

# Affordable Housing in Maine

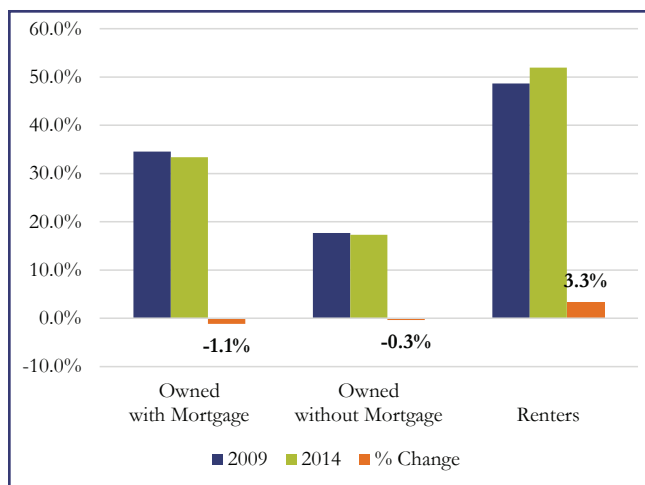


HELPING MAINERS RENT, BUY & HEAT THEIR HOMES SINCE 1969

## What is Affordable Housing?

Housing is considered “affordable” if the household spends no more than 30% of its income on housing-related costs (mortgage or rent, utilities, taxes, insurance, and maintenance). Keeping these costs under 30% of income allows the household enough money to cover other expenses, such as healthcare, food, education, and transportation. A household spending more than 30% of its income on housing is considered to be cost burdened.

### Cost Burden Change

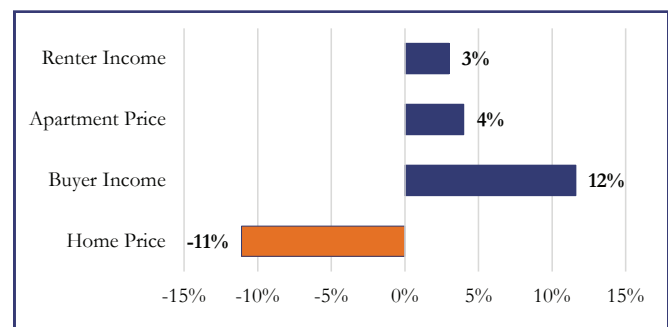


Source: US Census, Table DP04: Selected Housing Statistics, ACS 5 Year, 2009 & 2014

From 2009 to 2014, the number of cost burdened households increased overall by 2.9% or 5,163 households, from 178,300 to 183,463.

However, this is the result of 9,708 more renter households that are cost burdened offset by 4,545 fewer cost-burdened owner households. The cost burden is increasing for renters.

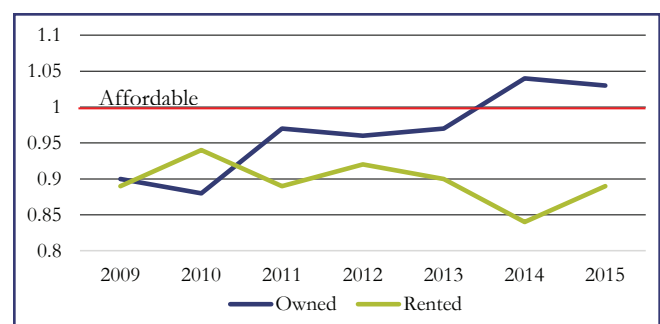
### Income and Price Change by Tenure



Source: US Census, MaineHousing

The relationship between household income and housing price is the most significant factor influencing affordability. Between 2009-2014, home prices dropped a net 11% while the incomes increased 12% for homeowners. For renters, apartment prices grew faster than income.

### Affordability Index



Source: MaineHousing

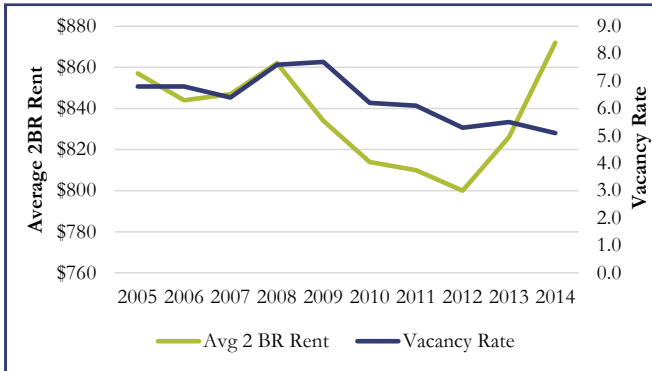
MaineHousing’s Affordability Index monitors housing affordability. The homeownership index is based on the ratio of home price affordable at median income to median home price. For renting, it’s the ratio of rent affordable at median income to average two-bedroom rent. An index at or above 1 indicates home buying or renting is affordable. Statewide homeownership became affordable in 2014 except in the counties of Cumberland, Hancock, and York. Renting remains unaffordable throughout Maine.

To view **MaineHousing’s Affordability Index**, visit [www.mainehousing.org](http://www.mainehousing.org) and select “policy and research,” and then select “housing facts.”

# Housing Inventory and Affordability

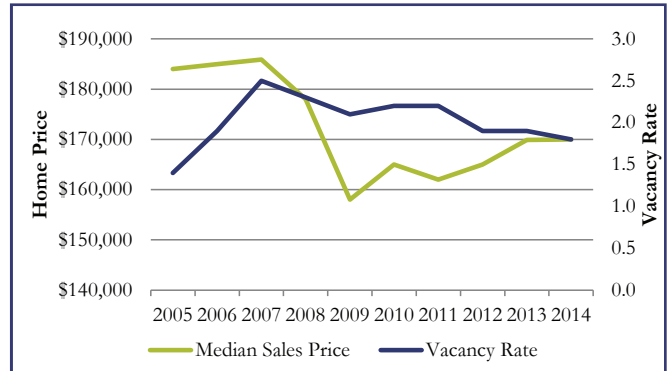
A variable to consider when assessing affordability is vacancy rates or inventory available for sale or rent. The relationship between inventory and housing price is generally negative; as inventories decrease prices increase. With homeownership that's not always the case. For a while at least, inventories will rise with price making owning a home less affordable. This relationship seems contradictory but with all else the same, rising house prices will draw homeowners into the market and, temporarily at least, increase inventory. But when inventories fall due to sales, prices go up. With renting, as demand for rental housing increases and supply dwindles, it becomes less affordable.

## Renting



Source: US Census, Table 25063, ACS 5 Year, 2009 & 2014

## Homeownership

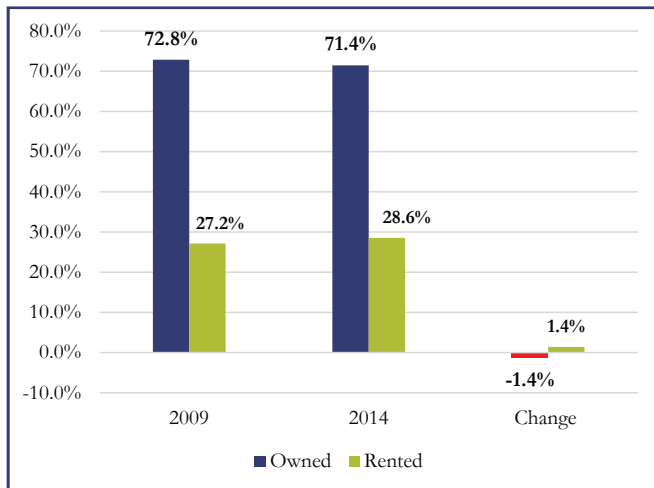


Source: US Census, Table DP04: Selected Housing Statistics, ACS 5 Year, 2009 & 2014

## The Shift to Renting

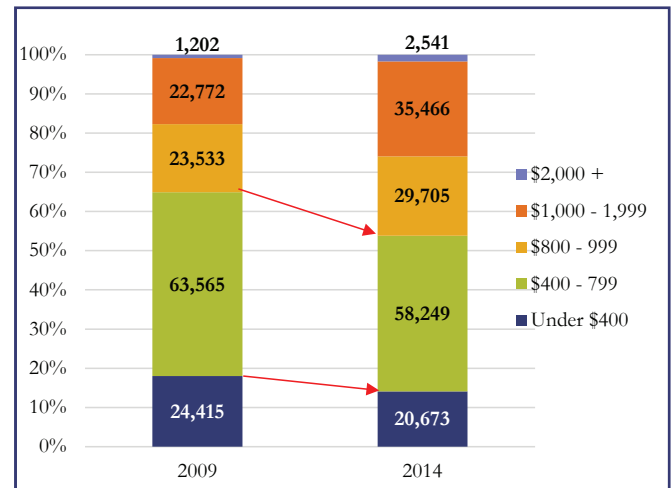
The 2000 and 2010 Census data, along with the recent American Community Survey numbers, reveal a shift in preference to renting. Maine's rental inventory is insufficient to meet new demand and as a result, rental prices are rising with no slowdown in sight. The number of low rent units is diminishing.

### Shift to Renting



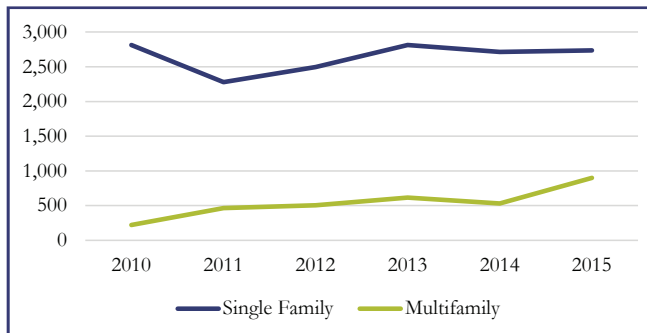
Source: US Census, Table DP04: Selected Housing Statistics, ACS 5 Year, 2009 & 2014

### Fewer Low-Cost Rentals Available



Source: US Census, Table B25063, ACS 5 Year, 2009 & 2014

## Recovery Permitting



The market has responded in recent years but not enough to meet demand. Since the end of the recession in 2009, permits for multifamily housing units have increased while those for single family units have been flat or declining. This has occurred in Maine and throughout the Northeast.

There are 9,058 fewer rentals in the less than \$400-\$800 range, and 20,205 more in the \$800 and higher range.

Source: US Census, Table 2: New Privately Owned Housing Units Authorized (unadjusted)

# MaineHousing's Role

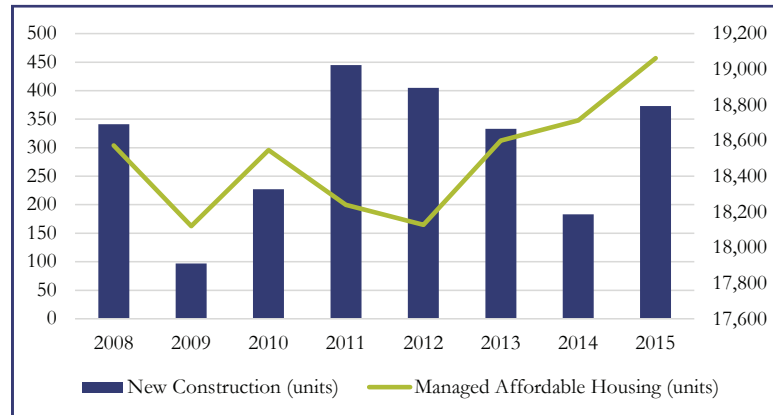
MaineHousing plays an important role in helping Maine residents in need of affordable housing by increasing the supply, quality, and stability of affordable housing. Also, we provide the needed leadership for the state's affordable housing development effort. On average, MaineHousing touches the lives of people living in 23,000 housing units a year through construction, preservation, rental assistance, home ownership, and homeless initiatives.

## Supply

Adding to the supply of affordable rental and owned housing is critical. MaineHousing's Development and Asset Management departments work to construct affordable multifamily housing and then manage and preserve it. Since 2009, MaineHousing has built 2,063 affordable rental housing units for Maine's seniors, working families, and those needing support. In fact, MaineHousing builds an estimated 39% of total multifamily units permitted in the state each year.

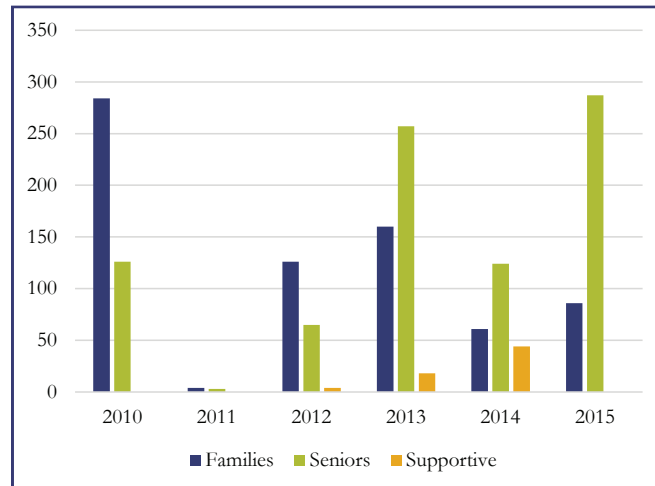
In response to the growing shortage of affordable senior housing, MaineHousing has increased the development of affordable senior housing units. Since 2013, 64% or 668 out of 1,037 of the units MaineHousing completed were for seniors.

### New and Maintained Affordable Housing Units



Source: MaineHousing

### Households Served by Community (units)

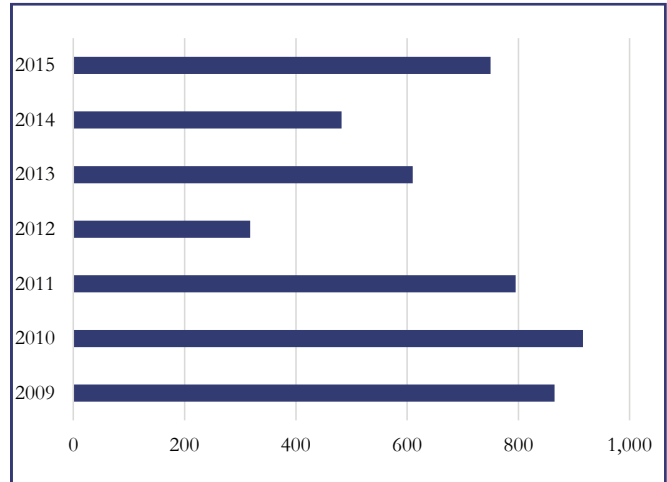


Source: MaineHousing

## Homeownership

MaineHousing also works to bridge the financial gap some face trying to buy their first home by offering lower-than-market interest rates, down payment and closing cost assistance incentives. Since 2009, MaineHousing's Homeownership Department has helped nearly 5,000 first time home buyers realize their dream, an average of 677 homes annually.

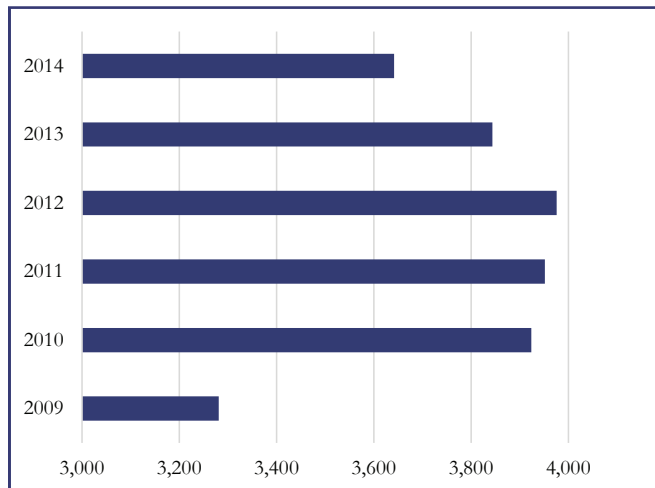
## First Time Homebuyers



Source: MaineHousing

## Affordability and Stability

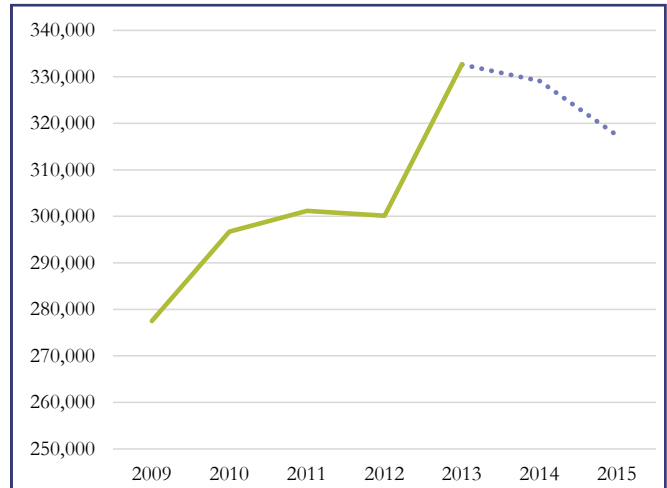
### HCV Program Participants



Source: MaineHousing

In addition to construction and preservation of existing affordable rental units and providing loans to first time homebuyers, MaineHousing's Housing Choice Voucher Program provides rental assistance to those in need through Section 8 rental assistance vouchers. This assistance is important given the tight rental market and increasing rents. In fact, the number of households served increased as the worst effects of the recession were being felt. In 2014 federal budget sequestration reduced funding for the HCV program resulting in a reduction of rental assistance.

### Shelter Bednights



Source: MaineHousing

People who are homeless are perhaps most vulnerable to the health risks often associated with a lack of stable housing. MaineHousing's Homeless Initiatives Department works to assist Maine's network of shelters. Programs combine rental housing assistance and support with temporary housing and a path to permanent housing and stability. As a result, homeless bednights statewide have been reduced by 15,295 since 2013, from 332,667 to 317,372, and that's resulted in an estimated cost savings of \$1.1 million. In the same period, the average length of stay statewide was reduced by 26 nights.

### Waiting Lists:

As of August 2016, an estimated 12,000 lower-income households are on waiting lists for Section 8 Housing Choice Vouchers.

**For more information about MaineHousing programs, please contact us at:**

Maine State Housing Authority  
 353 Water Street | Augusta, Maine 04330-4633  
 207-626-4600 | 800-452-4668 | Maine Relay 711 | Fax 207-626-4678  
[www.mainehousing.org](http://www.mainehousing.org)



August 2016

## 2016 Housing Facts and Affordability Index for York County

### Homeownership Affordability Index

	Year	Index	Median Home Price <sup>1</sup>	Median Income <sup>2</sup>	Income Needed to Afford Median Home Price	Home Price Affordable to Median Income
York County	2012	0.94	\$205,000	\$52,860	\$56,482	\$191,853
	2013	0.91	\$210,000	\$54,180	\$59,666	\$190,693
	2014	1.07	\$204,100	\$61,083	\$57,045	\$218,544
	2015	0.98	\$215,000	\$58,311	\$59,503	\$210,693
	2016	0.93	\$228,900	\$60,271	\$64,542	\$213,754
Ogunquit		0.58	\$432,500	\$64,890	\$112,327	\$249,850
York		0.71	\$369,500	\$70,542	\$99,845	\$261,058
Biddeford		0.71	\$207,450	\$44,369	\$62,585	\$147,069
Kennebunkport		0.71	\$446,950	\$82,424	\$115,872	\$317,931
Old Orchard Beach		0.74	\$215,500	\$45,579	\$61,768	\$159,018
Kittery		0.75	\$302,875	\$65,268	\$87,055	\$227,074
Saco		0.82	\$236,500	\$57,329	\$69,809	\$194,219
Newfield		0.84	\$159,000	\$36,645	\$43,475	\$134,020
Wells		0.91	\$248,200	\$60,020	\$66,004	\$225,699
York County		0.93	\$228,900	\$60,271	\$64,542	\$213,754
Kennebunk		0.94	\$287,850	\$76,059	\$81,333	\$269,183
Acton		0.94	\$223,000	\$57,885	\$61,461	\$210,026
Berwick		0.96	\$230,000	\$64,442	\$67,466	\$219,691
Buxton		0.96	\$230,000	\$61,549	\$63,792	\$221,911
Maine		0.97	\$184,000	\$50,990	\$52,545	\$178,552
Alfred		0.98	\$219,000	\$60,675	\$61,954	\$214,479
Sanford		0.98	\$153,950	\$46,910	\$47,771	\$151,175
Eliot		0.98	\$298,262	\$82,400	\$83,897	\$292,939
Cornish		0.99	\$146,450	\$40,948	\$41,173	\$145,651
Parsonsfield		1.00	\$143,000	\$41,094	\$41,063	\$143,108
Lebanon		1.04	\$200,000	\$59,429	\$57,043	\$208,365
Arundel		1.05	\$251,575	\$74,831	\$71,394	\$263,687
Limington		1.08	\$190,000	\$55,844	\$51,477	\$206,120
Hollis		1.09	\$213,250	\$63,743	\$58,233	\$233,429
North Berwick		1.11	\$222,600	\$68,017	\$61,541	\$246,023
South Berwick		1.11	\$239,950	\$78,876	\$70,837	\$267,181
Lyman		1.14	\$224,500	\$70,202	\$61,826	\$254,915
Shapleigh		1.14	\$179,900	\$55,308	\$48,557	\$204,911
Dayton		1.21	\$236,000	\$85,714	\$70,920	\$285,230
Limerick		1.23	\$165,250	\$57,565	\$46,689	\$203,743
Waterboro		1.38	\$160,000	\$62,366	\$45,115	\$221,183

The Homeownership Affordability Index is the ratio of Home Price Affordable at Median Income to Median Home Price. An index of less than 1 means the area is generally unaffordable - i.e., a household earning area median income could not cover the payment on a median priced home (30 year mortgage, taxes and insurance) using no more than 28% of gross income.

## 2016 Housing Facts and Affordability Index for York County

### Households Unable to Afford Median Home

<u>Location</u>	<u>Households Unable to Afford Median Home</u>		<u>Total Households</u>	<u>Median Home Price<sup>1</sup></u>	<u>Income Needed to Afford Median Home</u>	
	<u>Percent</u>	<u>Number</u>			<u>Annual</u>	<u>Hourly</u>
Ogunquit	65.4%	291	445	\$432,500	\$112,327	\$54.00
York	64.8%	3,673	5,669	\$369,500	\$99,845	\$48.00
Kittery	64.8%	2,909	4,492	\$302,875	\$87,055	\$41.85
Biddeford	63.4%	5,495	8,667	\$207,450	\$62,585	\$30.09
Old Orchard Beach	63.4%	2,973	4,689	\$215,500	\$61,768	\$29.70
Saco	63.1%	5,077	8,049	\$236,500	\$69,809	\$33.56
Wells	60.5%	2,603	4,300	\$248,200	\$66,004	\$31.73
Kennebunkport	59.9%	971	1,620	\$446,950	\$115,872	\$55.71
Berwick	59.0%	1,705	2,888	\$230,000	\$67,466	\$32.44
Newfield	57.9%	382	661	\$159,000	\$43,475	\$20.90
York County	53.8%	45,241	84,098	\$228,900	\$64,542	\$31.03
Acton	53.6%	589	1,098	\$223,000	\$61,461	\$29.55
Kennebunk	53.3%	2,705	5,077	\$287,850	\$81,333	\$39.10
Maine	52.5%	296,838	564,989	\$184,000	\$52,545	\$25.26
Buxton	51.9%	1,660	3,199	\$230,000	\$63,792	\$30.67
Eliot	51.2%	1,318	2,576	\$298,262	\$83,897	\$40.34
Alfred	51.1%	636	1,244	\$219,000	\$61,954	\$29.79
Sanford	50.8%	4,375	8,620	\$153,950	\$47,771	\$22.97
Cornish	50.2%	328	653	\$146,450	\$41,173	\$19.79
Arundel	50.1%	806	1,608	\$251,575	\$71,394	\$34.32
Parsonsfield	50.0%	422	844	\$143,000	\$41,063	\$19.74
Lebanon	48.0%	1,080	2,248	\$200,000	\$57,043	\$27.42
South Berwick	47.3%	1,329	2,809	\$239,950	\$70,837	\$34.06
Limington	46.2%	682	1,477	\$190,000	\$51,477	\$24.75
Hollis	45.4%	766	1,687	\$213,250	\$58,233	\$28.00
North Berwick	44.9%	808	1,802	\$222,600	\$61,541	\$29.59
Lyman	44.3%	770	1,738	\$224,500	\$61,826	\$29.72
Shapleigh	42.9%	472	1,100	\$179,900	\$48,557	\$23.34
Dayton	42.1%	320	760	\$236,000	\$70,920	\$34.10
Limerick	38.6%	438	1,134	\$165,250	\$46,689	\$22.45
Waterboro	34.2%	1,005	2,944	\$160,000	\$45,115	\$21.69

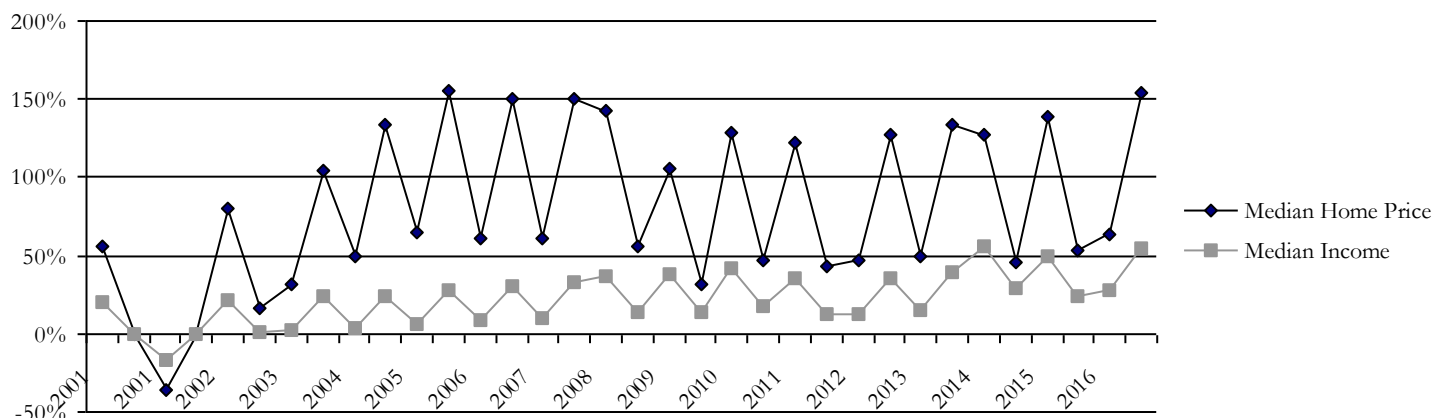
## 2016 Housing Facts and Affordability Index for York County

### Unattainable Homes as a Percentage of Homes Sold

<u>Location</u>	<u>Percentage of Unattainable Homes</u>	<u>Affordable Homes Sold</u>	<u>Unattainable Homes Sold</u>
Biddeford	84.5%	40	218
Ogunquit	80.3%	15	61
York	79.6%	65	254
Old Orchard Beach	74.7%	69	204
Kennebunkport	72.0%	23	59
Kittery	70.7%	46	111
Saco	70.7%	98	236
Newfield	63.4%	15	26
Alfred	62.8%	16	27
Wells	60.5%	147	225
Acton	57.6%	28	38
York County	57.6%	1,641	2,225
Berwick	57.5%	54	73
Eliot	56.6%	43	56
Kennebunk	56.4%	130	168
Buxton	54.5%	51	61
Maine	52.8%	9,555	10,689
Sanford	51.5%	160	170
Cornish	50.0%	16	16
Parsonsfield	48.1%	14	13
Lebanon	44.9%	49	40
North Berwick	42.1%	33	24
Limington	40.4%	28	19
Arundel	40.4%	28	19
Shapleigh	37.6%	53	32
Hollis	33.3%	54	27
South Berwick	32.4%	69	33
Lyman	32.1%	38	18
Limerick	25.0%	42	14
Waterboro	22.1%	134	38
Dayton	21.4%	22	6

# 2016 Housing Facts and Affordability Index for York County

## Relative Increases in Income and Home Price <sup>3</sup>



## Rental Affordability Index

York County	Year	Index	Average 2 BR Rent (with utilities) <sup>4</sup>	Renter Household Median Income <sup>2</sup>	Income Needed to Afford Average 2 BR Rent	2 BR Rent Affordable to Median Income
	2012	0.95	\$886	\$33,781	\$35,436	\$845
	2013	0.85	\$1,008	\$34,313	\$40,335	\$858
	2014	0.87	\$1,063	\$37,067	\$42,531	\$927
	2015	0.82	\$1,064	\$34,754	\$42,572	\$869
	2016	0.93	\$946	\$35,151	\$37,830	\$879
Biddeford		0.79	\$986	\$31,118	\$39,445	\$778
Maine		0.85	\$872	\$29,588	\$34,873	\$740
Old Orchard Beach		0.91	\$974	\$35,301	\$38,949	\$883
York County		0.93	\$946	\$35,151	\$37,830	\$879
York		0.94	\$993	\$37,357	\$39,739	\$934
Sanford		1.01	\$711	\$28,635	\$28,440	\$716
Saco		1.06	\$923	\$39,270	\$36,936	\$982

The Rental Affordability Index is the ratio of 2-Bedroom Rent Affordable at Median Renter Income to Average 2-Bedroom Rent. An index of less than 1 means the area is generally unaffordable – i.e., a renter household earning area median renter income could not cover the cost of an average 2-bedroom apartment (including utilities) using no more than 30% of gross income.

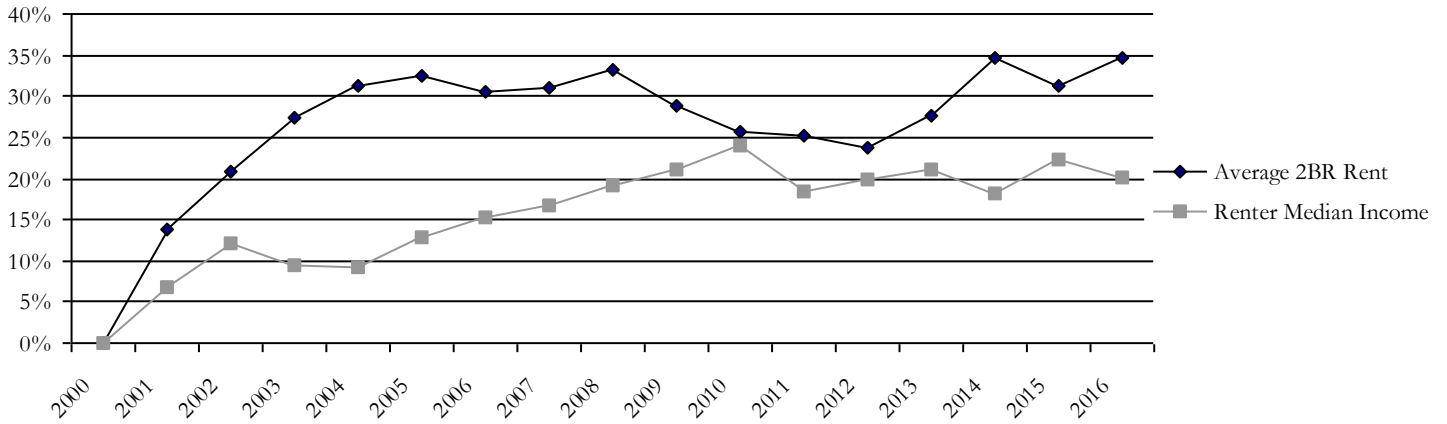
## Renter Households Unable to Afford Average 2 Bedroom Rent

Location	Households Unable to Afford Average 2 BR Rent		Total Renter Households	Average 2 BR Rent (with utilities) <sup>4</sup>	Income Needed to Afford Average 2 BR Rent	
	Percent	Number			Annual	Hourly
Biddeford	61.8%	2,709	4,381	\$986	\$39,445	\$18.96
Maine	57.4%	92,705	161,601	\$872	\$34,873	\$16.77
Old Orchard Beach	54.5%	1,023	1,876	\$974	\$38,949	\$18.73
York County	52.8%	11,725	22,199	\$946	\$37,830	\$18.19
York	52.6%	613	1,165	\$993	\$39,739	\$19.11
Sanford	49.7%	1,523	3,062	\$711	\$28,440	\$13.67
Saco	46.8%	1,205	2,573	\$923	\$36,936	\$17.76



# 2016 Housing Facts and Affordability Index for York County

## Relative Increases in Renter Income and Average 2BR Rent<sup>3</sup>



## Demographics

	% Change 1990-2016	1990	2012	2013	2014	2015	2016
Population	22.8%	164,587	199,102	199,396	200,065	200,230	202,118
Households	36.0%	61,848	82,149	82,437	82,902	83,126	84,098

## Endnotes

<sup>1</sup>This data is derived from Maine Real Estate Information System ("MREIS") and MREIS reserves all rights including all proprietary rights in the data set forth herein and any use or publication of this data or any portion thereof without the express written consent of MREIS is prohibited. Any reproduction, sale or exchange of this data, in whole or in part, is likewise prohibited. All rights to the data remain the exclusive property of MREIS to the extent owned by MREIS.

<sup>2</sup>Source: Claritas

<sup>3</sup>The Y axis is an index defined as the ratio of the annual value to the year 2000 value.

<sup>4</sup>Source: MaineHousing Quarterly Rent Survey. All rent data reported adjusted to include the cost of utilities (heat, hot water, and electricity).

## 2016 Housing Facts and Affordability Index for Portsmouth, NH-ME MA Housing Market

### Homeownership Affordability Index

Portsmouth, NH-ME MA Housing Market	Year	Index	Median	Median	Income Needed	Home Price
			Home Price <sup>1</sup>	Income <sup>2</sup>	to Afford Median Home Price	Affordable to Median Income
	2012	0.84	\$259,900	\$59,582	\$70,909	\$218,385
	2013	0.80	\$252,600	\$57,951	\$72,471	\$201,990
	2014	0.84	\$292,900	\$69,346	\$82,424	\$246,426
	2015	0.80	\$289,000	\$64,538	\$80,930	\$230,464
	2016	0.84	\$300,887	\$71,512	\$85,560	\$251,485
Kittery		0.75	\$302,875	\$65,268	\$87,055	\$227,074
Portsmouth, NH-ME MA Housing Market		0.84	\$300,887	\$71,512	\$85,560	\$251,485
Maine		0.97	\$184,000	\$50,990	\$52,545	\$178,552
Eliot		0.98	\$298,262	\$82,400	\$83,897	\$292,939

The Homeownership Affordability Index is the ratio of Home Price Affordable at Median Income to Median Home Price. An index of less than 1 means the area is generally unaffordable - i.e., a household earning area median income could not cover the payment on a median priced home (30 year mortgage, taxes and insurance) using no more than 28% of gross income.

### Households Unable to Afford Median Home

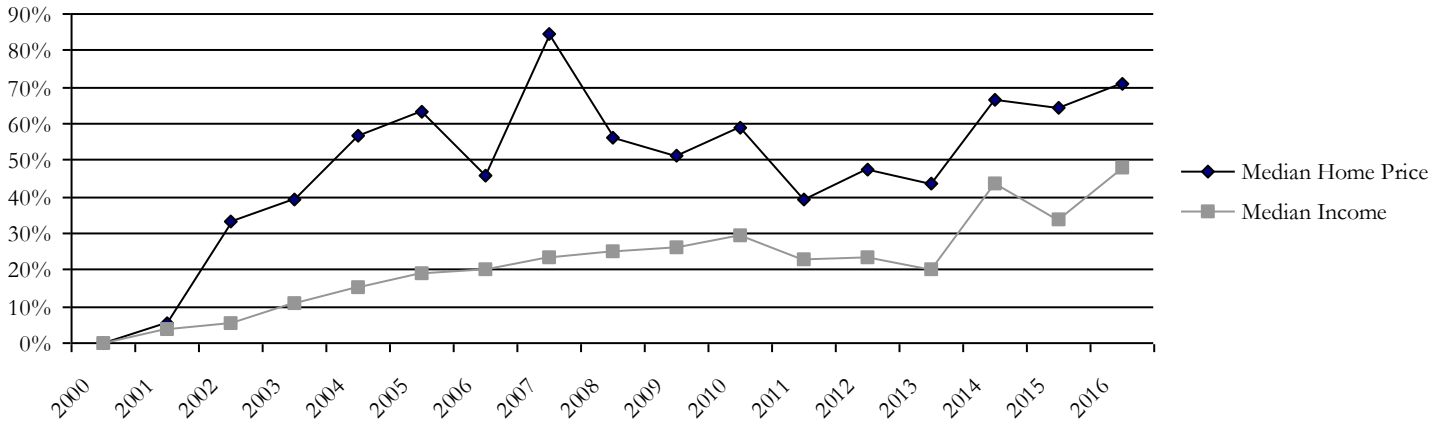
Location	Households Unable to Afford Median Home		Total Households	Median Home Price <sup>1</sup>	Income Needed to Afford Median Home	
	Percent	Number			Annual	Hourly
Kittery	64.8%	2,909	4,492	\$302,875	\$87,055	\$41.85
Portsmouth, NH-ME MA Housing Market	59.7%	4,220	7,068	\$300,887	\$85,560	\$41.13
Maine	52.5%	296,838	564,989	\$184,000	\$52,545	\$25.26
Eliot	51.2%	1,318	2,576	\$298,262	\$83,897	\$40.34

### Unattainable Homes as a Percentage of Homes Sold

Location	Percentage of Unattainable Homes	Affordable Homes Sold	Unattainable Homes Sold
Kittery	70.7%	46	111
Portsmouth, NH-ME MA Housing Market	67.6%	83	173
Eliot	56.6%	43	56
Maine	52.8%	9,555	10,689

# 2016 Housing Facts and Affordability Index for Portsmouth, NH-ME MA Housing Market

## Relative Increases in Income and Home Price <sup>3</sup>



## Rental Affordability Index

Portsmouth, NH-ME MA Housing Market	Year	Index	Average 2 BR Rent (with utilities) <sup>4</sup>	Renter Household Median Income <sup>2</sup>	Income Needed to Afford Average 2 BR Rent	2 BR Rent Affordable to Median Income
	2016	1.04	\$1,091	\$45,262	\$43,649	\$1,132
Maine		0.85	\$872	\$29,588	\$34,873	\$740
Portsmouth, NH-ME MA Housing Market		1.04	\$1,091	\$45,262	\$43,649	\$1,132

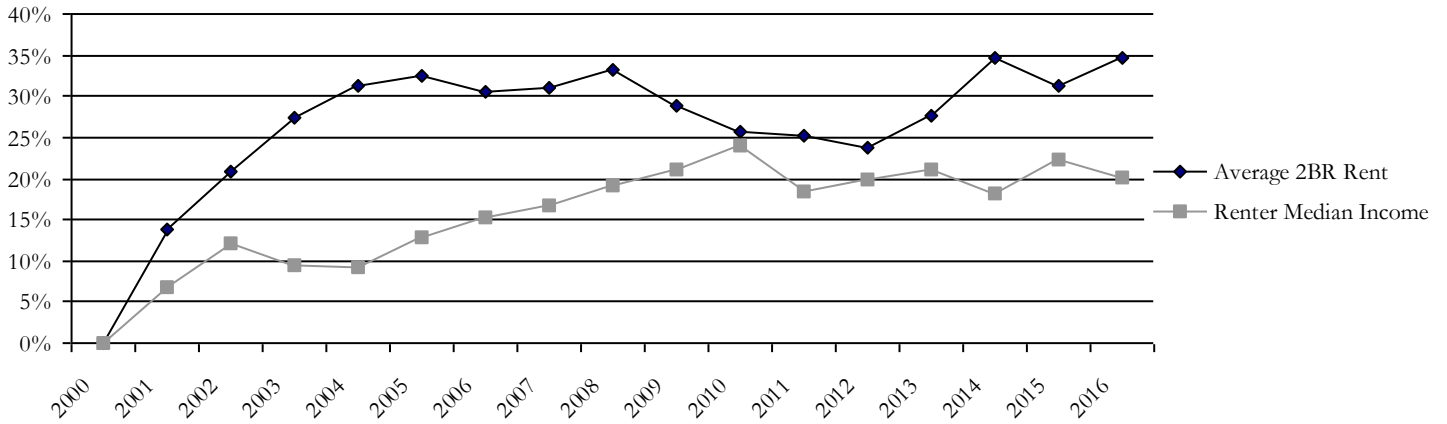
The Rental Affordability Index is the ratio of 2-Bedroom Rent Affordable at Median Renter Income to Average 2-Bedroom Rent. An index of less than 1 means the area is generally unaffordable – i.e., a renter household earning area median renter income could not cover the cost of an average 2-bedroom apartment (including utilities) using no more than 30% of gross income.

## Renter Households Unable to Afford Average 2 Bedroom Rent

Location	Households Unable to Afford Average 2 BR Rent		Total Renter Households	Average 2 BR Rent (with utilities) <sup>4</sup>	Income Needed to Afford Average 2 BR Rent	
	Percent	Number			Annual	Hourly
Maine	57.4%	92,705	161,601	\$872	\$34,873	\$16.77
Portsmouth, NH-ME MA Housing Market	48.5%	954	1,966	\$1,091	\$43,649	\$20.99

# 2016 Housing Facts and Affordability Index for Portsmouth, NH-ME MA Housing Market

## Relative Increases in Renter Income and Average 2BR Rent<sup>3</sup>



## Demographics

	% Change 1990-2016	1990	2012	2013	2014	2015	2016
Population	8.6%	14,701	15,806	15,834	15,831	15,823	15,969
Households	27.6%	5,540	6,918	6,947	6,961	6,978	7,068

## Endnotes

<sup>1</sup>This data is derived from Maine Real Estate Information System ("MREIS") and MREIS reserves all rights including all proprietary rights in the data set forth herein and any use or publication of this data or any portion thereof without the express written consent of MREIS is prohibited. Any reproduction, sale or exchange of this data, in whole or in part, is likewise prohibited. All rights to the data remain the exclusive property of MREIS to the extent owned by MREIS.

<sup>2</sup>Source: Claritas

<sup>3</sup>The Y axis is an index defined as the ratio of the annual value to the year 2000 value.

<sup>4</sup>Source: MaineHousing Quarterly Rent Survey. All rent data reported adjusted to include the cost of utilities (heat, hot water, and electricity).

## 2016 Housing Facts and Affordability Index for York, ME LMA Housing Market

### Homeownership Affordability Index

York, ME LMA Housing Market	Year	Index	Median	Median	Income Needed	Home Price
			Home Price <sup>1</sup>	Income <sup>2</sup>	to Afford Median Home Price	Affordable to Median Income
	2012	0.81	\$284,970	\$61,090	\$75,537	\$230,467
	2013	0.74	\$300,000	\$60,335	\$82,012	\$220,706
	2014	0.92	\$272,000	\$66,654	\$72,746	\$249,221
	2015	0.86	\$287,000	\$65,179	\$75,840	\$246,657
	2016	0.79	\$313,500	\$66,260	\$84,041	\$247,171
Ogunquit		0.58	\$432,500	\$64,890	\$112,327	\$249,850
York		0.71	\$369,500	\$70,542	\$99,845	\$261,058
York, ME LMA Housing Market		0.79	\$313,500	\$66,260	\$84,041	\$247,171
Wells		0.91	\$248,200	\$60,020	\$66,004	\$225,699
Maine		0.97	\$184,000	\$50,990	\$52,545	\$178,552
North Berwick		1.11	\$222,600	\$68,017	\$61,541	\$246,023

The Homeownership Affordability Index is the ratio of Home Price Affordable to Median Income to Median Home Price. An index of less than 1 means the area is generally unaffordable - i.e., a household earning area median income could not cover the payment on a median priced home (30 year mortgage, taxes and insurance) using no more than 28% of gross income.

### Households Unable to Afford Median Home

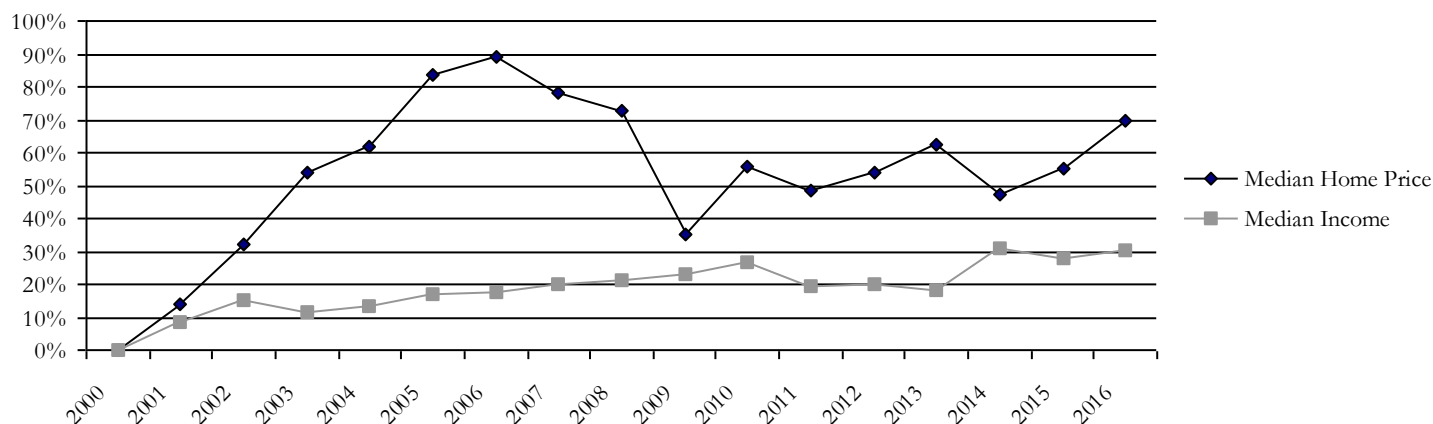
Location	Households Unable to Afford Median Home		Total Households	Median Home Price <sup>1</sup>	Income Needed to Afford Median Home	
	Percent	Number			Annual	Hourly
Ogunquit	65.4%	291	445	\$432,500	\$112,327	\$54.00
York	64.8%	3,673	5,669	\$369,500	\$99,845	\$48.00
York, ME LMA Housing Market	60.7%	7,420	12,216	\$313,500	\$84,041	\$40.40
Wells	60.5%	2,603	4,300	\$248,200	\$66,004	\$31.73
Maine	52.5%	296,838	564,989	\$184,000	\$52,545	\$25.26
North Berwick	44.9%	808	1,802	\$222,600	\$61,541	\$29.59

### Unattainable Homes as a Percentage of Homes Sold

Location	Percentage of Unattainable Homes	Affordable Homes Sold	Unattainable Homes Sold
Ogunquit	80.3%	15	61
York	79.6%	65	254
York, ME LMA Housing Market	65.4%	285	539
Wells	60.5%	147	225
Maine	52.8%	9,555	10,689
North Berwick	42.1%	33	24

# 2016 Housing Facts and Affordability Index for York, ME LMA Housing Market

## Relative Increases in Income and Home Price <sup>3</sup>



## Rental Affordability Index

York, ME LMA Housing Market	Year	Index	Average 2 BR Rent (with utilities) <sup>4</sup>	Renter Household Median Income <sup>2</sup>	Income Needed to Afford Average 2 BR Rent	2 BR Rent Affordable to Median Income
	2012	0.97	\$999	\$38,894	\$39,958	\$972
	2014	0.49	\$1,949	\$38,278	\$77,955	\$957
	2015	0.50	\$1,904	\$37,786	\$76,164	\$945
	2016	0.95	\$974	\$36,885	\$38,972	\$922
Maine		0.85	\$872	\$29,588	\$34,873	\$740
York		0.94	\$993	\$37,357	\$39,739	\$934
York, ME LMA Housing Market		0.95	\$974	\$36,885	\$38,972	\$922

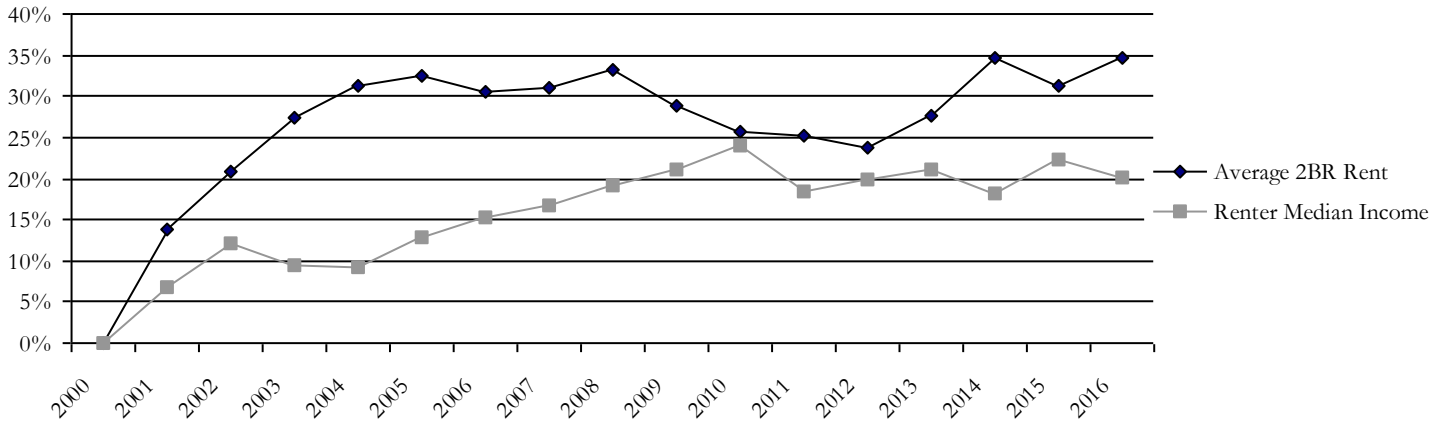
The Rental Affordability Index is the ratio of 2-Bedroom Rent Affordable at Median Renter Income to Average 2-Bedroom Rent. An index of less than 1 means the area is generally unaffordable – i.e., a renter household earning area median renter income could not cover the cost of an average 2-bedroom apartment (including utilities) using no more than 30% of gross income.

## Renter Households Unable to Afford Average 2 Bedroom Rent

Location	Households Unable to Afford Average 2 BR Rent		Total Renter Households	Average 2 BR Rent (with utilities) <sup>4</sup>	Income Needed to Afford Average 2 BR Rent	
	Percent	Number			Annual	Hourly
Maine	57.4%	92,705	161,601	\$872	\$34,873	\$16.77
York	52.6%	613	1,165	\$993	\$39,739	\$19.11
York, ME LMA Housing Market	52.1%	1,213	2,329	\$974	\$38,972	\$18.74

# 2016 Housing Facts and Affordability Index for York, ME LMA Housing Market

## Relative Increases in Renter Income and Average 2BR Rent<sup>3</sup>



## Demographics

	% Change 1990-2016	1990	2012	2013	2014	2015	2016
Population	25.5%	22,363	27,830	27,706	27,864	27,804	28,062
Households	41.5%	8,636	12,067	11,962	12,076	12,067	12,216

## Endnotes

<sup>1</sup>This data is derived from Maine Real Estate Information System ("MREIS") and MREIS reserves all rights including all proprietary rights in the data set forth herein and any use or publication of this data or any portion thereof without the express written consent of MREIS is prohibited. Any reproduction, sale or exchange of this data, in whole or in part, is likewise prohibited. All rights to the data remain the exclusive property of MREIS to the extent owned by MREIS.

<sup>2</sup>Source: Claritas

<sup>3</sup>The Y axis is an index defined as the ratio of the annual value to the year 2000 value.

<sup>4</sup>Source: MaineHousing Quarterly Rent Survey. All rent data reported adjusted to include the cost of utilities (heat, hot water, and electricity).

# Affordable Housing 101

## Seven Steps to Developing Affordable Housing in Your Town: *Lessons Learned in Southern Maine and Seacoast New Hampshire*

Communities across the country are taking action to ensure that housing options include the full range of income levels. Successful strategies from Maine and New Hampshire have been gathered to provide municipal officials and board members with a recommended step-by-step approach to achieving affordable housing goals.

### Step 1: Set a Community Goal

Maine's Growth Management Act and most Maine towns have set a goal of 10% affordable housing as a critical community need. And according to state statute (RSA 672) New Hampshire communities should not prohibit or discourage affordable housing. Successful affordable housing goals are those that are supported by the community *before* discussion of any particular development project. Public

dialogue is needed to engage residents in the issue and provide an opportunity for addressing concerns, in order to confront common negative perceptions of affordable housing. Because some of these perceptions are not based in fact, the Workforce Housing Coalition of the Greater Seacoast has developed a fact sheet addressing the myths of affordable housing [www.seacoastwhc.org/resources.htm](http://www.seacoastwhc.org/resources.htm).



At a community forum, participants discuss balancing land conservation and affordable housing needs. Photo by Jon Prichard

### Pointers for Setting the Community Goal

- Remind community members that affordable housing serves working, tax-paying families who need good credit to be eligible for rental units or to qualify for a mortgage.
- Humanize the issue. Often well-respected members of the community are eligible for affordable housing and are willing to directly link their names to the issue.
- Involve the media to encourage community dialogue and gather supporters.
- Form an affordable housing committee with representatives appointed by elected town officials to provide leadership, research possible ordinance changes, set goals with the public, and track progress toward achieving those goals.

### Step 2: Create the Tools Needed to Achieve the Goal

Developing affordable housing requires creating economies of scale: spreading costs over more units and reducing per unit price. Unfortunately, zoning and codes in most communities often do not allow for the necessary economies of scale.

Therefore, to achieve an affordable housing goal, new and/or revised planning tools are needed, along with political will and community support. Ideally, these tools should be in place before any specific project has been proposed.



In Brunswick, an Affordable Housing Ordinance was in place for the development of a project that included 14 affordable, single-family homes. Photo by John Hodge

### Tools for Achieving the Goal

- **Affordable housing ordinance or inclusionary zoning ordinance:** A single, comprehensive tool addressing many of the conditions necessary to promote affordable housing, such as reducing development costs, providing for denser development, and the guarantee of affordability for certain units over time. See *The Model Long-Term Affordability Covenant*, [www.seacoastwhc.org/resources.htm](http://www.seacoastwhc.org/resources.htm) as well as New Hampshire Office of Energy and Planning's Innovative Planning Techniques Handbook [www.des.nh.gov/REPP/index.asp?go=ilupth](http://www.des.nh.gov/REPP/index.asp?go=ilupth).
- Other individual tools can be used to address particular conditions desired by a community:
  - A **density bonus** allows for additional units when an identified number of units are set aside as long-term affordable.
  - **Strategies for reducing development costs**, such as streamlining the permit and review processes, reducing lot sizes, parking requirements, and widths of street rights-of-way and pavement all serve to reduce infrastructure costs, enabling developers to pass on savings to occupants.
- See *The Housing Toolbox* [www.seacoastwhc.org/resources.htm](http://www.seacoastwhc.org/resources.htm) for more information.



## Step 3: Decide Whom to Serve

Maine's Growth Management Act defines affordable housing as *a decent, safe and sanitary dwelling, apartment, or other living accommodation of a household whose income does not exceed 80% of the area median income*. Instead of a formal definition of affordable housing, New Hampshire funding programs set the affordable limits. Generally, affordable housing in New Hampshire is seen as housing serving families earning up to 80% of area median income, while workforce housing serves households earning between 60% and 120% of area median income. In both states, households earning incomes of 50% or less of the area median income are considered very low income; those between 51% and 80% are

considered lower income; and households above that threshold (up to 120%) are considered moderate-income. The groups found to be most at risk include those on fixed incomes, such as single parents and the elderly, and workers who can't afford to live where they work such as hospitality and retail employees, health care workers, and entry-level firefighters and teachers. Many of these households are also first-time homebuyers with limited funds available to make a down payment on a home. Maine State Housing Authority [www.mainehousing.org](http://www.mainehousing.org) and New Hampshire Housing Finance Authority [www.nhhfa.org](http://www.nhhfa.org) can provide guidance on which income level(s) are most in need in your town.

### Pointers for Choosing Target Income Levels

- Work with your state housing authority to identify occupants most in need.
- Depending on the need identified, various income configurations (such as between 50% and 120% area medium income) can be used to meet the parameters of specific projects.
- Set rent (plus utilities) or mortgage (principal, interest, property taxes and insurance) at no more than 30% of the gross monthly income of the identified occupant group(s).

## Step 4: Choose a Smart Site

People in Maine and New Hampshire are connected to the land, and we have model networks of land trusts and a long history of funding open space preservation. Therefore, as with any development project, we need to

carefully consider the locations chosen for affordable housing. Fortunately, sites that foster protection of open space also often present the greatest opportunities for the cost savings needed to make affordable housing viable.

### Pointers for Smart Siting

#### Seek out:

- downtowns that offer job opportunities (see Resources for Employers [www.seacoastwhc.org/resources.htm](http://www.seacoastwhc.org/resources.htm)) to provide live/work options.
- walkable town centers that provide alternative transportation options.
- mixed-use centers with opportunities for reuse of existing structures and infill of underused sites.
- designated growth areas zoned for the town's highest densities.
- areas with existing municipal infrastructure (sewer, water, roads, sidewalks) to eliminate costs of extending these services or minimize costs by upgrading existing services.



Projects in the downtowns of (1) Exeter, NH, (2) Kennebunk, ME, and (3) North Berwick, ME, all took advantage of infill opportunities or redevelopment of existing structures.

Photos by Nathan Szanton (top); Avesta Housing (bottom and left)

## Step 5: Find the Best Fit for the Project

In an ideal world, we would keep the horse before the cart in affordable housing development (or create the enabling tools before proposing a

project). But should a desirable project present itself before tools were in place, towns have approaches available to facilitate the development.

### Pointers for Working Within Existing Zoning Regulations

- Currently, most towns do not have affordable housing ordinances, and must work creatively within existing zoning that best meets the project's goals. Seek permits with as few waivers and exemptions as possible, treating the project in the same way as any other development project.
- Review existing ordinances such as open space, cluster subdivision, alternative subdivision, or downtown/commercial zoning for application to affordable housing goals. Minor amendments to existing ordinances may be easier to pass initially than an entirely new ordinance. The public dialogue generated by amendments may lead to future passage of an affordable housing ordinance.

## Step 6: Facilitate Access to Subsidies

While towns rarely act as developers of large-scale affordable housing projects, towns can employ strategies to facilitate project funding for private developers. Generally, affordable housing projects cannot be developed without public or private subsidies, and so developers seek a variety of funding sources. The major sources of subsidies used in Maine and New Hampshire are Community Development

Block Grants [www.NHCDEA.org](http://www.NHCDEA.org) in NH; [www.meocd.org](http://www.meocd.org) in ME, Federal Home Loan Bank of Boston [www.fhlbboston.com/communitydevelopment/communitycenter/index.jsp](http://www.fhlbboston.com/communitydevelopment/communitycenter/index.jsp), U.S. Department of Agriculture/Rural Development [www.rurdev.usda.gov/rhs](http://www.rurdev.usda.gov/rhs), Maine State Housing Authority [www.mainehousing.org](http://www.mainehousing.org), or New Hampshire Housing Finance Authority [www.nhhfa.org](http://www.nhhfa.org).

### Strategies to Promote Subsidies

Funding from the sources listed above is allocated through a highly competitive process based on scoring criteria. A project's score can be significantly improved with municipal support by:

- donating land, such as tax reverted parcels, to affordable housing developers.
- implementing a rapid permit approval process.
- codifying the tools listed in Step 2 to reduce barriers to affordable housing.
- applying for Community Development Block Grants (developers cannot apply directly for CDBG funds unless the project is located in a CDBG entitlement city) for land purchase and off-site infrastructure (but not actual housing construction).

## Step 7: Promote the Use of Green Design

By facilitating access to subsidies from the Maine State Housing Authority and NHHFA, towns are also helping to ensure that new affordable housing units will meet green design standards. MSHA

was the first housing finance agency in the U.S. to adopt these standards for all new housing it finances.

### Green Design Basics

- Green design standards improve energy efficiency, reduce environmental impacts of development, and provide a healthy living environment for occupants.
- Examples include recycling construction materials; maintaining and using native vegetation; ensuring high air quality in units; using stringent insulation requirements and only energy-efficient windows, appliances and lighting; and using low-emission paint, sealant and carpet.

For a more in-depth analysis of the case studies referenced in this document, see the Coastal Community Housing link at: [www.seagrants.umaine.edu/extension/cc.htm](http://www.seagrants.umaine.edu/extension/cc.htm)

### Primary source material gathered from interviewing:

Judy Bernstein, Town of Kennebunk, ME  
Diane Hartley, Workforce Housing Coalition of the Greater Seacoast, Portsmouth, NH  
John Hodge and Marty Szydowski, Brunswick Housing Authority, Brunswick, ME  
Deb Keller, Avesta Housing, Portland, ME  
Nathan Szanton, New England Workforce Housing, Portland, ME

**Links:** Coastal Enterprises Inc. [www.ceimaine.org/content/section/7/49/](http://www.ceimaine.org/content/section/7/49/)  
Center for Housing Policy [www.nhc.org/housing/chp-index](http://www.nhc.org/housing/chp-index)  
Maine Housing Authority [www.mainehousing.org](http://www.mainehousing.org)  
New Hampshire Housing Finance Authority [www.nhhfa.org](http://www.nhhfa.org)  
Workforce Housing Coalition of the Greater Seacoast [www.seacoastwhc.org/resources.htm](http://www.seacoastwhc.org/resources.htm)

# Ten Principles for Developing Affordable Housing



Urban Land  
Institute

# Ten Principles for Developing Affordable Housing

Alexa Bach

Prema Katari Gupta

Richard Haughey

George Kelly

Michael Pawlukiewicz

Michael Pitchford

The Urban Land Institute gratefully acknowledges the financial support of the Fannie Mae Foundation in underwriting this project.

**Fannie Mae  
Foundation**



## About ULI—the Urban Land Institute

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI is committed to:

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both built and natural environments;
- Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

Established in 1936, the Institute today has more than 35,000 members from 90 countries, representing the entire spectrum of the land use and development disciplines. Professionals represented include developers, builders, property owners, investors, architects, public officials, planners, real estate brokers, appraisers, attorneys, engineers, financiers, academics, students, and librarians. ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice.

The Institute has long been recognized as one of the world's most respected and widely quoted sources of objective information on urban planning, growth, and development.

## ULI Project Staff

Rachelle L. Levitt  
*Executive Vice President, Information Group  
Publisher*

Dean Schwanke  
*Senior Vice President, Publications and Awards*

Richard M. Haughey  
*Director, Multifamily Development  
Project Director*

Michael Pawlukiewicz  
*Director, Environmental and Policy Education*

John K. McIlwain  
*Senior Resident Fellow for Housing  
ULI/J. Ronald Terwilliger Chair for Housing*

Alexa Bach  
*Former Scholar-in-Residence*

George Kelly  
*Former Scholar-in-Residence*

Prema Katari Gupta  
*Scholar-in-Residence*

Nancy H. Stewart  
*Director, Book Program  
Managing Editor*

Libby Howland  
*Manuscript Editor*

Betsy VanBuskirk  
*Art Director  
Book and Cover Design*

Craig Chapman  
*Director, Publishing Operations*

*Cover photograph: The Townhomes on Capitol Hill, Washington, D.C. (Bob Narod/Corcoran Jennison Companies).*

Recommended bibliographic listing:

Bach, Alexa, Prema Katari Gupta, Richard Haughey, George Kelly, Michael Pawlukiewicz, and Michael Pitchford. *Ten Principles for Developing Affordable Housing*. Washington, D.C.: ULI—the Urban Land Institute, 2007.

ULI Order #T40: Packet of Ten

ULI Order #T41: Single Copy

International Standard Book Number:  
978-0-87420-978-5

Copyright 2007 by ULI—the Urban Land Institute  
1025 Thomas Jefferson Street, N.W.  
Suite 500 West  
Washington, D.C. 20007-5201

Printed in the United States of America. All rights reserved. No part of this book may be reproduced in any form or by any means, electronic or mechanical, including photocopying and recording, or by any information storage and retrieval system, without written permission of the publisher.

# Participants

## Chair

**J. Michael Pitchford**  
President  
Community Preservation and  
Development Corporation  
Washington, D.C.

## Workshop Participants

**Milton Bailey**  
Former Executive Director  
D.C. Housing Finance Agency  
Washington, D.C.

**Michael Bodaken**  
President  
National Housing Trust  
Washington, D.C.

**Sheila Crowley**  
President  
National Low-Income Housing Coalition  
Washington, D.C.

**Kathy Dougherty**  
Vice President  
Edgewood Management Corporation  
Silver Spring, Maryland

**Susan Dewey**  
Executive Director  
Virginia Housing Development Authority  
Richmond, Virginia

**Jim Edmonson**  
President  
UniDev LLC  
Bethesda, Maryland

**Conrad Egan**  
President/CEO  
National Housing Conference  
Washington, D.C.

**Rick Gentry**  
Senior Vice President, Asset Management  
National Equity Fund  
Chicago, Illinois

**Renee Glover**  
CEO  
City of Atlanta Housing Authority  
Atlanta, Georgia

**Mossik Hacobian**  
Executive Director  
Urban Edge Housing Corporation  
Boston, Massachusetts

**Kil Huh**  
Former Director, Practice Development  
Fannie Mae Foundation  
Washington, D.C.

**Marty Jones**  
President  
Corcoran Jennison Companies  
Dorchester, Massachusetts

**Ellen Lazar**  
Senior Vice President, Housing and  
Community Initiatives  
Fannie Mae Foundation  
Washington, D.C.

**Maureen McAvey**  
Executive Vice President  
ULI—the Urban Land Institute  
Washington, D.C.

**John McIlwain**  
Senior Resident Fellow, Housing  
ULI—the Urban Land Institute  
Washington, D.C.

**Barry Merchant**  
Policy Analyst  
Virginia Housing Development Authority  
Richmond, Virginia

**Tom Murphy**  
Senior Resident Fellow, Urban  
Development  
ULI—the Urban Land Institute  
Washington, D.C.

**Mark Silverwood**  
President  
Silverwood Associates  
Reston, Virginia

**Alexander Viorst**  
Managing Director  
MMA Financial  
Washington, D.C.

**Michael Wienczek**  
President  
Wienczek + Associates Architects  
+ Planners PC  
Gaithersburg, Maryland

**Joyce Woodson**  
Councilmember  
City of Alexandria  
Alexandria, Virginia

This report was conceived by the ULI Affordable Housing Council, the members of which formulated these principles for the development of affordable housing as well as reviewed and edited drafts of the Ten Principles report.

# Introduction

**T**he explosive appreciation in housing prices from the late 1990s to the mid-2000s created significant wealth for people fortunate enough to own their own home. In many markets, double-digit appreciation year after year created home equity that homeowners tapped to pay off other debt, remodel their homes, take vacations, and buy new cars. By the mid-2000s, housing price appreciation had slowed to more traditional rates, but home prices remained quite high in most markets. Over the same period, incomes were stagnant, taking median-price housing out of the range of median-income households.

Several other factors combined to create what could be described as an affordable housing crisis in many regions of the country. First, resources for the support of affordable housing became more limited with the continuing decentralization of federal housing programs to the states. Secondly, many affordable housing units were lost to expiring uses (the conversion of subsidized developments to market-rate housing), the conversion of affordable rental developments to condominiums, and demolition. The growing local community opposition to any new development has also played a role in that it tends to focus particularly on multifamily housing, which can be more affordable than single-family housing, and on affordable housing developments with public subsidies.

The convergence of these trends has limited the housing options of many people with low and moderate incomes. Many are forced to pay a larger and larger share of their income for housing; to crowd into shared apartments, townhouses, or single-family homes; or to find housing in distant suburbs located far from their jobs. Some are forced to combine all three options—to pay a lot to live in a crowded house in exurbia.

It doesn't have to be this way. Communities can support the development of housing for people and families at a variety of income levels. And they should, in fact, because doing so makes sense from an economic development perspective. The availability of decent housing that is close to work and affordable for the jobholders upon which the proper functioning of the local economy depends is essential to the community's economic health.

All communities need teachers, firefighters, police officers, municipal employees, health care workers, contractors, landscapers, and retail salespersons, to list just a few essential service workers. Unfortunately, many communities fail to ensure that such workers have safe, affordable housing opportunities within a reasonable distance from their work. The residents of many of these communities not only passively accept this reality, but also actively oppose proposals to provide such hous-



MITHUN ARCHITECTS + DESIGNERS + PLANNERS

ing. Their opposition to the local development of affordable housing may not serve the self-interest they believe they are protecting.

It is not only a community's essential service workers who stand in need of affordable housing. The market for affordable housing is diverse and does not correspond with many people's outdated stereotypes about who lives in affordable housing. People in all stages of the life cycle need such housing. The adult children of community residents who are just starting out in their careers need affordable housing options. The parents of residents, who may be on a fixed income, might need low-maintenance, affordable housing. Disabled people, including war veterans who suf-

**High Point in Seattle, Washington, is a mixed-income, new urbanist, HOPE VI community.**



ferred injuries that have affected their ability to work, need and deserve safe and affordable housing.

*Ten Principles for Developing Affordable Housing* seeks to help those who wish to develop housing for low- and moderate-income households understand what it takes to make affordable housing projects happen. It also seeks to help policy makers and community leaders understand the principles behind the production of affordable housing. It is hoped that this understanding will lead to the creation of effective affordable housing policies and programs and to the fostering of a climate that is more supportive of the development of affordable housing.

Professionals with diverse and deep experience in the field of affordable housing participated in the identification of the ten principles outlined here, beginning with the Urban Land Institute's Affordable Housing Council under the leadership of Mike Pitchford and later under the leadership of Marty Jones. The work of the council took place over the course of several ULI fall and spring meetings, and culminated in a one-day affordable housing workshop held at ULI's headquarters on March 29, 2006 at which participants (listed on page iii) refined and illuminated the principles.

This publication, we hope, succinctly summarizes the knowledge and experience of the experts who created it. Their collective experience in the affordable housing industry totals hundreds of years. We further hope that it will encourage the development of more affordable housing as part of localities' efforts to achieve balanced, healthy, and sustainable communities.

# Ten Principles for Developing Affordable Housing

- 1 Inspire Leadership**
- 2 Build Community Support and Trust**
- 3 Learn the Alphabet . . . and Do the Math**
- 4 Know Your Market and Your Customers**
- 5 Nurture Partnership**
- 6 Select Sites for Opportunity and Choice**
- 7 Strive for Healthy, Balanced Communities**
- 8 Use Design to Foster Community, Safety, and Pride**
- 9 Empower the Residents**
- 10 Orchestrate Sustainability**

# 1

## Inspire Leadership

**S**trong and creative leadership is necessary to successfully engage the public and surmount obstacles encountered in the course of developing affordable housing. People leading the effort to develop affordable housing will see the problem, dream of something better, and exhibit the passion and persistence needed to overcome barriers and achieve results. And they must inspire elected officials and community advocates to help lead the effort.

While leadership is essential for many endeavors, it is particularly important for developing affordable housing because of the length and complexity of the development process. It needs to address two great challenges: defining the problem and creating solutions. Affordable housing leaders must make the case for the importance of affordable housing to a community and they must also create and articulate a compelling vision for solutions to the lack of affordable housing.

Affordable housing efforts may get lost among competing needs in a community, particularly when public resources are limited. Affordable housing leaders can assure that their cause receives the attention and funding it deserves by documenting the need for affordable housing and its community benefits, especially the key role it



Don Turner with South African leader Nelson Mandela.

### The I. Donald Turner Prize

**Don Turner was an inspirational and innovative leader within the affordable housing industry. As one of the founders of BRIDGE Housing Corporation, Don set out to prove that entrepreneurial non-profit builders can make a difference by succeeding where others had failed. The success of BRIDGE stands as an enduring symbol of how one person's vision can change the world. Ten years after Don's untimely death in a plane crash while on a humanitarian mission in Bosnia, the University of California at Berkeley's Center for Community Innovation inaugurated the Turner Prize for Innovation and Leadership in Affordable Housing to honor his vision. The 2006 recipient was 8NW8, a project in Portland, Oregon, that was developed by Central City Concern and designed by SERA Architects, both of Portland. For more information on the Turner Prize see <http://iurd.ced.berkeley.edu/cci/turnerprize/index.html>.**



**Orchard Village in Chattanooga, Tennessee, provides affordable for-sale housing to very low- to moderate-income families and seniors. The community received a ULI Award for Excellence.**

plays in maintaining a healthy and vibrant regional economy.

Much of the public resistance to affordable housing stems from misperceptions about who will live in it. Often the ugliest negative stereotypes that are invoked by opponents need to be combated by telling the truth about the makeup of the market for affordable housing. This market comprises a broad spectrum of individuals and families that may include elderly couples on a fixed income, working families, and singles starting out in careers. Even the children or the parents of people living in the community may need affordable housing.



Having a variety of housing opportunities makes a community dynamic, lively, and, most importantly, sustainable. A mix of housing opportunities that accommodates a demographically diverse population helps to create a sustainable community, a community with income and age diversity.

## **The Economic Impact of Affordable Housing**

**While the direct impacts of affordable housing development—the families it helps and the direct expenditures made—are fairly obvious, its indirect impacts are harder to quantify. Chattanooga Neighborhood Enterprise (CNE), a nonprofit that provides affordable housing opportunities in Chattanooga, Tennessee, commissioned a study to look at this issue, asking specifically: What are the direct and indirect economic impacts of CNE's efforts on the Chattanooga economy?**

**The direct impacts were relatively easy to assess: 3,705 households helped since the program's inception and nearly \$24 million in spending in a single fiscal year—\$1 million in salaries, \$1.3 million in administrative expenses, \$16 million for home purchases, \$2 million for home improvement projects, \$3 million for affordable rental projects, and \$500,000 for neighborhood public improvements.**

**The calculation of CNE's indirect economic impacts more fully described the true positive economic impact that affordable housing can have on a community. Applying a 1.65 multiplier to CNE's investment to take into account**

**the new spending generated by the residents of the affordable housing and by CNE's development expenditures, the researchers estimated that the true benefit to the community of CNE's affordable housing investment was more than \$35 million annually.**

**CNE's presence and its development and rehabilitation efforts created an estimated annualized tax revenue of almost \$1.3 million. And while CNE directly employed 36 staffers, its development activities indirectly created an estimated 258 jobs through the need for inspectors, contractors, realtors, and others in the construction and related industries.**

**The evidence shows that in addition to providing a public benefit by meeting a critical housing need and stabilizing many families that may otherwise be in crisis, CNE acts as a stimulus to the local economy. It provides jobs, tax revenues, and local business income well beyond a 1.65 multiplier to CNE's direct investment.**

*Source: Marilyn M. Helms, *The Direct and Indirect Economic Impact of Chattanooga Neighborhood Enterprise (CNE) on the Chattanooga Area, July 1, 1993, to June 30, 1994* (Chattanooga: University of Tennessee at Chattanooga, 1994).*

Housing that is affordable to working families and close to their places of employment is a critical component of a region's economic health. Workers who must commute long distances because they cannot find affordable housing close to their jobs spend an excessive amount of time on the roadways that could be spent at work, and are thereby less productive and more frustrated.

While one great challenge for affordable housing leaders is making the case for affordable housing in general, the other is creating and supporting more specific solutions. It may not be difficult to reach a consensus on the finding that housing affordability is a major problem; but a consensus on how to solve the problem may prove to be more difficult.

Oftentimes, opponents of an affordable housing development will underestimate the value that diversity and affordability can bring to a community while they overestimate the negative impacts of the proposed housing. What they want—be it higher property values, a more secure neighborhood, or less traffic congestion—may not follow from the course of action, or inaction, they propose. In fact, a community’s accomplishment of a coherent vision of diversity and affordability could produce a better outcome on property values, security, and traffic than would the rejection of the vision.

To effectively challenge opponents directly and in a principled way, that is, based on a vision of a balanced, sustainable community, affordable housing leaders must align themselves with leaders in the community who can provide support at critical times. While, on one level, affordable housing leaders are fighting for the construction of affordable homes, ultimately they are arguing for larger concepts and ideas relating to fairness and equity. Leadership informed by principles of community will inspire community advocates to act and to lead. The broader community support and trust that can be engendered by principled leadership is crucial to the success of affordable housing development.



PHOTOGRAPHY BY MICHAEL MATHERS

2007 Turner Prize winner 8NW8, located in Portland, Oregon.

# 2 Build Community Support and Trust

**B**eing worthy of trust builds trust in others. Two key developer qualities—dedication to quality and open communication—facilitate collaboration and consensus as well as understanding and trust.

Building community support and trust begins with clear and open communication with everyone from the highest elected officials to the neighbors of the proposed development. A fair and open planning and design process allows all interested parties to be heard, and builds a foundation of partnership and shared goals in the community before decisions are made and implemented.

Developers can also foster support and trust by a demonstrated long-term commitment to excellence, value, and good design, as well as dedication to active management and maintenance.

Full, direct, and proactive communication in partnership with local government must be part of the process from the beginning. One of the first steps is to explain the benefits of—or establish the need for—affordable housing. Residents of a community may have a general sense that the lack of affordable housing is a problem, but they often do not fully grasp the connection between a community's affordable housing and its economic health. Affordable housing leaders need to quantify the problem and present the possible economic repercussions of inaction. They should point out that affordable housing allows communities to attract and retain essential workers such as teachers, police officers, firefighters, and service workers; and that the relationship between jobs and housing also affects traffic congestion. Workers who are forced to travel long distances to find affordable housing not only spend disproportionately on transportation, but also contribute to regional traffic congestion. Pushing affordable housing farther and farther from employment centers only worsens traffic congestion.

Government and the business community can help in this process of education, confirming the need for affordable housing and the economic impact of losing workers who cannot afford to live in the community. Developers can then connect the need to a housing product that working families can afford.

The communication and community feedback process for earning community support and trust can make use of a combination of traditional and innovative techniques, such as:

- Internet sites that show images of proposed design solutions and announce the dates and venues of community meetings and events related to the project;
- architectural renderings that illuminate the scale and design of the project along with the anticipated finishes;

## Outreach Program for Affordable Housing

Oxnard, California's housing authority and Steadfast Residential Properties proposed to provide more affordable housing in the city by replacing a dilapidated, pre-World War II Section 8 housing project with a modern, mixed-use residential community. To conduct an outreach program that would build support for the public/private project, they hired the Los Angeles-based Consensus Planning Group, which specializes in communicating controversial and complex issues to community stakeholders, elected officials, and the media.

The proposal, which will triple the density on the site, includes townhouses, single-family homes, and apartments. The outreach project has presented a number of challenges. The current tenants needed to be assured that their living spaces would improve but that their costs would not rise. Nearby residents had to be convinced that the higher-density development would provide benefits to them.

Consensus Planning Group, which has been building community support for more than 20 years in some of California's most NIMBY-centric and antidevelopment neighborhoods and cities, developed a strategy for proactive communication from project conception to project completion. Designed to build trust, the outreach plan focuses on building grassroots support and engaging not only tenants and neighbors, but also community institutions and opinion leaders. Cultural sensitivity to the bilingual community was



An open house facilitated by Consensus Planning Group to build community support for a project.



CONSENSUS PLANNING GROUP

critical. It was important to do more than provide informational materials in English and Spanish. The plan incorporates respectful means to build relationships, for example, plugging into church leaders and community elders who can become

gateways to gaining broad support. This public/private affordable housing initiative has begun with a deep base of community support, which bodes well as the initiative moves toward the development phase.

- virtual computer models that give community members a sense of what the completed development will feel like and how it will integrate into the existing community;
- open houses at which community members are encouraged to show up for one-on-one discussions with affordable housing leaders;
- community workshops;
- community advisory groups;



The seal in the memorial courtyard at Wiley H. Bates Heritage Park honors the community legacy of the former high school and its namesake.



The Wiley H. Bates High School then . . .



. . . and reborn as the Wiley H. Bates Heritage Park.



## Wiley H. Bates Heritage Park

The Community Preservation and Development Corporation, a nonprofit affordable housing developer based in Washington, D.C., and Northern Real Estate Urban Ventures have redeveloped the former Wiley H. Bates High School in Annapolis, Maryland, as 71 units of affordable housing and other community facilities, including a seniors' activity center. A landmark that opened in 1933, the high school was named for a former slave who rose to great wealth and prominence in Annapolis. For decades it served as a cultural center for the local African American community. It was closed in 1981.

By the mid-1990s, a coalition of neighbors and alumni had developed a plan for the adaptive use of the 120,000-square-foot building. It took ten years to bring together the necessary resources to achieve their vision, but on September 7, 2006, the Wiley H. Bates Heritage Park reopened its doors as housing for senior citizens with incomes at 40 to 50 percent of the area median income. An excellent example of a developer working with the community and the local government, Wiley H. Bates Heritage Park incorporates the original high school flagpole and bootscrapers, along with a legacy center honoring the school's faculty, students, and namesake.

- stakeholder meetings (keep in mind that smaller meetings are more likely to be successful; larger meetings are more likely to breed incivility and create a “mob” mentality);
- local press briefings; and
- design charrettes.

The planning and marketing tools used for describing a proposed affordable housing development must be visual and must accurately simulate its real-life neighborhood effects. Visual, virtual-reality tools can be a powerful antidote to preconceived notions about affordable housing, many of which were formed by the failed high-rise public housing projects developed decades ago.

Rules for building community support and trust include the following:

- Nurture partnerships involving the private sector, government, and the broader community.
- Establish a process that allows each partner to be heard, thereby informing and reinforcing decisions that guide housing decisions.
- Ensure that all partners remain fully informed of progress.
- Do your homework.
- Be proactive about informing the community.
- Allow no surprises.
- Make only promises that can be kept.
- Be trustworthy.

# 3 Learn the Alphabet . . . and Do the Math

**F**inancing options for affordable housing are an alphabet soup of loans, grants, and various other programs containing numerous qualifications and restrictions. Developing affordable housing requires in-depth knowledge of these options as well as the ability to stitch a number of them together seamlessly to create a development proposal that pencils out financially. Knowing the myriad funding sources and how to put them together to make a deal work is the art of affordable housing.

LIHTC (low-income housing tax credit), HOPE VI, CDBG (community development block grant), and HOME funds as well as other U.S. Department of Housing and Urban Development (HUD) programs represent the bulk of project funding at the federal level. States, counties, cities, and towns often offer numerous financing and incentive programs as well, including housing trust funds. The administering authorities for these programs vary from HUD to local housing authorities and housing finance agencies (HFAs), which administer the LIHTC. Many of these HFAs offer additional state tax credits as well. While affordable housing projects generally need various funding sources, the expected commitments and reporting obligations of the programs vary, further adding to the complexity of developing affordable housing. Knowing these programs and their parameters is the first step in establishing long-term financial success.

**An alphabet soup of first-time homebuyer programs—including EPAL, BEGIN, CAL-HOME, HELP, and HOME—provided financing for the 56 affordable for-sale homes offered by the Boulevard in Anaheim, California.**



Affordable housing developers are often constrained on several levels by both lending and program requirements. Lenders require covenants that ensure timely payments, establish reserves, and maintain various metrics (such as loan-to-value ratio and debt service coverage ratio). Further, sale and rental rates as well as a host of maintenance and public service issues are restricted or mandated by program requirements.

Because of the many constraints on affordable housing, underwriting is done with a careful eye toward established operating cost percentages

## The Low-Income Housing Tax Credit

The federal low-income housing tax credit (LIHTC) represents a major source of funding for much of the affordable housing that is being constructed today. Created under the Tax Reform Act of 1986, the credits are also called Section 42 credits after the applicable section of the Internal Revenue Code.

The LIHTC program is administered at the state level with a fixed allocation from the federal government based on the state's population. State housing finance agencies (HFAs) are usually responsible for administering the program. The simplified explanation that follows gives a

general idea of how the complicated LIHTC program works.

Each state is required to create a "qualified allocation plan," which outlines the priorities and housing goals of the state. Developers then submit applications to the state authority. All applications must meet one of two criteria: either 20 percent of the units must be reserved for households making less than 50 percent of the area median gross income, or at least 40 percent of the units must be reserved for households making less than 60 percent of the area median gross income.

Tax credits are then awarded competitively in a few "allocation rounds" held

every year to projects that best meet the state's priorities and goals. Tax credits are awarded for 9 percent of qualified costs for a period of ten years. Developers typically "sell" the tax credits by entering into limited partnerships with an investor. Almost all investors in the tax credits are corporations, because current tax law makes these credits less valuable to individual taxpayers. Through the syndication process the tax credits are "converted" to equity for the developer at a rate of 85 to 95 cents on the dollar (discounting future dollars). The investor gets tax shelter while the developer gets much-needed equity to finance the construction of the affordable units.

derived from comparable nearby properties. Incorporating default risk into the pro forma is likewise essential, which necessitates using a discount rate appropriate to the risk of the development as gauged by projects of similar size and scope. Affordable housing development requires a long-term perspective and must take into account future hikes in property taxes, insurance, and heating costs, which could spike operating costs and lead to negative cash flow. Understanding a project's long-term prospects requires an inherent understanding of factors that will increase long-term financing risk.

While piecing together financing is crucial, leveraging additional public incentives is often required to make affordable housing projects financially feasible. Developers can work with local, state, and federal government agencies to obtain additional incentives for the development of affordable housing development, including land grants, tax abatements, brownfield cleanup, lower fees (for permits, water connections, and sewer hookups), and an expedited permit and entitlement process, to name just a few.

People who seek simplicity should not pursue a career in affordable housing. It is a complex endeavor with layers of financial, political, and regulatory requirements. There are, however, a limited number of programs and concepts that must be mastered. Understanding affordable housing loans, grants, and other programs and their requirements is the foundation for a career in this field. Mastering the art of affordable housing can be difficult and challenging, but ultimately rewarding on several levels.



Corcoran Jennison's Park Square West luxury apartment development in Stamford, Connecticut, reserves 20 percent of the units as affordable. Low-income housing tax credits were allocated for the affordable units.

# 4 Know Your Market and Your Customers



RONAY MENSCHIEL

The Phipps Houses Group has been developing affordable housing around New York City for more than 100 years. The company's success can be attributed to its deep knowledge of the market and its ability to respond to the changing needs of customers.

**A**ffordable housing developers should have a thorough and deep knowledge of the market in which they develop. They should also have a clear understanding of who their customers are and what they want and need.

Knowledge of the market should encompass the political, social, and cultural facets of the community as well as the underlying market fundamentals. Affordable housing developers should know most elected officials and community leaders, as well as competing market-rate and affordable developers. With this knowledge and a solid understanding of basic real estate principles, they should be able to fairly assess the needs of the community and how their proposal addresses those needs. Establishing and maintaining good relationships and trust goes a long way toward avoiding misunderstandings and surprises down the road.

In-depth knowledge of the community allows developers to anticipate community concerns and proactively address them. Knowing the political situation can tell developers on whom they can (and cannot) count for support. It also can direct them to the public incentives that can make the deal financially feasible. Finding a champion in city hall for a project can make the entitlement process significantly easier.

If, as is often the case, the developer finds that the needs of potential tenants, elected officials, and neighbors are not aligned, it needs to formulate a vision that takes into account the varying viewpoints and sell this vision to the larger group

of stakeholders. In some communities, public authorities will have already identified demand for workforce housing, housing for the homeless, or mixed-income communities, and thus clarified the community's objectives for housing. Aligning the community's housing needs with political and financial realities allows developers to achieve projects that are both sustainable and responsive to the market's unique characteristics.

In most metropolitan areas, the demand for low-income housing far exceeds supply. Most new low-income housing communities lease up quickly and maintain waiting lists. For these developments, piecing together the necessary financing and navigating the entitlement process can be far more important than proving demand, which is often a given. Projects that involve the inclusion of market-rate or workforce



A community garden can be an important amenity for the residents of affordable housing, allowing them to connect with nature and enjoy fresh and healthy produce.

housing in mixed-income communities require a more thorough market analysis.

Market experts can help developers understand the market. A market study helps verify and quantify demand and allows for greater leverage in underwriting the development and gaining public support. Combining local and national data, a market study reveals trends that may affect the project and what the market can support. A market study can also become a selling point in convincing public officials and the community at large of the need for a proposed project.

Local brokers, property managers, housing agency officials, or consultancies can help developers understand the market. They should be asked to identify similar projects and to provide their take on why those projects succeeded or failed to gain approval and community support. Developers should simultaneously seek to understand the concerns of nearby businesses and homeowners in relation to the proposed project.



DOUG SCOTT PHOTOGRAPHY—WWW.DOUGSCOTT.COM

## Components of a Successful Market Study

Preparing a market study can be a challenging process with sometimes uncertain value, but following a logical process will produce good information for making investment decisions and influencing the community. The developer often must obtain the assistance of an independent professional who is well versed in analyzing residential markets and experienced in the local market. Increasingly, affordable housing projects involve a mix of uses, which may require researching the market for nonresidential uses, such as retail or office, as well.

A market study comprises a number of step-by-step analyses:

**Preliminary Development Proposal.** If there is a preliminary development proposal, its stakeholders (the developer, the landowner, the financing sources) need to be identified and the proposed project (number of units, pricing, design, and target market) described.

**Site Characteristics.** The location of the proposed project and the site's existing conditions (access, visibility, topography, current uses, adjacent uses, infrastructure) and regulatory situation (zoning, parking requirements, density and height limitations) need to be identified.

**Market Area.** Is the market area for the project an entire city/county or a subarea,

such as a neighborhood? It needs to be defined. Key physical and political/social features of the market area (including natural boundaries, access, city/county boundaries, school districts) should be described. Market area demographics relating to the project's target market (specific income qualifications, specific age groups, specific occupations) should be analyzed.

**Affordable Housing Demand.** The overall demand for affordable housing in the market area needs to be assessed. This involves compiling information on households (the number of current and forecast households, household sizes, income levels, mobility, demographic segments) and employment (total current and forecast jobs, employment by professions, wage levels, major employers).

**Affordable Housing Supply.** Estimating the supply of affordable housing requires looking at the number of residential units (including the share that are single-family, townhouse, or multifamily; and that are owner- or renter-occupied), the characteristics of housing (number of bedrooms, square footage), vacancy rates, seasonal occupancy, and residential building permits. Pricing is a key factor (the values of owner-occupied units, mortgage payments, rents, and utility payments). Other useful information can be provided by analysis of the performance of comparable and competitive projects in the market area, a survey of residential land prices, and opinions of local market experts.

**Recommended Development Program.** The development program estimates the size of the project's target market (households within income, occupational, or other qualifications; mix of market-rate and affordable housing), the market area's capture of this target market, the project's fair share of this capture, and the pace of sales or leasing (absorption). Market performance will depend on various elements of the program, including housing characteristics (building types, number of units, unit sizes, unit amenities), sale prices or rents, and project design and amenities/services (parking, entrance and lobby, common areas, meeting and community room, daycare and other social services, garden and deck, gym, media room, concierge).

**Project's Financial Performance.** Financial performance hinges on development hard (land acquisition, site preparation, construction) and soft (architecture/engineering, public fees, financing, legal) costs; sale and rent revenues, selling expenses, operating expenses (vacancies, utilities, maintenance, management, marketing), and developer profit. Note that while the issue of profitability is critical to the developers and financiers of a project, it is also increasingly of interest to community leaders and residents, who want to ensure that their support for a project is not out of proportion with the relationship between the community benefit and developer's risk.

Ascertaining a project's potential residents is an important part of the information gathering process, and knowing the characteristics of prospective residents can help developers sell their project to community stakeholders. After defining a market area, developers should collect information on the number of households, household size, average age, income, ethnicity, mobility, and tenure preferences, as well as employment, including professions and wage levels.

Some suggestions of ways for obtaining usable market information while also helping to set favorable local expectations for a proposed project include the following:

- Frequent local eateries and nearby retail establishments, asking patrons and shop owners about the area and trends they see.
- Walk similar developments, and meet with their developers, financiers, and managers. Take note of design and amenities, as well as maintenance and livability. Your understanding the living conditions of people in your market segment will help you establish a viable project. It may also provide a good sense of what community needs are currently not being met, which can be helpful in discussions with public officials and with the ultimate approval of the project.

While demand for affordable housing is likely to far outstrip supply, developers who examine selected comparable projects and the overall supply of affordable housing may be able to identify market gaps that allow them to increase total demand for the project, improve the potential for the inclusion of market-rate housing in the project, and accelerate the project's absorption.



# 5 Nurture Partnership

## Affordable Housing Partners: Local Initiatives Support Corporation

Established in 1979 by the Ford Foundation and headquartered in New York City, the Local Initiatives Support Corporation (LISC) helps resident-led, community-based development organizations transform distressed communities. The organization has a staff of 350 and 30 urban offices throughout the country.

By providing capital, technical expertise, training, and information, LISC promotes local leadership and supports affordable housing initiatives as well as the development of commercial, industrial, and community facilities. While the Ford Foundation provided initial funding, several corporate and foundation donors, including State Farm Insurance and the Walton Family Foundation, have provided generous support through the years.

LISC has created three affiliates—National Equity Fund, New Markets Support Company, and Community Development Trust—that provide equity investments for projects that support community revitalization. The National Equity Fund is the nation's largest nonprofit syndicator of low-income housing tax credits; it has provided more than \$5 billion in equity to fund more than 75,000 units of affordable housing. The New Markets Support Company allocates federal tax credits from the Community Development Financial Institution (CDFI) fund to eligible communities. And the Community Development Trust is a mission-driven REIT that channels private capital into affordable housing and other community development projects.

An ideal partnership provides benefits to both partners, with the pairing creating an entity that is stronger than its individual parts. Affordable housing developers routinely partner with a variety of different organizations. They may seek or be asked to partner with government agencies, community development corporations, other nonprofit organizations, or for-profit, market-rate developers. The partnership format allows the originating partner to “buy” talent and experience that is relevant to the project at hand.

Affordable housing partnerships must be carefully crafted to benefit each of the partners—just as business partnerships would be. A successful partnership relies on the strengths of each partner. For-profit developers contribute real estate savvy, contacts with end users, and an understanding of financial resources; nonprofit developers may be able to access low-income housing tax credits; public sector entities can help resolve land assembly problems, ensure that the site is development-ready, ease the entitlement process, and invest in land or infrastructure costs. A public sector partner's

Rollins Square in Boston is the product of a unique partnership between the Archdiocese of Boston, FleetBoston Financial, the city of Boston, and the AFL-CIO Housing Investment Trust.



CBT ARCHITECTS



**Affordable housing at Trolley Square in Cambridge, Massachusetts, was developed through a partnership between Homeowner's Rehab, Inc., (HRI) and Enterprise Community Partners.**

smoothing of the entitlement process keeps the private sector developer confident, on track, and on schedule—and helps make it possible for the developer to assume the risks and to produce an outcome that reflects both the community vision and the market reality.

Successful affordable housing partnerships are able to:

- arrive at consensus on the community's vision with the active participation of public and private stakeholders;
- participate in the development consistent with the community's vision;
- coordinate and participate in real estate development and infrastructure financing; and
- coordinate actions of public agencies that are responsible for government services.

Partnerships provide opportunities to set mutual expectations and to share risks, costs, and rewards. They also provide a framework for conflict resolution. To help ensure a successful outcome, partners work together, obtaining financial leverage through tools such as tax-increment financing, state and federal financing, and foundation grants. Partnerships grow out of a shared vision and provide support at critical moments. A shared vision, shared risks, and a nurtured partnership will build trust and credibility.



## **Affordable Housing Partners: Enterprise Community Partners**

**Founded in 1982 by visionary developer Jim Rouse and his wife Patty as the Enterprise Foundation, Enterprise Community Partners is today a leading provider of capital and expertise for affordable housing and community development. With more than 250 staff members in 19 offices throughout the United States, Enterprise has invested more than \$7 billion in communities since 1982. For every dollar Enterprise raises, it leverages \$16 in affordable housing. The organization's mission is to assure that all low-income people in the United States have the opportunity to live in decent and affordable housing and to move out of poverty into the mainstream of American life. Major financial contributors include the Annenberg Foundation and Bank of America.**

**In 1984, Enterprise Community Partners created a for-profit subsidiary, Enterprise Community Investment, which leverages tax credits for low-income housing, new markets, and historic rehabilitation; short- and long-term debt; and development services to capitalize projects that can potentially make a catalytic difference in struggling communities. Enterprise Community Investment has established the Enterprise Community Loan Fund, a U.S. Treasury-certified Community Development Financial Institution (CDFI), to support its investment.**

# 6 Select Sites for Opportunity and Choice

**L**ow- and moderate-income families do not differ from other families in their desire for housing with access to basic amenities and advantages. Accordingly, developers should site affordable housing to maximize economic and social opportunities for its residents as well as to allow for quality-of-life amenities, including access to good schools, safe streets and parks, and public transportation options.

In the past, affordable housing projects typically have been relegated to the most disadvantaged neighborhoods in their municipalities. The large-scale public affordable housing developments of the mid-20th century characteristically fostered concentrations of poor (and black) families, which had devastating effects for both the public housing residents and adjacent neighborhoods. Isolating affordable housing in distressed neighborhoods with poor schools and substandard social services severely limits opportunities for upward mobility among residents and breeds a culture of endemic poverty, hopelessness, and despair.

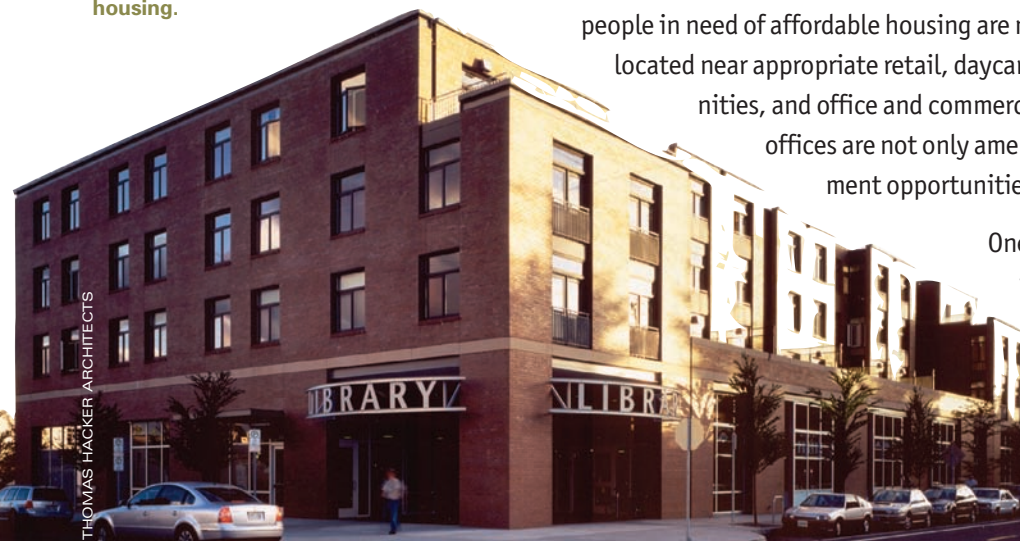
Affordable housing opportunities should be made available in a variety of markets and types of neighborhoods, not only in central-city neighborhoods. Rapid job growth in suburban locations has intensified the need for nearby affordable housing. Within cities, inner suburbs, and other built-up areas, affordable housing production should be an important component of infill and revitalization strategies.

While demand for affordable housing exists in older, redeveloping cities, it also exists in rural areas where wages may be significantly lower than in cities. In all markets, some community opposition to affordable housing proposals is likely to arise. See principle 2 for ideas on allaying the fears of neighbors.

Choices that influence housing decisions for most people include proximity to work, neighborhood amenities, quality of schools, and perceived safety. The choice factors for people in need of affordable housing are no different. Affordable housing should be located near appropriate retail, daycare, high-quality schools, recreational opportunities, and office and commercial districts. Nearby shopping, schools, and offices are not only amenities for residents, but they also offer employment opportunities that do not entail long commutes.

One factor that may influence lower-income families more than other families is proximity to public transportation. In 2001, almost 40 percent of the income of households earning less than \$14,000 per year was spent on transportation. Every effort should be made to minimize this expense by siting affordable housing developments close to

**Built over a public library, the Bookmark Apartments at Hollywood Library in Portland, Oregon, are a creative use of public land to provide affordable and market-rate rental housing.**



public transportation. Another benefit of access to public transportation is that it allows the developer to allocate less space for parking, which makes more of the land available for housing and reduces the overall land cost per unit.

The reality, of course, is that affordable housing developers often cannot compete for land in many areas where affordable housing is needed without funding assistance. Furthermore, proposals to develop affordable housing in good neighborhoods are almost bound to engender community opposition, which results in a lengthier entitlement process and legal entanglements that add expenses to pro formas that have very little room for such additional costs. Inclusionary zoning ordinances that call for the voluntary or mandatory inclusion of “affordable” units in new housing developments offer one entryway for affordable housing in a number of communities where it is scarce. Where a share of new housing construction must be set aside for low- and moderate-income households, affordable housing developers can partner with market-rate developers to provide it.

Communities with a shortage of affordable housing can help affordable housing developers compete for sites in several other ways. Those with surplus schools or school land can rehabilitate or redevelop these properties for affordable housing. Local governments can provide the rezoning or variances that may be required for converting old buildings to affordable housing. Public land or property can be conveyed to affordable housing developers under land grants or long-term leases. Communities can use their power of zoning to create value in land, which can be leveraged to create affordable housing. And affordable housing can be incorporated into new public uses including libraries, public parking garages, and municipal buildings.

A number of communities sponsor affordable housing developments on remediated brownfields (contaminated properties). The cleanup costs on brownfields can be significant, and the financial risk associated with such properties often precludes them from being financially feasible for redevelopment of any kind. Bringing remediated brownfields back into productive use as affordable housing serves the public good on several fronts: it removes blight, creates property tax revenue, and provides much-needed affordable housing.

## Woodbury Walk in Irvine

**BRIDGE Housing Corporation has partnered with the Irvine Company to build 150 affordable apartments in the Woodbury master-plan development on the Irvine Ranch in Orange County, California. Woodbury offers a variety of types of for-sale housing that range in price from the low \$400,000s to more than \$1 million. The Woodbury Walk Apartments are located adjacent to the Woodbury Town Center, providing residents with walking access to a full-scale grocery store. The apartments are scheduled for completion in fall 2007.**



BRIDGE HOUSING CORPORATION

# 7 Strive for Healthy, Balanced Communities

**D**iversity is the hallmark of a healthy and balanced community. A healthy community provides a variety of housing types appropriate for residents in all stages of the life cycle; safe and affordable housing for people in all income groups; and housing opportunities close to jobs. The U.S. population is becoming increasingly diverse—less than a quarter of households are married with children—and American communities should reflect this diversity in their demographics.

The majority of U.S. communities have always lacked racial diversity, but many were much more economically diverse 75 years ago than they are today. In the early 20th century, a typical community blended an assortment of housing types and residents of disparate incomes and backgrounds. Residents of such a community did not consider it to be a “mixed-income community” or “social experiment,” but, rightly, to be simply their community. The fact that the richest residents lived within walking distance of some of the poorest was just a natural circumstance.

Today’s typical community is more economically segregated, a result chiefly of the migration of many upper- and middle-income households to homogenous housing developments in the suburbs—made possible by the expanding interstate highway system—and the segregation and isolation of poorer families in high-density public housing concentrated, as a matter of government policy, in the poorest urban neighborhoods.

Some communities have retained a variety of housing that is affordable and attractive to families at different levels of income, and the effort to return to healthier and more balanced communities should begin with the preservation of existing balanced neighborhoods. Throughout the country, much of the existing affordable housing stock is disappearing due to neighborhood changes, expiring uses, and market

pressures. Much of this disappearing stock is rental housing, which is the only housing choice for many low-income families. Many communities that understand the connection between a housing balance and economic health are taking steps to preserve the affordable rental stock that allows working families to live near jobs that are vital to the healthy functioning of the community. In some communities, low-income housing tax credits are being used to update existing rental housing stock to preserve this vital housing option.

Neighborhood revitalization through public investment in new infrastructure or community services is a way of preserving balanced communities. In rapidly gentrifying communities, freezing or deferring the taxes of existing residents may help lower-income residents stay in place. Where the opposite of

**Schaefer Landing in Brooklyn, New York, combines 140 affordable rental units and 210 market-rate luxury condominiums.**



KENT WATERFRONT ASSOCIATES

## First Ward Place

**First Ward Place in Charlotte, North Carolina, is a successful HOPE VI mixed-income community that was developed by NationsBank Community Development Corporation (now Bank of America CDC) and the Charlotte Housing Authority. The redevelopment created 250 units of public housing, 50 units of workforce housing for families earning 80 percent or less of the area median income, and 101 market-rate units of for-sale and rental housing.**

**Because of First Ward Place's well-thought-out design and planning, the community's market-rate units have proven popular. One-third of the for-sale units are reserved for former public housing residents who have improved their financial situation to the point of being able to afford market-rate housing. In order to buy and occupy these units, the purchasers must first attend and graduate from the Charlotte Housing Authority's Homeownership Institute.**



URBAN DESIGN ASSOCIATES

**The exceptional design and planning of First Ward Place in Charlotte, North Carolina, led to quick sales for the market-rate units.**

gentrification is occurring, that is in declining neighborhoods where the concentration of low-income housing is rising and values are dropping, steps that could help restore balance include putting a limit on rent vouchers to stabilize the balance between market-rate and subsidized housing units; or the construction of market-rate or workforce housing.

In neighborhoods with little affordable housing, the introduction of mixed-income communities can jump-start the process for bringing about diversity, affordability, and balance. Much of the affordable housing being constructed today aims to create balanced communities by providing a variety of housing at a variety of price points. People with rising incomes or growing families can move up without having to move out of the community. Seniors can downsize without leaving their family and friends. Adult children can stay in the neighborhood in which they grew up. Households can move from subsidized housing to a home of their own without having to relocate. The presence of long-term residents who stay active and vested in their community helps maintain a sense of community.

From the developer's perspective, a mixed-income, mixed-product development mitigates the development risk by appealing to a variety of potential customers. Market-rate units can help cross-subsidize the income-restricted units, making the development more financially feasible. The proper ratio of market-rate, workforce, and low-income housing units in any one community is a matter of some debate, and the answer may vary based on the situation in the surrounding community. Many developers think that at least 50 percent of the units in larger mixed-income communities should be market-rate housing to ensure community stability and provide options for families to move up from subsidized or small units.

# 8 Use Design to Foster Community, Safety, and Pride

It is now widely accepted that much of the public housing built in the mid-20th century was a massive failure—its configuration too isolating, its scale too dense, its towers too tall, its residents too uniformly poor. Unfortunately, powerful negative images of failed high-rise, public housing developments and their associated social problems have been burned into the country’s collective consciousness, leaving a lingering negative perception of affordable housing. People are still less familiar with the attractive, lower-density, mixed-income communities where much of today’s affordable housing development is taking place; in these communities, most residents cannot tell the difference between the market-rate units and the affordable ones.

The lessons from past failures have not been lost on today’s affordable housing designers, many of whom are creating award-winning communities. Good design can foster a sense of community, provide for the safety of residents, and ultimately create community pride. In fact, one of the great lessons from public housing’s failed approach is to focus on building communities and neighborhoods, not projects and developments.

The resources for the development of affordable housing are typically limited, which demands creativity from developers and design professionals.



JONATHAN ROSE COMPANIES

Located in the high-cost community of Aspen, Colorado, Benedict Commons was developed by Jonathan Rose and Jim Curtis working with the city of Aspen to provide affordable housing to workers.

They put significant effort into value-engineering interior and exterior spaces to create the most value for the least cost. This may mean reassessing how spaces are used and challenging traditional thinking regarding design and density. The following design guidelines can help designers and developers create high-quality affordable housing and great communities:

- Create curb appeal. Does this look like a place in which you would like to live? Attractive housing fosters resident pride.
- Scale projects to respect the neighborhood. In some neighborhoods, the rehabbing of existing units may be an appropriate scale. Other areas may support large multifamily structures. The proper scale will promote a healthy connection between the development and its surrounding neighborhood.
- Foster a sense of ownership. Involve your target market in the design of the building, so that it reflects their needs and tastes.
- Orient windows to put “eyes” on the street. Street watching can instill a sense of ownership in residents and it serves as a de facto neighborhood watch program—and thereby makes the neighborhood safer.

- Use public spaces to foster a sense of community among residents.
- Provide adequate light and air circulation in the homes.
- Recognize the context of the surrounding neighborhood, but do not rely solely on replication.
- Consider the entry sequence. The character of the entry can be a defining element in the perceived quality of the building. The entry should be clear and identifiable so that all site elements contribute a better whole. Entry points for residents and visitors should be clearly defined.
- Use the lobby to set the tone for the building. The lobby or reception space should be clearly defined, attractive, and well lit.
- Study pedestrian paths and address problems. Worn dirt paths, for example, produce negative impressions.
- Address issues of parking and auto circulation. Is there enough parking? Insufficient parking causes stress to residents and neighbors. Parking should be located appropriately. For example, a parking field in front of a building on an otherwise residential street will not give the right impression.
- Use lighting to enhance security. Good lighting helps to define and enhance a property at night. A well-lighted site is not only secure, but also attractive.
- Make use of distinctive and clear signage wherever possible. Depending on how it is designed and placed, signage can go both ways—it can enhance or intrude on the design of a building.
- Use good landscaping to both enhance security and define the property. Good landscaping provides shading exposure as well as cooling of the overall site, and thus contributes to the energy-efficiency of the building.
- Use fencing carefully. Decorative fencing can be used to define the character of a property as well as enhance security. However, well-designed affordable housing does not rely heavily on security fencing for safety.
- Consider LEED elements. (LEED is a building rating system that focuses on energy and environmental design; it rates a project's greenness.)
- Know where to cut costs and think long term. Drastically reducing room sizes or installing cheap equipment or finishes might not save money in the long term because of increased maintenance costs. Additionally, excessive cost-cutting may contradict the goal of increasing the inventory of high-quality affordable housing.

## The Townhomes on Capitol Hill

**The Townhomes on Capitol Hill in Washington, D.C., replaced the crime-ridden Ellen Wilson public housing project. The 134-unit community includes rowhouses and semidetached homes that are available to households with a range of incomes from 50 to 115 percent of the area median income. An extensive process of design and planning culminated in the decision to make the units indistinguishable from the Victorian style townhouses that are prevalent in the neighborhood. The development integrates seamlessly with its neighborhood and one is hard-pressed to tell where the old neighborhood ends and the new development begins.**

**Developed by the Ellen Wilson Community Development Corporation, Corcoran Jennison, and Telesis, the development is a HOPE VI success story. A HOPE VI grant of \$25 million funded construction. The Washington, D.C.-based landscape architecture firm Oehme, van Sweden and Associates provided site planning. While using only five building types, the architect, Amy Weinstein & Associates, achieved a diversity of facades by varying materials, fixtures, and colors.**



**The Townhomes on Capitol Hill were designed to integrate seamlessly with the Victorian townhouses that are emblematic of Capitol Hill in Washington, D.C.**



# 9 Empower the Residents

**W**ell-planned affordable housing is a long-term investment and a key component of a healthy community. Affordable housing developers need to pause amidst the busy development process to respect, relate, and respond to their customers, the ultimate residents of the housing they are developing. While a current project is temporarily the developer's undertaking, remember that the developer is building permanent homes, relationships, connections, lifestyles, and community.

To cultivate a community, it is necessary to bring together multiple entities. Consulting, involving, and responding to the community, buyers, and residents are activities that build a sense of ownership (literally and otherwise) and create a sense of home, neighborhood, and community.

Community participation is key. Community members must be involved in initial project meetings and residents consulted on unit design, programs, and planning. Participatory activities will keep the energy high and provide residents with a meaningful role in project development. An inclusive, people-driven process will gain acceptance from the businesses, neighborhoods, and politicians affected by the project. Broad community support is essential to ensure the residents' success.

Affordable housing developers should take stock of the neighborhood's assets and respond to the community's vision for the neighborhood. An assessment of the social, economic, and environmental factors in the community will help identify what is working and what is not, what is valued and what needs to be improved. It helps to ask community members where they envision themselves living in ten, 20, and 50 years. By listening to the community and responding to its vision, the developer can create a development plan focused on common goals related to a healthy environment, a strong economy, and a high quality of life. Collective decision making increases pride and investment in the community, which, in turn, encourage high-quality maintenance and adherence to community rules and policies on the part of residents.

A socially and economically inclusive development can seamlessly integrate lower-income residents into the broader community. One rule of thumb is to design without gates and fences. New development should connect to the surrounding neighborhood by streets, parks, paths, and natural areas. It is important to make lower-income residents a part of mainstream society, both physically and emotionally.

The developer should seek to accommodate the housing preferences of all buyers and renters regardless of income. Like their more well-off counterparts, lower-income residents want amenities. Extra resources for providing them might be found by looking at the site and determining which public agencies or other partners might have a reason to shoulder some of the costs. A city's recreation department might

## 1400 on 5th

**1400 on 5th is a new 128-unit, green condominium development in New York City's Harlem neighborhood. The developer reserved 85 units for households with incomes between \$52,000 and \$103,000. These units were priced from \$158,000 to \$272,000. The remaining units sold to residents with incomes above \$89,000.**

**Developed by 1400 on 5th LLC and financed by a mix of public and private funding, the development took shape through engaging and empowering the community that it would serve. Community surveys found that potential affordable-unit residents wanted the same amenities as market-rate tenants. They were concerned about security in post-9/11 New York City. They were concerned about healthy-building issues, partly because asthma rates in Harlem are higher than in other parts of the city. And they were concerned that the new development spurring Harlem's renaissance was not capturing and expressing the cultural history and importance of their community.**

**The developer listened: 1400 on 5th includes a smart-security system, a 24-hour attended lobby, and a private parking garage. The development is LEED certified; it uses geothermal heat pumps and its air-ventilation system brings in fresh air to enhance indoor air quality. West African design elements reflect-**



FULL SPECTRUM NEW YORK

**ing Harlem's unique heritage were incorporated throughout the building. The Mfama-dan Adinkra symbol, which symbolizes a house in harmony with nature and with the community, is highlighted throughout the building. 1400 on 5th respects Harlem's past and addresses present and future community needs—all because the developer listened to the community, responded, and thereby empowered the residents.**

spend money to refurbish a community center or the public library system might be persuaded to open a branch library in the project. In Seattle, developers can take advantage of a Seattle City Light program to reimburse developers for the extra money spent on energy-saving lights, washers, and dryers and on other energy-saving features. The utility's reimbursements enable many developers to incorporate green building materials into their projects, which, in turn, constitute an important money-saving feature for lower-income buyers.

Finally, affordable housing developers should incorporate programs that encourage ownership, that facilitate transitions from rental to ownership and build wealth. Various federal, state, local government, and private initiatives provide financing, technical assistance, and educational resources to encourage affordable homeownership. Developers should consider partnering with lenders, local governments, and neighborhood residents to educate potential homebuyers on realistic homebuying goals. Some programs enable low-income families to contribute sweat equity to the building of their own home.

# 10 **Orchestrate Sustainability**

**A**ffordable housing developers build for the long term. Market-rate, for-sale housing developments sell out in a matter of years and market-rent rental properties are often sold after a specified holding period. Affordable housing developments, on the other hand, often are required to remain affordable over the long term. Affordable housing developers must develop, finance, and manage for property longevity, which means integrating sustainability into all aspects of the project.

The period for which affordability requirements are in place is commonly known as the compliance period. While it is difficult to predict how the area around the project site will develop over the compliance period, it is a good idea to try to establish a terminal value that reflects the likely status of the property given its geography, assumed capital improvements, and likely demographics, while also taking into

## **High Point Neighborhood Redevelopment**

**The redevelopment of the High Point public housing project in Seattle, Washington, involves 1,600 units on 120 acres. New infrastructure, buildings, and community facilities, funded in part with HOPE VI grants, nurture pride, encourage resident interaction, and improve sustainability. The restoration of street and open-space connections with the surrounding community has integrated High Point con-**

**textually into its historic Seattle neighborhood. The former public housing project has been reborn as a safe, accessible, mixed-income, multigenerational community.**

**The redevelopment includes a number of innovative features, including a 34-block natural drainage system to protect a salmon stream and a first-in-the-nation housing cluster built expressly for families with children who suffer from asthma. To obtain input on neighborhood design, High Point's planners met numerous**



DOUG SCOTT PHOTOGRAPHY—WWW.DOUGSCOTT.COM

account inflation. Building for sustainability offers the best chance of maintaining long-term value.

Sustainable development is high-quality development, but it does not need to be high-cost development. Through creative design and value-engineering, developers can create sustainable communities while maintaining affordability. Key qualities of sustainable affordable housing are that it promotes economic vitality, fosters environmental integrity, and encourages a sense of community today and for future generations. More specifically, such housing should promote health, conserve energy and natural resources, and provide easy access to jobs, schools, and services. It is best to take a holistic approach to sustainable affordable housing that focuses on people instead of buildings. It is important to focus also on the role that individual

**times with community members, including residents of the former housing project, who were guaranteed places in the new project. Ten interpreters helped the development team identify the concerns of residents, more than 60 percent of whom do not speak English as a first language. Amenities include an expanded community center, health clinics, a new library, a commercial center, small pocket parks, an athletic field, and a forested hillside. The new urbanist plan, which clusters parking next to, under, or behind**

**homes, encourages neighbor interaction, allows families to easily monitor children who are playing outside, and calms traffic. The development process has empowered residents by offering various employment and training opportunities. The contractor, Absher Construction, hired more than 50 low-income former or new residents as laborers and skilled workers. Absher also hired apprentices for more than 15 percent of the union work on the site.**



DOUG SCOTT PHOTOGRAPHY—WWW.DOUGSCOTT.COM



MITHUN ARCHITECTS + DESIGNERS + PLANNERS

projects—not only master-planned communities, but also small-scale projects—can play in transforming existing neighborhoods into sustainable communities.

The focus on sustainability should begin with site selection. Development on infill sites is inherently more sustainable than that on undeveloped sites. Infrastructure costs are lower, transportation alternatives are available, it does not use up agricultural or natural lands, and it makes a positive contribution to local economic and social vitality. Sites should be connected to trails, open space, parks, streets, and public transit. Project design should think beyond the car, incorporating options for bicycling, ridesharing, accessing trains and buses, and walking.

The incorporation of greener systems contributes to sustainability. Green affordable housing can reduce utility bills, create healthier living environments, and save non-renewable resources. Some green options—for example, the use of native plants in landscaping and the use of nontoxic (zero-VOC) paints—cost no more than standard options. Other green options—for example, using old paving material as backfill in trenches and minimizing the amount of grading—can actually save money. Some green options, such as energy-efficient heating and cooling systems, can cost more initially but offer long-term savings in operating or maintenance costs. For lower-income residents, investment in high-quality and efficient HVAC and other building systems is important to the degree that it achieves savings in maintenance and replacement costs and significantly lowers utility bills.

Affordable housing developers should think sustainability when specifying building materials. With projects that operate on tight budgets, affordable housing developers are generally careful to invest in nonstandard strategies only where they make economic sense. Green materials offer numerous benefits and opportunities for a project. The recycling of construction materials, which can often be reused for on-site public art projects, saves money. Specifying materials that result in durable surfaces reduces maintenance fees for residents and managers. Affordable housing developers should think beyond meeting local, state, or national green-building standards to setting examples of sustainability. Sometimes the budget limitations of affordable housing projects force creative solutions.

Sustainable development requires a flexible approach and long-term thinking. Sustainability is the glue that unites the financing, planning, zoning, designing, marketing, selling, and building of an affordable housing development. A sustainable development fosters a sense of community that benefits buyers over the long term. Developers need to look into the future: How will future investors benefit from today's planning and design choices? How will the community change and adapt?

Planning for sustainability does not stop at buildout. Developers need to put in place a strong strategy that addresses long-term operational issues, including the following:

- the protection of open space;
- the funding and maintenance of key programs and amenities;
- retention of green infrastructure;
- responsible environmental management;
- the mix of uses and incomes;
- continued high standards of architecture;
- the execution of maintenance plans for the building, the site, the community, and the infrastructure;
- financing for long-term management and maintenance;
- responses to disasters and replacement needs; and
- the education of residents on the subject of maintaining and improving important sustainable features.