

Housing Affordability in the Context of Mixed Use Development

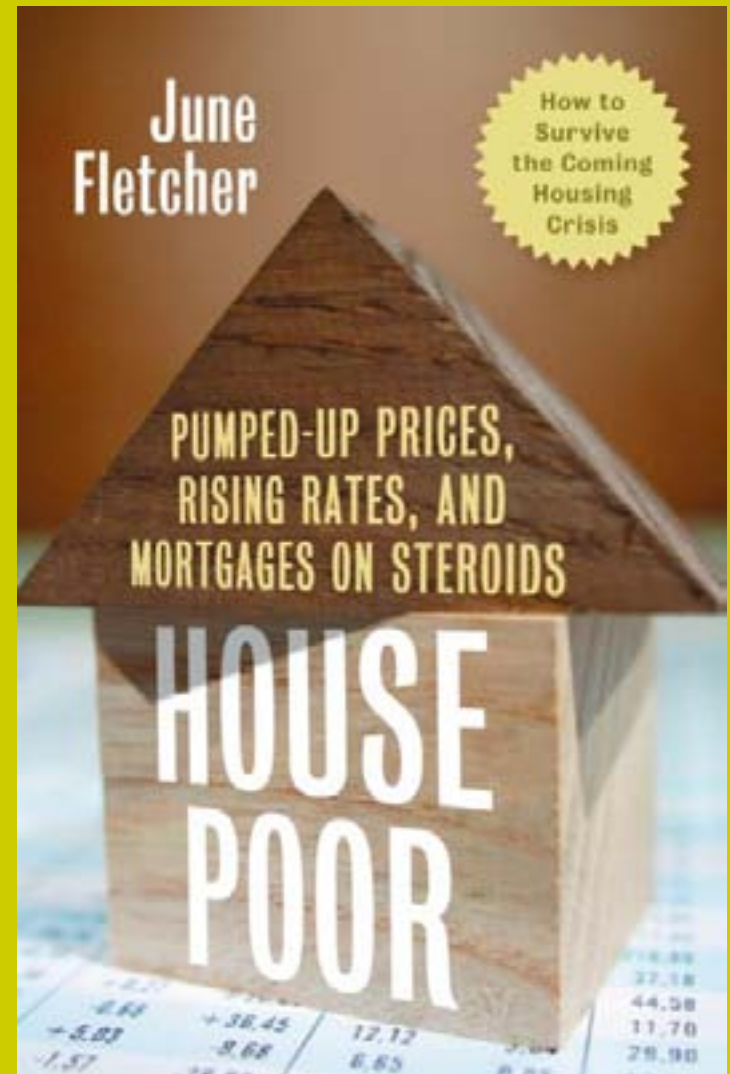
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Background

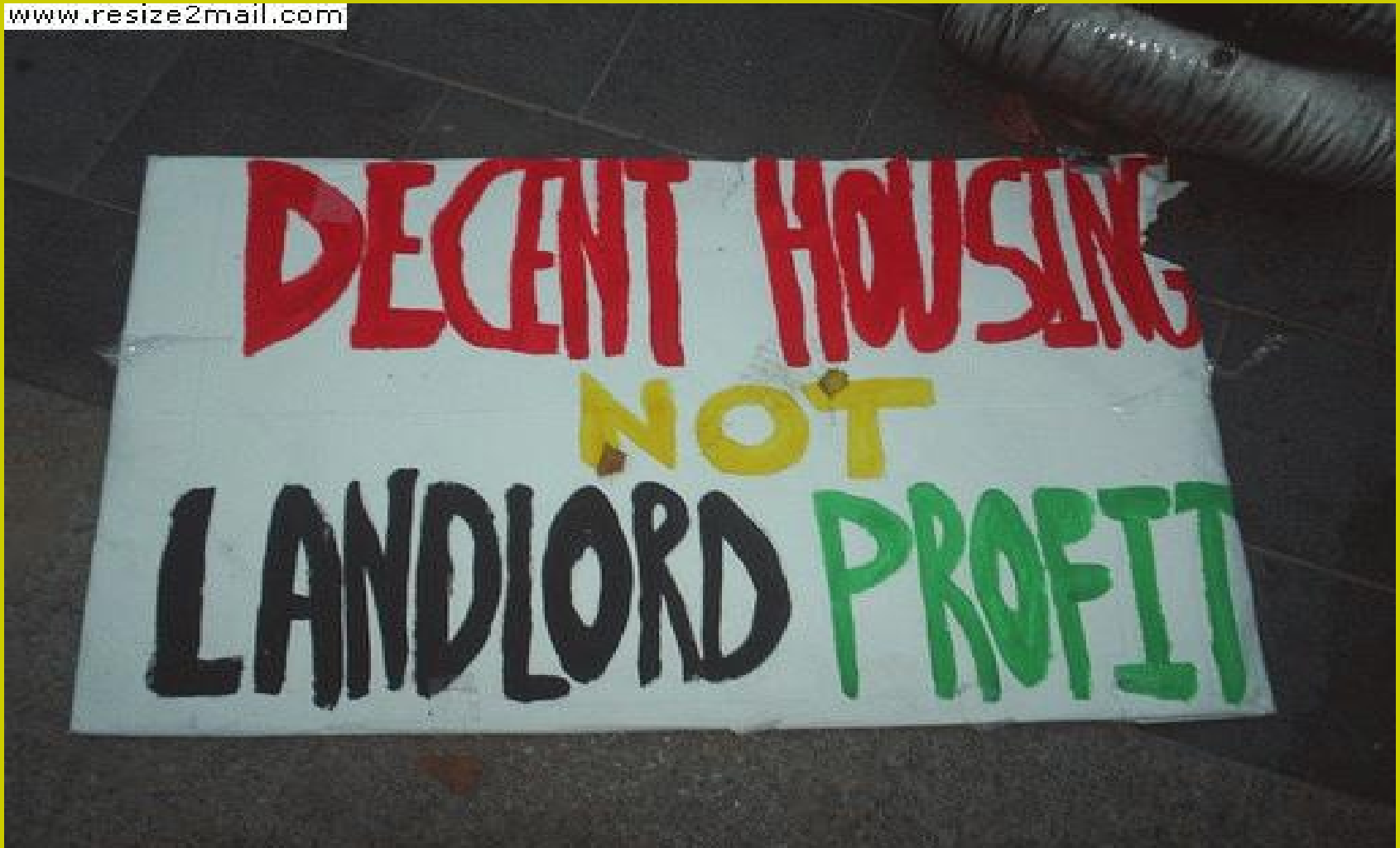
- We have always had a “housing crisis” according to many liberal arts majors, more so in some markets than others.
- Regulation on size and density create much of the affordability problem.
- Most current inclusionary programs simply create short term windfall benefits to recipients, to be illustrated.
- New programs like the New Markets Tax Credits or the allocation of more density (units) have some potential as well as local tax credits and rebates.
- Success stories do exist.

The Housing Crisis: Real or Illusionary?



The Housing Crisis: Students in San Diego Protest: Obviously Not from the Business School

www.resize2mail.com

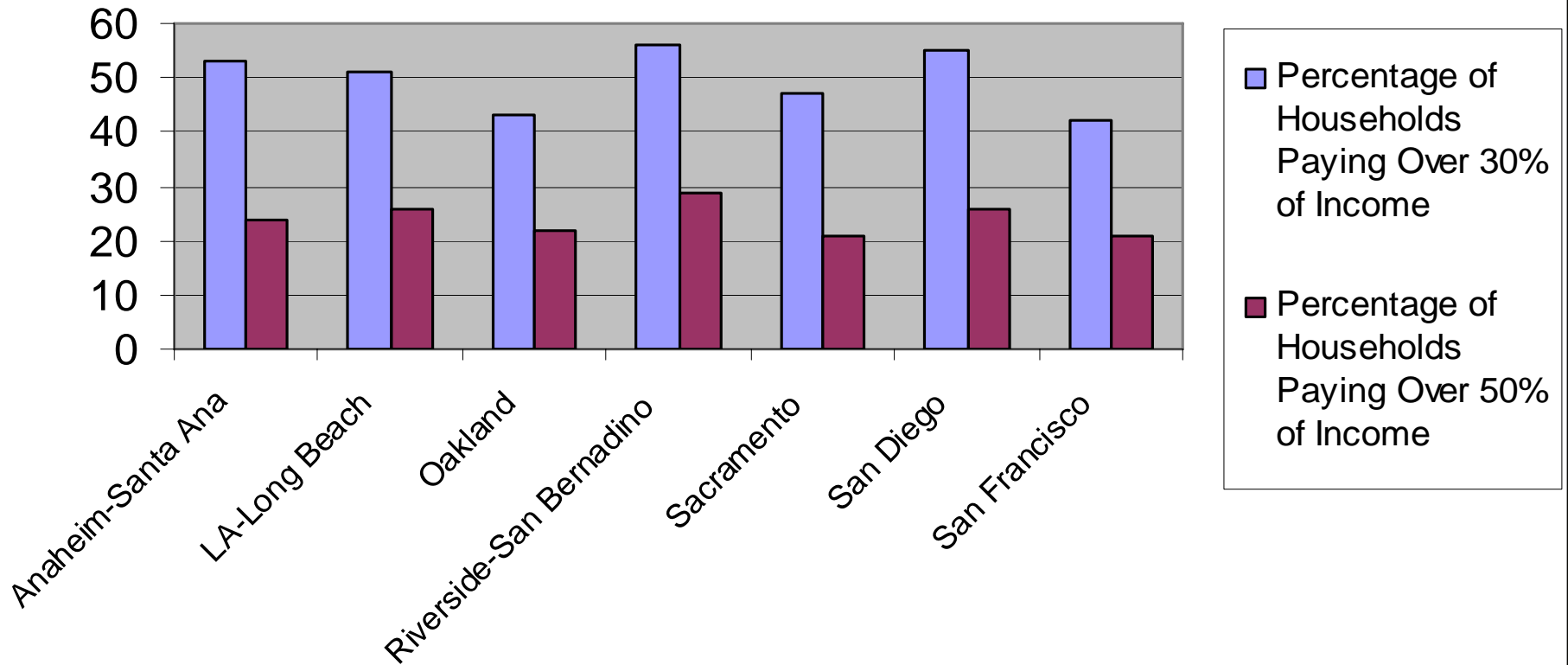


Typical Affordability Criteria

- Rents are too high compared to the typical household's income or
- Prices are too high to buy for the median income family.
- I.e. these typical criteria are shown in the next two slides for one of the least affordable markets in the US.

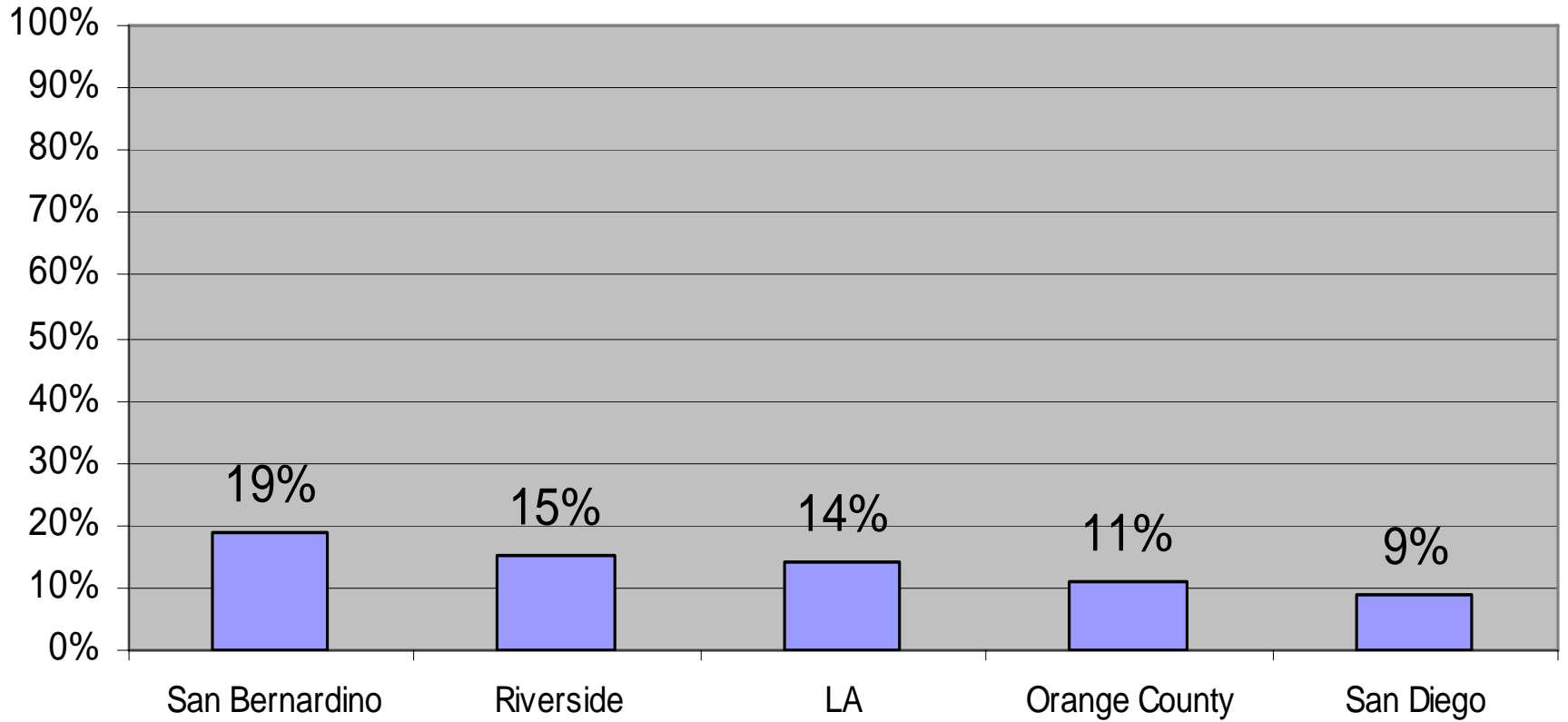
Rent as a Percentage of Income

Typical Criteria for Affordability



Typical Housing Affordability Index based on the Percentage of Homeowners Who Can Afford a Median Priced Home

Uses household income and does not consider wealth!



But what is typical has changed over time and varies around the world.

- Ave US Home in 1960 1600 Sq ft
- Ave US Home in 2006 2300 Sq ft or 220 Sq Mtrs

Or Should We Use?

- Median Unit Living Size Per Person in China? 220 Sq Ft or 530-800 Sq Ft Per household
- Median Unit Size in Singapore? 650-850 Sq ft
- Median Unit Size in Russia? 430 Sq ft
- If we permitted smaller housing units very few cities would have a housing affordability crisis, maybe only a housing aspiration problem.

Typical Inclusionary Strategies Are Not Very Effective

- I.e. 10% or 20% of the units must be “affordable” based on 40% of the average income in the area.
- The results using the 10% inclusion rule:
 - Prices will need to be about 50% less .
 - Units get worst locations
 - Units are often sold to insiders, i.e. single young relatives and friends
 - Non-affordable units will cost about 5% more
 - Works in a strong market with constrained supply in the sense that higher prices are possible.
 - Effects are temporary

Affordable Housing Impact Fees

- Fees are charged all types of developments, i.e. from Cape Cod
- Offices: \$1.25 psf
- Medical: \$ \$1.75 psf
- Retail: \$1.75 psf
- Restaurants: \$2.25 psf
- Warehouses: \$.30 to .50 psf
- The money is channeled into workforce housing.

New Market Tax Credits

- Largest new program in 30 years
- \$8 B in 2003-2005 (no state or local gov priority except low income)
- \$3.5 B in 2006 and again in 2007
- Application process is competitive with a 1 in 5 success rate for certified community development entities or banks.
- Tax credits are allocated over 7 years and total 39% of the actual investment.

New Market Tax Credits

- Ideal team seems to be a non-profit community agency partnering with a taxable private side investment group.
- Many examples, i.e. San Diego former aerospace factory converted to a commercial center with a supermarket (the first in 30 years in that neighborhood) based on \$15 M in Tax Credits.

Bonus Density Strategies

- Increased density is allowed in exchange for the inclusion of affordable housing, i.e. Frederick, Maryland a 140 acre (PUD) development known as Linton Farm.
- Original proposal was for 660 units but the bonus density was approved at 763 units. The cost per lot went down from \$151,570 to \$131,109 with 5.45 units per acre from 4.71 before. Some smaller units were permitted making the units more affordable and these were slightly discounted. At the same time other prices were raised slightly.

Success Stories: Linton Farm

	Original	With Bonus Density
Number of Units	660	763
Average Sales Price	\$216,907	\$214,769
Gross Revenue	\$138,349,327	\$153,011,464
Net Income Expected	\$24,273,182	\$39,055,650

Next slides for reference only

- **Organizations With Additional Resources on Housing**

- 1. The National Association of Home Builders see www.nahb.org
- 2. The National Housing Institute see www.nhi.org
- The National Housing Institute is an independent nonprofit organization that examines the issues causing the crisis in housing and community in America. NHI examines the key issues affecting affordable housing and community development practitioners and their supporters. These issues include housing, jobs, safety, and education, with an emphasis on housing and economic development, as well as poverty and racism.
- 3. HUD and HUD Resources see www.hud.gov
- Federal law prohibits housing discrimination based on your race, color, national origin, religion, sex, family status, or disability. If you have been trying to buy or rent a home or apartment and you believe your rights have been violated, you can file a fair housing complaint.
- 4. Fair Housing Guidelines from HUD see www.hud.gov/fhefhag.html
- 5. The National Low Income Housing Coalition see www.nlihc.org/
- Established in 1974, the National Low Income Housing Coalition/LIHIS claims it is the “only national organization dedicated solely to ending America's affordable housing crisis.”
- 6. The National Association of Housing and Redevelopment Officials is found at <http://www.nahro.org/about/index.html>
- The NAHRO is comprised of 9,500 different housing agencies providing resources and training in the provision of affordable housing.
- 7. The Multi-Housing Research Council found at <http://www.nmhc.org/http://www.nmhc.org/>
- 8. The Multifamily Housing Institute found at at <http://www.multifamily.org/>
- The Multifamily Housing Institute, based in Washington, D.C., is a non-profit research and educational organization whose members are dedicated to assuring a liquid, stable financing and capital market for multifamily housing, including affordable housing. Founded in 1993, the Institute became affiliated with the Urban Land Institute in 1996. See also www.uli.org

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Top U.S. MSA/PMSA Ratio of Median Single Family Price To Annual Rent

