Comparing Affordable Housing Development Strategies

https://www.planetizen.com/node/85106/evaluating-affordable-housing-development-strategies

Description	Advantages and Disadvantages	Most Appropriate Applications
Help homeowners maintain older housing stock	Can be a relatively inexpensive way to provide safe and affordable housing.	Where there is an abundant supply of inexpensive but deteriorating housing stock.
Government sponsored and subsidized housing	Serves special needs. Tends to be costly, and generally cannot meet the total demand for lower-priced housing.	To serve special housing needs, including workforce housing where development costs are very high, such as in successful and attractive cities.
Encourage abundant private development on inexpensive, urban-fringe land	Can provide relatively inexpensive housing. Has high infrastructure and future transport costs, and so is not affordable overall.	In cities where population growth justifies urban expansion, with planning to create complete and walkable new neighborhoods along utility and transit corridors.
Affordable housing mandates	Can create new affordable housing without government subsidy. Potential is generally modest, and unless housing demand is very strong will reduce total housing development, particularly middle-priced units.	Only apply where housing demand is very strong to avoid reducing total development.
Remove unjustified restrictions and costs for urban infill	Tends to reduce the total costs of housing production, which increases total housing supply and allows markets to respond to demand. Impacts are unpredictable and may be slow. Infill development can impose costs and controversies.	Apply wherever possible, and in conjunction with other strategies.

Conclusions

Below are key conclusions of this analysis:

- Affordability analysis should be comprehensive, taking into account total housing costs (including utilities, taxes and maintenance) and transportation costs, considering both short- and long-run impacts.
- No single strategy can meet all affordable housing needs, most communities need a combination.
- Some lower-income households need help repairing and maintaining their homes.
- Government sponsored and subsidized housing is important to serve people with special needs, but can only address a small portion of total affordable housing demands.

Comparing Affordable Housing Development Strategies

- Urban fringe development can provide cheap housing but tends to have high infrastructure and future transportation costs, and so is only truly affordable if planned and located to maximize accessibility and transport options.
- Inclusionary zoning may provide a modest amount of affordable housing where demand is very strong, but should otherwise be avoided to prevent spoiling the market for new housing construction.
- Removing unjustified restrictions and costs for urban infill is generally the most cost-efficient and beneficial option overall, but is challenging due to local opposition, and because its benefits are widely dispersed and so has fewer advocates. Our challenge is to promote, Yes In My Backyard!

What do you think? Have I overlooked any important strategies? Are there other advantages and disadvantages to consider?

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Seven Innovative Affordable Housing Strategies in Higher Cost Markets: Lessons from Around the U.S.

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By Lisa A. Sturtevant, PhD

As a result of strong demand and relatively high wages, the Washington DC region is one of the most expensive areas in the country. Recent arrivals have driven up rents dramatically in the District of Columbia over the past decade, as the increase in the number of renter households has far outpaced overall population growth. A report by GOVERNING magazine reports that only the city of Portland is gentrifying faster than DC. Rents in some of the region's suburban neighborhoods rival those in the District's in-demand neighborhoods. According to the Census Bureau's American Community Survey, in 2013, the median rent in Arlington County was over $1,800 and the median rent in Fairfax County was not far behind at $1,764.

The Washington DC region has become increasingly unaffordable to many of the workers who serve the community. There can be repercussions for persistent high housing costs and a lack of a sufficient supply of affordable housing. Recent reports have demonstrated that more young workers are deciding to pick up and move from high cost cities to places with more affordable housing. Insufficient housing that is affordable to the workforce puts at risk the sustainability of the economy as the region has increasing difficulty attracting and retaining workers.

One key reason rental affordability remains a challenge in the region is that we are not building enough overall housing. Indeed, recent research and commentary have suggested that limited housing development has propped up housing costs in high cost cities. A plethora of reasons—including high land costs, local zoning and land use regulations, NIMBYism, and insufficient federal and state resources—contribute to the difficulty of producing enough affordable rental housing in places like the Washington DC region.

The region's growing population and shortage of available land in desirable locations means that it is difficult to build housing that is priced at levels affordable to low- and moderate-income households. As federal subsidies for affordable rental housing continue to fall short of the need, the role of local governments in the development and preservation of affordable housing has become increasingly important. High cost regions—like the Washington DC metro area—need to be particularly innovative and strategic to find ways to evolved considerably.

Are there lessons to be learned from other high-cost markets around the country? Below are seven approaches that have been adopted by some high-cost jurisdictions to increase the supply of affordable housing. Some of the policies described below also have been implemented by some jurisdictions in the Washington DC region, but there may additional guidance from other cities and counties about how to design programs to make them more effective.

1. Tie affordability requirements to increased density

To accommodate the demand for housing in the growing Washington DC region, it is becoming increasingly important to allow for the construction of more housing, in taller, denser developments. Many of the regions suburbs—including much of Arlington, Bethesda, and Tysons Corner—already have already become more "urban" than "suburban" and this trend will continue over the coming decades. In many places around the region, height and other zoning restrictions could be relaxed to expand housing supply, and these development incentives should be linked to the provision of affordable housing. "Inclusionary upzoning," which links affordability requirements to increased density, is a policy used in jurisdictions across the Washington DC region, including Arlington and Fairfax counties, and other high cost markets have adopted policies that aggressively push for the development of affordable housing as market of re-zonings, including New York, Los Angeles, and San Francisco.

2. Make use of public land for affordable housing

Reducing the land costs of a residential project can be a valuable way to foster housing affordability for lower-income residents in high cost areas. Across the country and in the Washington, DC region, local jurisdictions are taking a broad view of public land development opportunities, exploring the potential for affordable housing on not just vacant publicly held sites but also under-utilized parking lots, sites where no-longer-needed public facilities are located, and—increasingly—as part of the development of new public facilities such as community centers, libraries, fire stations, and police stations.

Comparing Affordable Housing Development Strategies

In a recent NHC report prepared for the Washington chapter of the Urban Land Institute (ULI) highlights some of the best practices in local public land policy and development in our region. Other innovative and effective public land policies have been adopted in San Francisco and in King County, Washington, among others.

3. Establish commercial linkage fees to fund affordable housing development

Commercial linkage fees are a form of impact fee assessed on new commercial developments or major employers based on the need for housing generated by new and expanding businesses. Revenues generated by the fee can be used to help fund the development of affordable housing opportunities within the locality. A variety of methods can be used to determine appropriate linkage fees; many jurisdictions have adopted as Jobs-Housing Nexus Analysis approach.

Seattle is debating the suitability and specific design features of a commercial linkage fee policy, which advocates claim could produce five to 10 times the amount of affordable housing the city gets under its current incentive program. In Boulder, Colo., city leaders are considering a commercial linkage fee—on top of their existing capital facilities impact fee—to mitigate the upward pressure on home prices and rents resulting from strong job growth. It is estimated that the fee could bring in between two and three million dollars a year for affordable housing in the city of Boulder.

4. Require mixed-income developments near transit

In many cases, investments in transit and other infrastructure catalyze increases in the values of properties that are well-located near the new amenities. While this growth can be positive for the overall neighborhood, it can also threaten the continued availability and opportunities for the construction of new affordable housing, especially for families with very low incomes.

Chicago recently amended its affordable housing ordinance to provide incentives to developers that build more than half of a project’s required affordable housing units in transit-served locations. The new incentives would result in a greater number of mixed-income properties near transit and would benefit lower-income households, who are more likely than higher-income households to use transit.

The city of Denver implemented a Transit-Oriented Development Fund in 2010 designed to help create affordable housing in transit-accessible locations. The city expanded investments to the fund in December 2014, recognizing the growing need associated with the city’s fast-rising rents.

5. Revise and/or streamline the development review and re-zoning process

A recent report by the Urban Land Institute and Enterprise Community Partners offers a set of recommendations for how to make the development review process more efficient to make it easier and less costly to produce below market rate housing. Some of the key recommendations related to the development review process include coordinating steps in the review process, creating clarity in the public engagement process, and making explicit the incentives associated with affordable housing provision.

In Los Angeles, the Planning Department is rewriting the city’s 70-year old zoning code to better reflect the community’s needs and the market realities developers face. The goal is to create clearer standards and more focused community plans that will help expand the supply of affordable housing in the city

6. Review and revise parking requirements

Minimum parking standards can make it more difficult to build affordable housing by increasing the overall cost of the development and by reducing the amount of housing that can be built on site. To help ensure that parking requirements do not impeded new affordable housing construction, local jurisdictions can revise parking standards for all new development or reduce or waive standards for certain types of housing (i.e. affordable or housing for older adults, or units located near public transit) on a discretionary basis. Short of making changes to parking requirements, jurisdictions could consider studying the current parking policies and local parking demand to better understand residents' parking needs, particularly in developments located near transit.

The city of San Diego conducted a parking study in 2011 that analyzed local parking needs, reviewed best practices from other places around the country and made recommendations for how to modify the city's parking requirements. Key considerations from the report include differentiating parking requirements based on building type and with consideration of access to transit and walkability of the neighborhoods.

7. Experiment with new building types

As housing needs grow and change, there are opportunities to encourage experimentation around building types. Many high-cost jurisdictions have adopted accessory dwelling unit (ADU) ordinances, which outline the requirements for creating small housing units set aside either within or attached to a single-family home or located on the same lot.
Portland, Oregon is just one example of an ADU ordinance that has successfully create smaller, less expensive housing units throughout the city. Other jurisdictions have explored zoning changes that would allow for the construction of so-called "tiny houses," which have gained popularity in recent years.

In San Francisco, one way that has been suggested to spur affordable housing development is to provide developers with an opportunity to experiment with different housing models, including co-housing and other shared housing models. While not allowed under typical zoning regulations, the experimental projects can offer some evidence about the viability of new housing models to expand affordable housing options.

Affordable Housing Success Strategies A respected industry leader shares his prescription for 2018 and beyond.

Brought to you by Red Capital Group, LLC
https://www.housingfinance.com/finance/affordable-housing-success-strategies

The National Low Income Housing Coalition recently issued a comprehensive report on the nation's inventory of affordable rental housing. The 2018 findings will surprise very few in the affordable housing industry: Affordable housing options are dwindling for many Americans.

Comparing Affordable Housing Development Strategies

Tracy Peters has some ideas that can help. Peters runs the affordable housing team at RED Capital Markets, LLC, a leading tax-exempt bond underwriter and mortgage lender. His firm has successfully financed thousands of affordable housing projects over the last 27 years. He recently shared his views on the opportunities ahead:

What's on the minds of affordable housing developers today?

I think many developers are concerned about the continued pressure on state and federal budgets for housing. Although we have had some recent good news out of Washington on the housing budget front, developers must be diligent in order to preserve rental subsidies and other federal housing programs. Many are concerned with continuing increases in construction pricing and shortages in the skilled trades.

What projects do you like to point to as outstanding examples of public-private partnerships?

The best public-private partnership successes are tax credit projects that serve as the catalyst for neighborhood redevelopment in depressed areas. Relatively new programs, such as the Choice Neighborhoods Initiative and Rental Assistance Demonstration, provide opportunities for distressed areas to redevelop themselves. Many of these areas have not seen new investments in decades.

What examples of innovative transaction structuring come to mind?

In the past year, we have seen Fannie Mae utilize the capital markets to structure a tax-exempt bond forward product that has competitive terms compared to most other products in the market place.

How would you advise an affordable housing developer with a property nearing the end of its compliance period?

I recommend finalizing discussions with the limited partner to exit the partnership. As part of this process, the developer should decide how they want to operate and/or re-capitalize the property going forward. That allows the developer to seek possible financing options.

How optimistic are you that supply will one day meet need?

Realistically, I think the developer's ability to create enough new units faces many challenges. Although Congress passed legislation in the past year that has increased the amount of tax credits available, new projects are facing higher construction costs, higher interest rates, and lower equity pricing. On the other side of the spectrum, we see many former low-income housing tax =credit (LIHTC) projects become market-rate projects after the LURA matures. Meanwhile, many public housing and Sec. 8 projects are becoming obsolete.

Given this environment, it is an obligation for all of us in the affordable housing community to continue to find ways to protect our current supply of affordable housing and expand upon it. Partnering with and demonstrating to local communities, employers, and other vested parties that affordable housing is not only needed but that it is critical for the growth and well-being of any community.

What should a developer look for in a potential financing partner?

The track record is the most important thing. A complex transaction must have financing providers that are able to execute. Even when using HUD, Fannie, or Freddie, execution isn't a guarantee. The key is to find a financing provider that has worked and closed similar projects.

What differentiates financing providers?

I believe what sets financing providers apart is their ability to wisely leverage past experiences and relationships to solve issues that arise. We have a great deal of experience with almost all types of affordable housing financings. We've worked with clients to solve numerous issues, foreseen and unforeseen, that arise on almost all affordable housing transactions.

Workforce Housing: Follow the Money No Single Solution

https://www.builderonline.com/money/affordability/workforce-housing-follow-the-money_o

Special Report: Workforce Housing
Whether tapping into credits, tax reductions, or special employee incentives, reducing the financial burden on buyers calls for innovation and flexibility.

While approaches to workforce housing must vary by region and even by city, most successful projects stay in the black by tapping numerous funding sources and partnering with nonprofits and (less frequently) private enterprise. To get started sooner rather than later, you may want to work through organizations (such as local housing authorities) that can navigate the intricacies of funding and paperwork inherent in affordable housing projects. In some cases, city planners are taking the initiative, so don't miss your chance to jump in and make alliances.

TOOL 1: Strings Attached

Down-payment gift programs help cash-poor buyers purchase a home, but others wonder about the long-term cost to the housing market.

For builders who do entry-level or affordable product, down-payment gift programs can close the gap for buyers with steady incomes but little cash. The process typically works like this: A buyer qualifies to buy a home but falls short of the required down payment. He or she then goes to a down-payment assistance organization, the most well-known of which is the Nehemiah Program, which gives the buyer a grant (usually between $2,000 and $5,000) that is used as the down payment. The builder then makes a contribution in that amount plus a small service fee to the down-payment group, which then grants the money to another hopeful buyer.

It's an increasingly popular tool. According to HUD, 25.1 percent of FHA's 874,888 mortgage loans in 2002 involved gift assistance. While most down-payment help came from relatives, 9 percent of all FHA mortgages that year involved gift assistance from nonprofits.

But others question the wisdom of builders jumping on such a trend. "The whole thing is so circular," says Barbara Allen, an analyst with Natexis Bleichroeder in New York. "Mortgage rates are at 40-year lows. Why are you fooling around with this?"

HUD has raised questions too. Last year, its inspector general audited a sampling of mortgage loans involving nonprofit down-payment assistance and found that the default rate for Nehemiah-assisted loans was 19.39 percent -- double the default rate for loans that didn't involve Nehemiah. HUD is now doing a more detailed review of down-payment assistance programs.

The nonprofits defend their record, pointing to President Bush's own proposal to provide down-payment assistance to thousands of American families in an effort to boost minority homeownership.

"We feel the federal government has affirmed our business model," says Jon Cottin, executive director of the Homeownership Alliance of Nonprofit Downpayment Providers. "There is a public policy purpose in making it possible for people to own their own homes."

TOOL 2: Tap the Web

HUD Web site allows builders to share their experiences, good and bad, on regulations that affect the availability and affordability of housing.

Ever feel like you are reinventing the wheel? Perhaps you need a quick trip to www.regbarriers .org, HUD's interactive Web site designed to highlight solutions and barriers to housing availability and affordability. Its key feature: a searchable database that allows users to look up entries by location or by topic.

Click on a subject, and you'll soon see a collection of entries, complete with key points of each situation. Each record outlines both the challenges involved and the current response or a suggested solution. Those seeking more detail can follow a link that provides a longer description of the barriers as well as a downloadable pdf of any original source materials such as a study or a state plan. If you just want to see what people are talking about, check out "What's New," a page that brings up the 20 most frequently requested records.

So far, more than 1,600 barriers and solutions have been identified and proposed, according to HUD, but everyone hopes to collect many more, including the NAHB, which had been a strong advocate for gathering such data. "We think it's an excellent resource for builders and HBAs, giving them a place to share information, so that if people are having similar experiences with regulatory barriers around the country, they can share solutions," says the NAHB's Donna Reichle. Builders can also join an electronic mailing list to stay informed.

TOOL 3: Working With City Hall

With their backs to the wall, West Coast city planners have initiated some of the nation's most progressive housing policies.

San Francisco has one of the worst workforce housing problems in the nation, with a rental vacancy rate of 0.8 percent and a median-home sales price of about $525,000.

To address this growing crisis, the city's chamber of commerce has put together a multi-part plan, aimed at attracting new development and increasing the availability of units affordable to those making up to 120 percent of the area median income (AMI). Some of the plan's principles, which could be applied in other hard-pressed regions, are:

Aid developers. Develop and initiate an expedited review and permitting process, and waive fees for those offering a certain percentage of affordable units in a project. The chamber of commerce cites Austin, Texas, which waives water and wastewater recovery fees, along with development review and inspection fees. To qualify, projects must offer 40 percent of units to families making up to 80 percent of AMI. Chicago offers a $10,000 subsidy for each new home that is affordable up to 120 percent of AMI.

Soften parking rules. The city currently requires a parking spot for every new unit of housing. But in urban areas, this may be overkill. By reducing that requirement, estimates suggest a savings of $50,000 per unit.

Adjust transit zoning. San Francisco wants to make better use of transit-oriented development. Higher-density zoning near rail terminals allows lower-income people to travel without automobiles, raises developer profits, and reduces land requirements.

Encourage green building. By keeping energy costs low, moderate-income wage earners may qualify for higher mortgages and have less likelihood of default.

But Tom McIlwain, with the Urban Land Institute in Washington, notes that even the most progressive city plan may be undermined by local NIMBYism. "Neighborhood groups in most cities have a lot of say in what gets built in their community," he says. "City councilors often have a nice little agreement not to override each other."

To really make citywide planning work, he adds, "the process has to be restructured, so that the neighborhood only gets one bite at the apple [not repeated chances to make changes]."
TOOL 4: Mandatory Participation

Inclusionary zoning isn't a panacea, but it can deliver affordable housing to the workforce.

Inclusionary zoning is a political powder keg that's tied up state court systems for years, but it's still one of the best tools that governments have to deliver affordable housing to the workforce. Whether it works for builders is another story.

The goal of inclusionary zoning is to ensure that at least a portion of new community development is available to low- and moderate-income families. A typical zoning ordinance specifies that a minimum percentage of affordable units be provided in a residential development at a particular income level, generally defined as a percentage of the median income of an area.

In exchange for building the affordable units, builders are usually allowed to extend the densities on projects. Some programs even let builders make alternative agreements in which they would forgo the affordable housing requirements but make cash payments that would go to the construction of affordable housing elsewhere in the community.

Here's how it works in Montgomery County, Md.: Under the county's Moderately Priced Dwelling Unit (MPDU) program, for projects of 35 units or more on land zoned for one-half acre or smaller, builders must set aside 12.5 percent to 15 percent for affordable units. Developers who agree to build the MPDUs can increase the density of the project up to 22 percent. Alternative agreements are also permitted. The county's MPDU program was one of the first inclusionary zoning programs in the nation and is credited for building more than 11,000 affordable units since 1974.

The MPDUs are available to people with incomes of slightly more than 60 percent of the median income. In Montgomery County, the median income for a family of four is $84,500, so the MPDUs are available to a family of four earning less than $52,000. The MPDUs include both condos and townhomes. The condos start in the low $90,000s, and the townhomes start at $110,000.
Inclusionary Zoning Blueprint

Here are the elements of a typical inclusionary zoning program. This list is based on programs adopted in California, primarily in the San Francisco and Southern California areas where housing costs are high:

Most programs are mandatory -- not voluntary.

Majority require 10 percent to 15 percent of new residential units to be affordable.

Minimum project size is 10 units.

Most do not require affordable units and market units to be identical -- just similar in outward appearance.

Most require that the affordable units be spread throughout the development.

Most permit the developer to pay a fee in lieu of building affordable units, ranging from $600 to $36,000 per unit.

Nearly all programs provide for both low- and moderate-income people, and about 50 percent require units for very low-income households (50 percent of median income).

Most require restrictions on price to remain for 30 years. Source: The Center for Housing Policy
TOOL 5: Corporate Inroads

New programs allow corporations to lend a hand in providing affordable housing for their workers -- at the same time increasing employee retention.

One of the highest priorities businesses -- especially smaller, more tightly run companies -- consider when choosing a location is the availability of a reliable labor force. According to Fannie Mae's H. Beth Marcus, director of the National Community Lending Center in Washington, they may simply look elsewhere if there is no pool of employees living near the proposed location.

But Marcus argues that new lending programs such as Fannie Mae's Employer Assisted Housing (EAH) Initiative can reverse this situation -- and that builders could actually get in on the ground level, swinging development deals with companies looking to relocate.

"We provide free technical help to employers as they try to initiate the program," says Marcus. "So far, we've helped about 320 employers develop programs to help people get into homes."

Instead of (or in addition to) a traditional 401(k) benefit program, EAH employers offer a special housing incentive to employees, which typically includes a forgivable down-payment loan of about 7 percent of the median price of a home in the area. The hook: The amount of the loan forgiven increases each year until the debt vanishes after five years. This formula encourages employee retention and creates equity wealth.

The breakdown of companies using EAH includes 25 percent in the health care industry, especially nursing. But food processing plants, universities, banks, and even cities also have adopted EAH incentives. Marcus believes savvy home builders could benefit by becoming advocates for the program, especially in struggling economic areas. EAH offers a way to bring new businesses to town, by tailoring planned development projects to a specific business and building close to the location of the new company.

TOOL 6: Hope for Homeownership

A homeownership tax credit could stimulate single-family housing for the workforce, but it may have to wait until domestic issues are once again on the front burner.

Getting a homeownership tax credit passed may take a few more months, or even another year or two, but it looks like builders can look forward to the measure as at least one way to deliver workforce housing.

The homeownership tax credit would give builders a tax credit of up to 50 percent of the cost of new construction or rehabilitation. The tax credit seeks to stimulate the production of affordable homes in distressed communities for low- and moderate-income households earning roughly less than 80 percent of a metro area's median income.

The program was included in the Bush administration's fiscal 2004 budget and has bipartisan support in both houses of Congress. On the house side, Congressmen Rob Portman (R-Ohio) and Ben Cardin (D-Md.) have introduced legislation, and Sen. Gordon Smith (R-Ore.) introduced a Senate-side bill.

Efforts to have the homeownership tax credit included as part of the Bush economic stimulus program were unsuccessful. The hope among housing groups is that the bill has enough support to get passed once the country focuses on domestic rather than international issues once again. For progress on the homeownership tax credit, visit NAHB's Web site at www.nahb.org.

TOOL 7: Join Forces

In this resort town, builders worked with a major employer to create employee housing.

In high cost-of-living areas with a shortage of affordable housing, builders can team up with a major employer to build employee housing. Such ventures can result in thousands of new dwelling units.

Colorado's Vail Resorts develops and operates destination resorts. It sometimes builds its own projects, but it also works with other general contractors. Over the past six years, Vail Resorts also has developed $56 million of employee housing.

Vail Resorts Development Co. is wholly owned by Avon, Colo.-based Vail Resorts, owner of not only Vail but also Breckenridge, Keystone, Beaver Creek, Bachelor Gulch, and Arrowhead resorts. In the early '90s, the company realized there was an "acute housing affordability" problem for its 3,000 to 3,500 employees, says Jack Lewis, director of development. Lewis estimates that many resort employees are at 30 percent to 50 percent of the area's $80,000-plus median income, with ski-lift operators, for example, starting at around $10 an hour.

But orchestrating an affordable housing solution was not easy. Strong resistance from well-to-do homeowners greeted the company's first employee housing proposal, although it's unclear what the affluent residents opposed. River Edge, the first Vail Resorts housing development, finally opened in the summer of 1998. Its success made subsequent employee housing easier to develop, and the company has since added another 1,000 affordable rental apartments, each housing three to four employees, and 500 for-sale units.

The company reports that it has a total of 1,300 "beds" for employees in Eagle County (Vail and Beaver Creek) and another 1,700 in Summit County (Breckenridge and Keystone). An additional 500 seasonal "beds" in attractive facilities serve employees who work only the November to April ski season. Corum Real Estate manages the rental properties for the resort company.

Lewis says Vail Resorts has been directly involved in all of its employee housing projects as investor, supporter, or purchaser.

Typical of the housing is the $21 million Breckenridge Terrace, a 180-unit, one-, two-, and three-bedroom apartment project on 10 acres in Breckenridge. Rents range from $750 to $1,150 a month.
Sweet Sleep

Vail Resort's Breckenridge Employee Housing

Breckenridge Terrace Apartments:

One-, two-, and three-bedroom apartments: Rents range from $750 to $1,150 a month. Offers the only long-term employee housing in all of Vail Resorts. Offsite (other than Breckenridge Terrace):

Units spread out around Breckenridge, located in different condominium complexes.

The number of people to a unit ranges from three to four, depending on the number of bedrooms.

Each unit has a common living area, a full kitchen containing a refrigerator, range/stove, dishwasher, and garbage disposal.

The units are furnished, though sparely, and the beds in each unit are twin-sized.
TOOL 8: Seek Trust Funds

Look to build housing using municipal and state sponsored trust funds.
Housing Funded

Housing trust funds are distinct permanent funds established by cities, counties, and states that dedicate revenue to support, produce, and preserve affordable housing.

Of the 257-plus U.S. housing trust funds, 36 are state funds with the rest in cities and counties.

The funds spend more than $500 million annually on affordable housing; the amount spent increases yearly.

On average, for every $1 committed to a housing project by a housing trust fund, another $5 to $10 is leveraged in other public and private resources.

Hundreds of thousands of housing units have been supported through housing trust funds.

Areas surrounding trust funded projects have documented increased jobs, growing sales taxes, higher property tax revenues, and many other economic benefits.
Source: The Housing Trust Fund Project of the Center for Community Change for the National Housing Trust Fund Campaign

For-profit builders have yet to take advantage of the opportunities to build affordable housing using the more than 257 Housing Trust Funds. To find them, look to your state -- 36 are state funds, others are in counties or cities.

Trust funds typically dedicate a source of public revenue (more than 40 types of revenue sources exist, from stamp taxes to hotel/entertainment sales taxes) to produce and preserve affordable housing. An exception is Los Angeles which has, says attorney and Housing Trust Fund expert John C. "Chris" Funk, funded its trust from general funds thus far.

Funk, a partner with Weston Benshoof Rochefort Rubalcava and MacCuish, says Los Angeles' fund targets housing for those making 50 percent to 120 percent of the area median income of $55,000.

Funds tend to be catalysts in that each trust-fund dollar may be leveraged with five to 10 public/private dollars from various other sources. Moreover, the new housing spurs documented job growth and higher sales and property tax revenues. Mary Brooks, in Frazier Park, Calif., is director of The Housing Trust Fund Project for the Center for Community Change, the only national source of technical assistance on housing trust funds.

Each fund establishes its own participation requirements, Brooks says. Staff already managing other housing programs typically administer the funds, often under the guidance of an advisory board, and most welcome for-profit builder participation.
TOOL 9: Parnter With Nonprofits

Leverage your strengths with the know-how of a skilled nonprofit agency or development corporation.

For builders and developers wary of the red tape and paperwork that often accompanies affordable housing projects, partnering with a nonprofit entity enables both parties to leverage their individual strengths toward a collaborative goal. Though each project is unique in its specific structure, nonprofits generally have more experience with various local, state, and federal funding programs, political and community resistance, and other processes that either impede or encourage low-income housing.

Meanwhile, for-profit builders may offer planning and construction management expertise, consulting and training services to the nonprofit staff (called "capacity building"), and private funding sources.

Comparing Affordable Housing Development Strategies

"I wish I could say there was one formula [for such partnerships], but there are so many variables involved," says Jim Ferris, executive director of Housing Resources Group (HRG), Seattle's largest nonprofit affordable housing developer. "We look for a common set of goals [with a for-profit partner], both financially and for the community."

A recent HRG project in downtown Seattle exemplifies a successful profit/nonprofit collaboration. Stewart Court, completed in 2002, is a $12.9 million mixed-use project of 65 studio and one-bedroom rental apartments available to those making between 50 percent and 60 percent of the area's median income. HRG partnered with Clise Properties to pull one master permit for Stewart Court and an adjacent commercial project, gaining zoning and tax credit incentives for Clise Properties, while helping secure a variety of funding sources for the residential portion. "Clise didn't see affordable housing as a negative, but actually as a boost to its project's marketability," says Ferris.

In Flint, Mich., the Rosewood Housing Development Corp. (RHDC) collaborated with several agencies and private entities to build Rosewood Park Apartments, a 120-unit project of rental duplex apartments in nearby Mt. Morris, Mich., for families earning 50 percent or less than the area median. "As a nonprofit, we are able to access 'soft' money, such as grants and similar sources, that a private builder cannot," says Patricia Motter, RHDC president and also CEO of Shelter of Flint, a related, yet separate nonprofit development corporation. "It creates an attractive financing package to enable affordable housing."

During the 1990s, HUD commissioned four development entities to work in 50 urban areas toward developing systems and solutions for affordable housing. Among the results is a free guidebook, Building Public-Private Partnerships to Develop Affordable Housing, which provides an overview of the three-year, $4 million initiative, offers several partnership models, and profiles case studies for all 50 markets involved.
Types of Partnerships

HUD's three-year Public/Private Partnership program in the mid-1990s identified a few common collaborations.

Affordable housing task force. Though not the ultimate workforce housing provider, a task force attracts public attention to the issue, coordinates public policy incentives, provokes strategic planning, and gains private development support.

Operating-support collaborative. Brings public and private support together to provide core support funds to community development corporations (CDCs) and enhances administrative capacity.

Developer partnerships. With the ultimate goal of developing workforce housing, the CDC or nonprofit works through the public-sector red tape of tax credits and funding, while the for-profit seeks private/commercial financing, angles for favorable zoning or approvals, bargain-sells or donates land, offers design and construction management expertise, and may share ownership or management of the finished project.

Program-based partnerships. Formed primarily to finance workforce housing projects by managing pools of public and private funding sources. For-profits may also eventually provide operating support, capacity-building training, and technical assistance to the CDC partner.

Public sector partnerships. The for-profit acts as an intermediary between the CDC and local government to improve its system for supporting workforce housing and relate better to CDCs in the market. Source: Building Public-Private Partnerships to Develop Affordable Housing, HUD