GROUNDDED SOLUTIONS NETWORK
strong communities from the ground up
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.

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 \textbf{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
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

Santa Fe, New Mexico,  
Credit: John Baker Photography

Bedford, MA

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
Questions?

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