans
- City-run programs, like LA's Backyard Home Project and the Boston Home Center ADU Loan program

### BOSTON HOME CENTER ADU LOAN

The program provides low-interest, no-fee loans to help homeowners finance the construction of an ADU.



### Current Financing Options

- Home Equity Loan
- Home Equity Line of Credit
- Cash-out Refinance
- Construction Loans
- Second Mortgage
- Cash/savings
- Loans from family/friends

### Future of ADU Financing

- Community Development Financial Institutions, like Oregon-based Craft3's ADU loans
- Government-sponsored enterprise ADU mortgage products
- Loans tied to rent ADUs to low-income tenants

### ADU Financing Options

ADU financing options include home equity loans, cash-out refinances, second mortgages, and cash/savings.

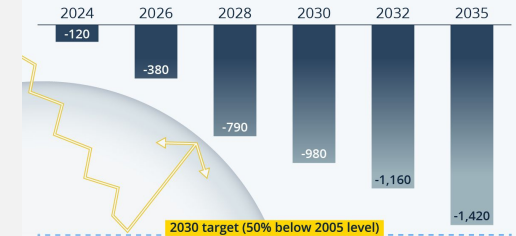


# FORE 2022: Climate Challenge



## How the Inflation Reduction Act Will Affect U.S. Emissions

Annual change in net U.S. GHG emissions due to the Inflation Reduction Act of 2022 relative to current policy scenario\*



\* Estimates. In million metric tons of CO<sub>2</sub>-equivalent (Mt CO<sub>2</sub>-e).

Source: Rapid Energy Policy Evaluation and Analysis Toolkit



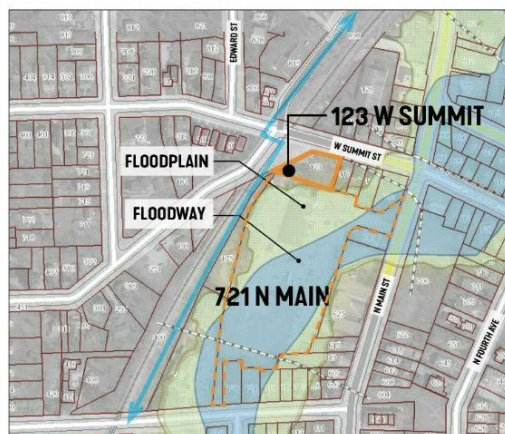
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# 721 N. Main (123 W. Summit)

## 721 N. MAIN (123 W. SUMMIT) / PROGRAM + DESIGN ASSUMPTIONS

### SITE LOCATION

721 N. MAIN ST, ANN ARBOR, MI 48104



Source: <https://www.community-engagement-annarbor.com/lots/721-n-main>

# Site Information

- A large portion of the site is situated in the floodplain and floodway, and is therefore undevelopable. Your task is to submit a proposal for the 14,520 square foot parcel, which will be rezoned to C1 and become known as 123 West Summit
- The remaining undeveloped square footage will continue to be zoned PL (Public Land).
- The maximum height of the development is 3 stories or 35'.
- The property is adjacent to the Treeline Trail, and any development should engage the Treeline Trail in a positive manner (IE: no building into the Treeline Trail).
- Parking is not required for the site, although you can incorporate parking into your plan if it supports your overall vision.



# Development Objectives: 123 W. Summit

- **Sustainability (Highest Importance):**
  - Achieve full building electrification - no on-site fossil fuel gas connections
  - Achieve net zero energy - a building whose annual energy consumption is less than or equal to the renewable energy produced on-site. Any energy consumption exceeding on-site production shall be offset through a qualified offset program.
- **Housing:**
  - Maximize the amount of housing on the site.
  - Provide the optimal mix of market rate and affordable housing units.
    - The affordable units would be targeting households making below 60% Area Median Income (AMI)\*
    - \*The site is not eligible for Low-Income Tax Credits.
  - Include a mix of housing unit types (beds, baths, etc) and rents.

# Deliverables

- Name of your development and names and area of study of all team members
- Overview of your vision
- How you intend to meet sustainability and housing objectives for the site
  - Assume you are both the developer and asset manager for the property
- Source list



# Judging Criteria

- Innovation (up to 10 points)
- Demonstrated Knowledge (up to 8 points)
- Clarity of Information (up to 8 points)
- Interdisciplinary Approach (up to 5 points)

# Prizes

- 1st Prize: \$3,000 scholarship to be split among your team plus an admission, travel, and lodging stipend to attend the ULI Spring Meeting in Toronto, Canada in May of 2023.
- 2nd Prize: \$1,500 scholarship to be split among your team and a student membership to Urban Land Institute for each team member.
- 3rd Prize: \$500 scholarship to be split among your team and a student membership to the Urban Land Institute for each team member.

# Rules at a Glance

- Teams may not exceed four current University of Michigan students.
- Your team must be strictly composed of all undergraduate students or all graduate students. Teams cannot be a mix of undergraduate and graduate students.
- Your Google Site must be submitted as a link, and made public for the purpose of judging. We will ensure only those who need to read your materials are given access.
- At least one member of your team must be available on Thursday, October 20th to present during the awards event. We encourage all participants to attend the awards event on October 20th in support of their peers!
- **NOTE:** Your participation in this program is strictly for academic purposes. Participants are not permitted to discuss, promote, or otherwise share their submissions with any elected officials or City of Ann Arbor personnel for any purpose outside of the scope of this competition.

# Resources

- Group and/or one-on-one advising
  - Zach Waas Smith: Community Engagement Specialist, Sustainable Development, City of Ann Arbor Office of Sustainability and Innovations
  - Michael Johnson: Principal, Urban Design Studio Leader, SmithGroup
  - Melina Duggal: Interim Faculty Director, Weiser Center for Real Estate
  - Chase L. Cantrell: Professional in-Residence, Weiser Center for Real Estate
  - Jake Albers: Managing Director, Weiser Center for Real Estate
  - Colleen Triezenberg: Student Affairs Program Manager, Weiser Center for Real Estate
- Kresge Library Research Guide



# Important Dates

- **Wednesday, September 14th:** Competition Launch
- Monday, September 19th from 2:00 to 3:00 PM: Voluntary Group Advising Session
- **Wednesday, September, 21st:** Deadline to request support for finding teammates
- Monday, September 26th from 2:00 to 3:00 PM: Voluntary Group Advising Session
- Monday, October 3rd from 2:00 to 3:00 PM: Voluntary Group Advising Session
- **Wednesday, October 5th at 9:00 AM:** Submission Deadline
- Wednesday, October 12th: Finalists will be notified
- **Thursday, October 20th:** Future of Real Estate Presentations and Awards Event

# Full Competition Details

[www.studyrealestate.umich.edu/competition](http://www.studyrealestate.umich.edu/competition)

Contact: Colleen Triezenberg, [cotrieze@umich.edu](mailto:cotrieze@umich.edu)