



GROUND SOLUTIONS NETWORK

strong communities
from the ground up





**GROUND
ED
SOLUTIONS
NETWORK**

strong communities
from the ground up

Walking the Inclusionary Housing Tightrope

Sasha Hauswald | February 3, 2017

Context



- ▶ Soaring housing costs
- ▶ Need for workforce retention and attraction
- ▶ 51-100% AMI caught in the middle
- ▶ Declining federal \$ for affordable housing



Limited Federal Resources



- ▶ Tight allocation of Low-Income Housing Tax Credits
- ▶ Long-term decline in HOME/CDBG funding
- ▶ Slowly shrinking # of Housing Choice Vouchers
- ▶ **Rising land prices mean these dollars go even less far.**



Caught in the Middle



Those who earn *too much* to qualify for vouchers or other federal housing assistance, but *too little* to afford a decent, market-rate apartment.

Can We Build Our Way Out?



- ▶ New housing being priced at top of the market
- ▶ Construction costs are high
- ▶ New construction is catalyzing the market in adjacent neighborhoods



What is Affordable Housing



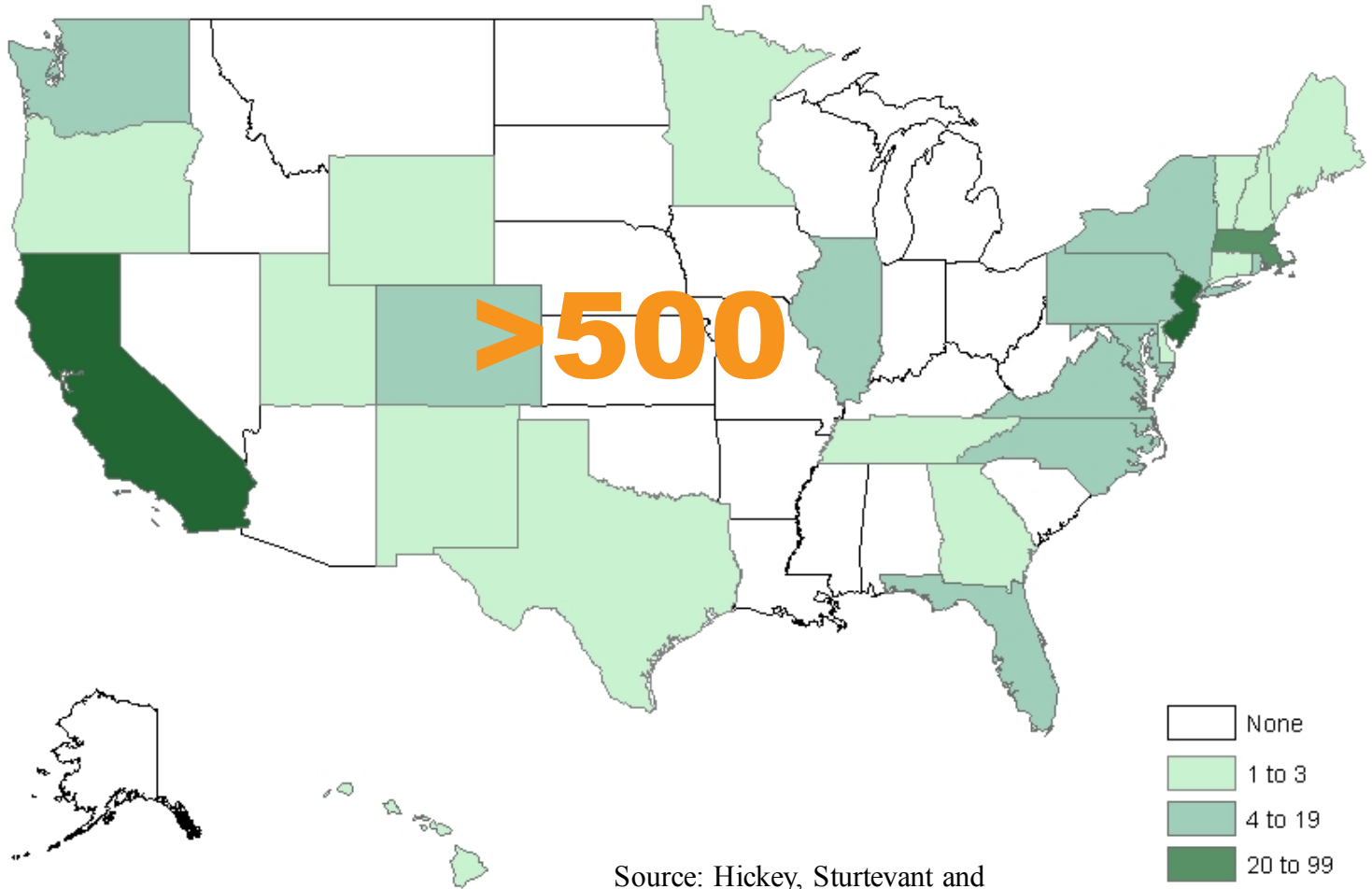
- ▶ Family with two parents and two kids. Dad is a chef and mom is a half time nurse's aid, \$56,000 or about 80% of Area Median Income, Can afford a home of \$193,000 or rent of \$1,400.
- ▶ Single mom is a teacher, has two kids – Salary of \$38,000 or about 60% of AMI, Can afford a home of \$131,000 or rent - \$950;

Inclusionary Housing Policy



- ▶ Local policies that require or encourage lower-priced, income-targeted homes in new market-rate developments.
- ▶ A value exchange between developers and local governments

Inclusionary Policies in the U.S.



Source: Hickey, Sturtevant and Thaden, Cambridge, MA: Lincoln Institute of Land Policy, 2014..

Growing Interest



- ▶ In 2015-2016: More than 20 cities and counties exploring
- ▶ Mid-to-large cities and college towns driving the trend



Reasons for Popularity



- ▶ Areas experiencing housing affordability challenges with significant development potential
- ▶ Harnesses market strength to help struggling those earning 51-100% of median income
- ▶ Preserves scarce resources, does not require public subsidy
- ▶ Helps locate workforce housing near jobs
- ▶ Provides bulwark against long-time resident displacement
- ▶ Highly customizable
- ▶ Creates mixed-income communities

Affordable Housing in Opportunity Neighborhoods



Inclusionary housing properties **4-to-6 times** more likely to be located in low-poverty school districts than LIHTC properties or Housing Choice Voucher holders

Sources: RAND Institute (2012);
Furman Center for Real Estate and Poverty (2012)



Neighborhood Matters for Economic Mobility



Moving to a low-poverty neighborhood during childhood:

- ▶ Increases a child's earnings later in life
- ▶ Increases likelihood of college attendance
- ▶ Decreases the probability of having a child as a teenager.

Study: The Impacts of Neighborhoods on Intergenerational Mobility (Raj Chetty and Nathaniel Hendren, Harvard University, April 2015).



Inherent Tension



- ▶ *“We need new investment and energy in this city. We want to grow.”*
- ▶ *“Our workforce and long-time residents should be able to stay. We want to protect what makes this city unique.”*

Effect on the Overall Market



- ▶ The best studies find **little effect** on production or the cost of market-rate housing.

Mitigating Factors:

- ▶ Adopted in strong markets
- ▶ Zoning bonuses, financial subsidies offsets reduce development costs
- ▶ Flexible policies further improve feasibility
- ▶ Land prices adjust down over time

Making it Workable for Developers



Linking Affordability to:

- ▶ Land use approvals
- ▶ Zoning changes
- ▶ Use of public \$
- ▶ Public land purchase
- ▶ Tax abatements, exemptions



Mixed-Income Housing in Montgomery County, MD

Review of National Practice



- ▶ 80% of Policies Mandatory
- ▶ Most Policies Apply to Entire Jurisdiction
- ▶ Programs Generally Cover Both Rental and Ownership
- ▶ % Affordable: most typical is 10-20%
- ▶ Income Levels: Widely varying, common practice is less than 80% AMI for rental and 80-120% AMI for ownership
- ▶ 80%+ of homeownership and rental IH programs require at least 30 years affordability

Key Traits of Successful Policies



- ✓ Mandatory, or voluntary w/ compelling incentives
- ✓ Sets consistent expectations that are predictable and fair
- ✓ Targets areas of growth and investment
- ✓ Offers developers flexibility with alternative options
- ✓ Has long affordability terms and a plan for stewardship
- ✓ Offers real zoning and/or procedural benefits
- ✓ Crafted with eye to financial feasibility
- ✓ Balances simplicity with precision and predictability with flexibility

Where Does it Work?



Redmond, WA
Credit: City of Redmond



Bedford, MA



Santa Fe, New Mexico,
Credit: John Baker Photography



Charlotte, NC

Montgomery County, MD



- ▶ **Policy type:** Mandatory
- ▶ **Year adopted:** 1974
- ▶ **Affordable Production (2014):** 14,029 units
- ▶ **Affordable housing set-aside:** 12.5%
- ▶ **Income targets:** <65-70% of area median income
- ▶ **Affordability duration:** 30-99 years



A mix of moderately priced and market-rate condominiums in Montgomery County.

Credit: Montgomery County DHCA

Boston



- ▶ **Policy type:** Voluntary (required for any zoning change)
- ▶ **Year adopted:** 2000
- ▶ **Affordable Production (2014):** 1,718 units + \$32 million in “buyout” fees
- ▶ **Affordable housing set-aside:** 13%-18%
- ▶ **Income targets:** <70-100% of area median income
- ▶ **Affordability duration:** 30-50 years





**GROUND
ED
SOLUTIONS
NETWORK**

strong communities
from the ground up

Questions?

Sasha Hauswald
Shauswald@groundedsolutions