

A Homes for Working Families Research Report

Solving America's Shortage of Homes Working Families Can Afford: Fifteen Success Stories

Executive Summary



**Fannie Mae
Foundation**



About This Report

This research report is sponsored and financed by the Fannie Mae Foundation and is the first publication in a series to be published by Homes for Working Families, a newly created 501c3 organization with the mission of demonstrating that the affordable housing crisis facing America is solvable and that solutions are available to concerned and committed communities.

This report is the Executive Summary of *Solving America's Shortage of Homes Working Families Can Afford: Fifteen Success Stories*, a full research report that will be published following the publication of this executive summary. The full report looks at four programs and eleven projects that demonstrate creative solutions to the affordable housing crisis. This summary outlines the principles and best practices drawn from an analysis of the programs and projects.

The Urban Land Institute is proud to have once again partnered with the Fannie Mae Foundation on this important effort and wishes *Homes for Working Families* success in its important mission of demonstrating that the affordable housing crisis in America is a problem that can be solved. Through this report and continuing research, we hope to support that mission by highlighting affordable housing success stories.

Richard M. Rosan
President

Cover: (clockwise from upper left)

- First Ward Place, Charlotte, North Carolina.
Courtesy of Urban Design Associates
- Old Town Square, Chicago, Illinois.
Courtesy of Chicago Housing Authority
- Carrington, McLean, Virginia.
Courtesy of Edgemoore Homes
- Orchard Park, Chicago, Illinois.
Courtesy of Chicago Housing Authority
- Murphy Park, St. Louis, Missouri.
Courtesy of McCormack, Baron, Salazar

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About Homes for Working Families

Homes for Working Families seeks to increase the availability of high-quality homes within reach of America's working families by changing public opinion and public policy. We are working to create a consensus that moves the public to care, moves the issue of homes for working families to the forefront of our nation's domestic policy priorities, and moves policy-makers to act. Our effort focuses on working families—the families of teachers, firefighters, retail clerks, librarians, and others who struggle to find homes they can buy or rent in the communities they serve.

Together with a diverse coalition of partners, we communicate the severe shortage of homes within reach of working families and the effect this problem has on everyone, spotlight policies and programs that help meet this need, and promote the understanding that these homes add vitality to local economies, improve the quality of life in communities, and bring stability to families.

Beverly L. Barnes
Executive Director

About Fannie Mae Foundation

The Fannie Mae Foundation creates affordable homeownership and housing opportunities through innovative partnerships and initiatives that build healthy, vibrant communities across the United States. The Foundation is especially committed to improving the quality of life for the people of its hometown, Washington, D.C., and to enhancing the livability of the city's neighborhoods.

Stacey D. Stewart
President and CEO

About ULI—the Urban Land Institute

ULI—the Urban Land Institute is a nonprofit education and research institute that is supported by its members. Its mission is to provide responsible leadership in the use of land to enhance the total environment. ULI sponsors education programs and forums to encourage an open, international exchange of ideas and sharing of experiences; initiates research that anticipates emerging land use trends and issues and proposes creative solutions based on that research; documents best practices; provides advisory services; and publishes a wide variety of materials to disseminate information on land use and development. Established in 1936, ULI has more than 28,000 members in 80 countries representing the entire spectrum of the land use and development disciplines.

Richard M. Rosan
President

Executive Summary

The United States is the best housed nation in the world. In 2004, its homeownership rate soared to a record high—69 percent—and homeowners are now sitting on more than \$10 *trillion* of home equity. This rising tide of household wealth fuels consumer spending: More people than ever before are tapping into their equity to finance their children's education, a secure retirement, an exotic vacation, a luxury car.

For most American homeowners, this is the best of times.

The same dynamic that is bringing so much wealth to so many is depriving many others of opportunity. The red-hot appreciation of housing prices has moved the dream of homeownership beyond the reach of many working families. Among low- to moderate-income families with children, the homeownership rate stands at 56 percent—a full percentage point below its rate a quarter of a century ago. The National Housing Conference reports that America's elementary school teachers, police officers, licensed practical nurses, retail salespersons, and janitors no longer qualify for a mortgage on a median-priced home. For many families who do manage to purchase a new home, the dream of ownership too often becomes the nightmare of foreclosure: Foreclosure rates hit record highs in 2003, and again in 2004.

For America's working families, this is not the best of times.

The rental market offers no relief. No where in the country today can a minimum-wage earner afford a two-bedroom apartment. More than 12 percent of American families are spending more than half their income on housing. One of every three families spends more than 30 percent of its income on housing. These figures do not include the 2.5 million families who live in crowded or structurally defective housing units. If, as is expected, long-term interest rates rise, more working families will be excluded from the homebuying market. This development would result in lower vacancy rates (and higher rental rates) for apartments, thereby increasing the burden on families already strained by housing costs.

As these trends have unfolded, and as the federal role in affordable housing policy has diminished, state and local governments have been forced to become ever more creative and flexible in their attempts to address the nation's shortage of affordable homes. But what is remarkable—*they are succeeding.*

This report looks at 15 of these success stories, providing overviews of states and localities that are demonstrating resiliency and adaptability in meeting the affordable homes challenge. Fifteen snapshot case studies provide a portrait of the progress that is possible when enlightened public policy is joined with innovative partnerships and creative problem solving.

Analysis of the case studies yields a set of underlying principles that may serve to guide states and localities that are grappling with the home affordability crisis. Many of these principles represent new ways of looking at this seemingly intractable problem. They suggest the need for a departure from orthodoxy, a break from past practices. In brief, these principles, outlined below, suggest that increasing the supply of homes within reach of working families demands a willingness to experiment.

Following are key principles of successful programs to develop homes within reach of working families.

■ BEING FLEXIBLE, ADAPTABLE, COMPREHENSIVE

Montgomery County, Maryland, widely credited with having one of the nation's most effective affordable homes programs, displays an uncommon ability to adapt to changing market and regulatory realities. The county's moderately priced dwelling unit (MPDU) law has been modified more than 20 times since 1976. But the MPDU program is just one weapon in the full arsenal that the county's Housing Opportunity Commission (HOC) uses to increase the supply of homes available to low- and moderate-income families. The Montgomery County HOC combines programmatic flexibility with the understanding that no single program by itself can solve the problem of affordability.

■ USING PUBLIC RESOURCES TO PRIME THE PRIVATE PUMP

The city of *Denver* is home to the country's largest urban infill development, a seven-acre site that soon will include 800 affordable homes for sale and 800 affordable homes for rent. Making possible this development is the partnership between the city and a private developer in which the city provides reduced land costs, tax incentives, and creative financing.

In California, the *Santa Clara Unified School District* donated more than two acres of land to a local developer in exchange for a commitment to create 40 rental homes within the reach of teachers. California's Certificate of Participation (COP) program, traditionally used for school capital improvement projects, provided the financing.

■ TAPPING THE POWER OF PUBLIC/PRIVATE PARTNERSHIPS

First Ward Place in *Charlotte, North Carolina*, is an award-winning, mixed-income community jointly developed by the Charlotte Housing Authority (CHA) and the Bank of America CDC. The two organizations formed a complementary relationship: CHA secured federal HOPE VI funds and Bank of America qualified for low-income housing tax credits.

■ TAMING THE BUREAUCRACY

Many local governments now understand that extensive and expensive public review processes discourage new development. Expediting these processes—and waiving fees for developers of homes that working families can afford—often jumpstarts development. In *Austin, Texas*, the S.M.A.R.T. Housing Initiative offers developers three benefits: development fee waivers, expedited review by S.M.A.R.T. staff, and troubleshooting assistance with the development approval processes by S.M.A.R.T. staff trained to break logjams.

In *Massachusetts*, the Comprehensive Permit Law provides developers of homes within reach of working families a streamlined approval process that cuts through local roadblocks.

■ MIXING IT UP

The negative image of affordable housing, the residue of the high-density public housing projects of decades past, continues to feed community opposition to affordable home developments. Mixed-income developments, notable both for their attractiveness and their financial feasibility, counter these outdated images and often nullify opposition. In *Fairfax County, Virginia*, the Affordable Dwelling Unit Ordinance encourages mixed-income development by providing for a sliding scale of affordability.

A similar sliding scale accounts for the success of Murphy Park in *St. Louis*, once a crime-ridden public housing project that has been reinvented as a mixed-income community that includes both apartment homes and townhomes.

■ GIVING NEW MEANING TO HOME ECONOMICS

A community that provides a mix of homes to buy and homes to rent encourages renters to aspire to become homeowners. This is especially true if the community provides homebuyer education or financial literacy programs. Families renting a home in First Ward Place in Charlotte, North Carolina, are required to participate in the Charlotte Housing Authority's Family Self-Sufficiency Program, which prepares families for the challenges of homeownership. Credit repair and budgeting basics are among the topics taught.

A similar "home economics" program is underway in the Noji Gardens mixed-income development in *Seattle, Washington*.

■ RESPECTING SMART GROWTH, GREEN, AND TRANSIT-ORIENTED DEVELOPMENT PRINCIPLES

Generating public support for developments of homes within reach of working families begins with respecting public sentiment. Developments that are consistent with smart growth, in accordance with green building standards, and near mass transit are easier for officeholders and the public to support. In *San Jose, California*, the local transit agency and a private developer created new homes within reach of working families on the former parking lot of a transit station. The Ohlone Chynoweth development, home to a demographic group that relies heavily on mass transit, rewards the public's investment in the transit system by providing built-in ridership.

■ CONNECTING THE DOTS BETWEEN HOMES WITHIN REACH AND ECONOMIC VITALITY

When home prices get higher, commutes become longer and employees become both less satisfied and (over time) less productive. Employers understand this dynamic—the connection between home availability and employee productivity. And what employers have long known, community leaders are now learning.

The Casa Del Maestro development came into existence because *Santa Clara, California*, teachers could not afford to live in Santa Clara. Retaining good teachers became difficult. Attracting new teachers became more difficult. The plight of teachers became emblematic of Santa Clara's larger employee-retention, employee-recruitment problems. Understanding the potential economic impact, private businesses have donated millions of dollars to fund homes that working families can afford.

The Carrington development in *Fairfax County, Virginia*, grew out of the recognition that Fairfax teachers, nurses, police officers, firefighters, and county employees could not afford to live in the counties they served.

In *Camarillo, California*, home prices were making it tough for California State University, Channel Islands, to recruit faculty and staff. Through the innovative use of vacant land, the university developed market-rate apartments to support an inventive program that enables faculty and staff to buy homes they can afford on campus.

In *Marshall, Minnesota*, the town's major employer—Schwan's Food—provided construction loans and funds for the development of 128 homes within reach that will be occupied by its employees and their families.

■ DESIGNING AS DISGUISE

Good design has never been more important. If the public is to support the development of homes close to the jobs of working families, these homes must fit seamlessly into existing communities. This aesthetic requirement, of course, clashes with the density dictated by financial considerations. But creative architects are welcoming this challenge, disguising density through the strategic use of open space and quadruplex configurations. In *Fairfax, Virginia*, the Edgemoore at Carrington development consists primarily of \$1 million luxury homes. The developer was required to bring into this setting eight townhomes selling for \$120,000 each. The city's "Great House" design effort made possible this integration. The eight units were constructed to look like two mansions, which blended seamlessly with the surrounding luxury homes.

Conclusion

No set of guiding principles—no rules of the road—can ensure the availability of more homes that are within reach of working families. The principles outlined in this executive summary do not define one precise route to success. Rather, they tell us that different communities are taking *different* routes to success. They tell us that *success is possible*. Throughout the country, success stories are multiplying. By featuring these stories, the Fannie Mae Foundation, the Urban Land Institute, and Homes for Working Families aim to inspire more effort to find more solutions to the challenge of giving more working families greater opportunity to live in safe, decent homes in safe, decent communities.

Matrix of Programs and Developments

The matrix presented here offers a schematic overview of the case studies covered in this executive summary. It attests to the range of local and state activities now focused on the affordability challenge. It points to the need for flexibility and openness, for innovation and experimentation. It reminds us that the challenge of providing homes within the financial reach of working families is a moving target and that solutions must be tailored to ever-changing demographic, political, and market realities.

Programs	Location	Highlights
S.M.A.R.T. Housing Initiative	Austin, Texas	<ul style="list-style-type: none"> • Self-funding due to increased tax base • Expedited permit review and fee waivers • Sliding scale of affordability requirements • Promotes transit-oriented and green development
The Housing Trust Fund of Santa Clara	Santa Clara, California	<ul style="list-style-type: none"> • Mostly privately funded • Includes homebuyer assistance and counseling • Provides low-interest loans to multifamily developers • Connects affordable housing and economic development
Moderately Priced Dwelling Unit Program	Montgomery County, Maryland	<ul style="list-style-type: none"> • One of the country's most effective inclusionary zoning programs • Requires percentage of all new home developments to be affordable • Disperses affordable homes throughout the county • Includes homebuyer education and counseling
Chapter 40B—the Comprehensive Permit Law	Commonwealth of Massachusetts	<ul style="list-style-type: none"> • Statewide affordable homes law • Allows developers to override local development regulations for affordable home developments • Discourages exclusionary zoning practices • Stresses importance of affordable homes to economic health of state

Programs	Location	Highlights
Stapleton	Denver, Colorado	<ul style="list-style-type: none"> • Tax increment financing • Innovative land acquisition strategy • Close relationship with local public school representatives • Low-income housing tax credits
Casa Del Maestro	Santa Clara, California	<ul style="list-style-type: none"> • Partnership between for-profit developer and local school district • Surplus school property used for development • Affordable homes used as recruitment and retention technique for public school teachers • Prototype for other school districts and other occupations, such as police and firefighters
Edgemoore at Carrington	McLean, Virginia	<ul style="list-style-type: none"> • Inclusionary zoning • Density bonus in exchange for affordability • “Great House” design incorporates townhomes into luxury single-family detached community
Noji Gardens	Seattle, Washington	<ul style="list-style-type: none"> • Modular construction to reduce overall construction costs • Tax abatements • Mixed-income community • Homebuyer education and counseling
Ohlone-Chenoweth Commons	San Jose, California	<ul style="list-style-type: none"> • Transit-oriented development • Low-income housing tax credits • Federal Transit Administration grant • Expedited application review
Marshall Parkway	Marshall, Minnesota	<ul style="list-style-type: none"> • Employer-assisted homes • Homebuyer education, counseling, and downpayment assistance • Tax increment financing • USDA rural development loans

Programs	Location	Highlights
University Glen at CSU, Channel Islands	Camarillo, California	<ul style="list-style-type: none"> • Affordable homes for sale for university faculty and staff • Leased land • Tax-exempt bonds • Innovative self-funding financing, whereby market-rate apartments and retail fund affordable units
Murphy Park	St. Louis, Missouri	<ul style="list-style-type: none"> • Low-income housing tax credits • Rehabilitation of public schools through partnership of developer and local schools • Significant infrastructure improvements • Mixed-income community replacing failed public housing project
First Ward Place	Charlotte, North Carolina	<ul style="list-style-type: none"> • HOPE VI grants • Public/private partnership • Mixed-income community replacing failed public housing project • Homebuyer education and counseling
New Pennley Place	Pittsburgh, Pennsylvania	<ul style="list-style-type: none"> • AFL-CIO assistance • HOPE VI grants • Renovation of existing buildings combined with new construction • Mixed-income community replacing failed public housing project • Significant city infrastructure improvements
Cabrini Green/Near North Initiative	Chicago, Illinois	<ul style="list-style-type: none"> • Public/private partnership • HOPE VI funds • Tax increment financing • Mixed-income community replacing failed public housing project