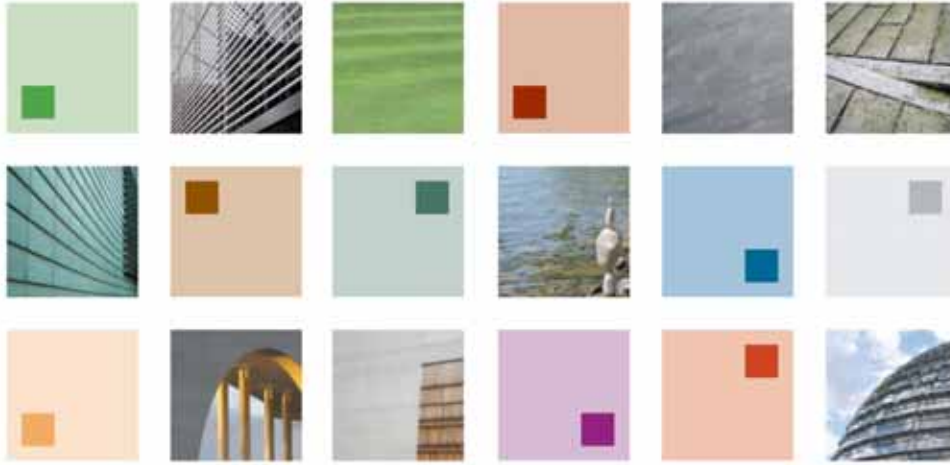




# Private Developers & Affordable Housing



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Congress for New Urbanism XVI | Austin, Texas  
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**100% FREE!**

# New Directions in Affordable Housing

Changes in How We Contemplate, Conceive, and Create Inclusive Neighborhoods



September 2006

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**GLATTING JACKSON KERCHER ANGLIN**  
we plan and design livable communities

**WOW!**

# questions.

- isn't the market, um, *tanking* anyway?
- what can private developers do?
- why should they bother?





first of all, isn't the market solving this problem?



## A History of Home Values

The Yale economist Robert J. Shiller created an index of American housing prices going back to 1890. It is based on sale prices of standard existing houses, not new construction, to track the value of housing as an investment over time. It presents housing values in consistent terms over 116 years, factoring out the effects of inflation.

The 1890 benchmark is 100 on the chart. If a standard house sold in 1890 for \$100,000 (inflation-adjusted to today's dollars), an equivalent standard house would have sold for \$66,000 in 1920 (66 on the index scale) and \$199,000 in 2006 (199 on the index scale, or 99 percent higher than 1890).

**DECLINE AND RUN-UP** Prices dropped as mass production techniques appeared early in the 20th century. Prices spiked with post-war housing demand.

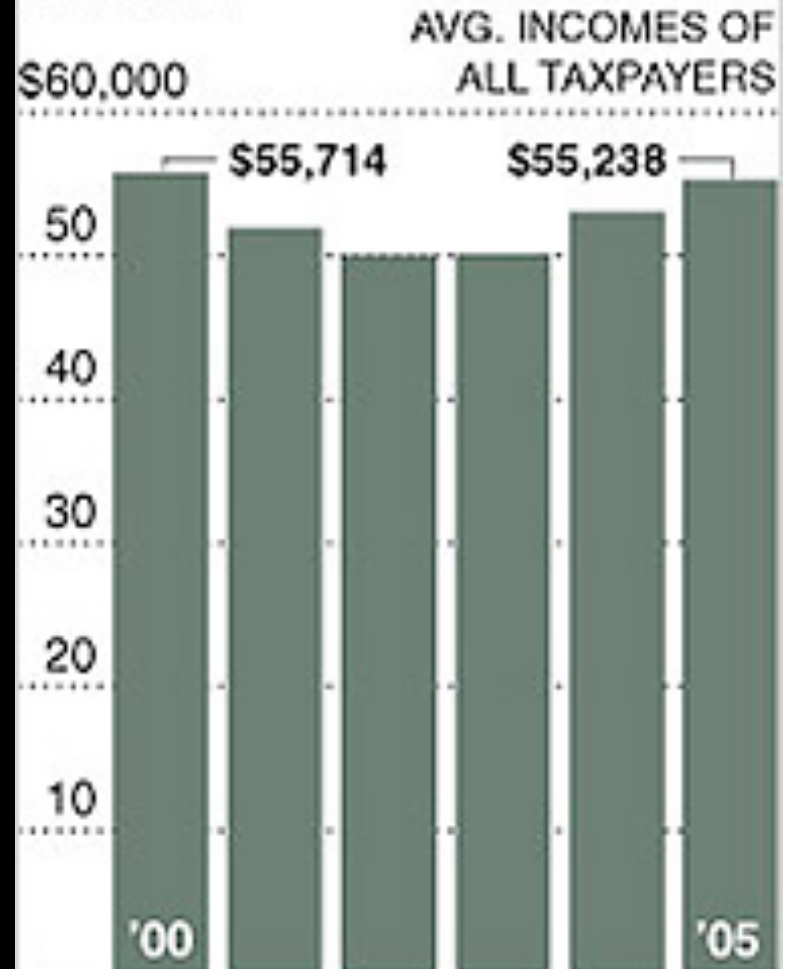
**BOOM TIMES** Two gains in recent decades were followed by returns to levels consistent since the late 1950's. Since 1997, the index has risen about 83 percent.



■ Average income in 2005 **1% lower** than 2000; first time since World War II

## Lagging Behind

Average incomes in 2005 were still below where they were in 2000, after adjusting for inflation.



Source: Internal Revenue Service

# Orlando, Florida (MSA) median home prices...



2001-2006:  
**+ 111.5%**  
\$118,000 - \$250,000

2007:  
**- 1.2%**  
\$245,000



# what can developers do?





1

subsidized solutions

2

unsubsidized/free  
market solutions





subsidized solutions.

# Low-Income Housing Tax Credit (LIHTC).

*“The only game in town.”*

## 1986 Tax Reform Act

Goal of bringing the private sector into the affordable housing arena.  
(Or turning over responsibility?)





# Low-Income Housing Tax Credit (LIHTC).

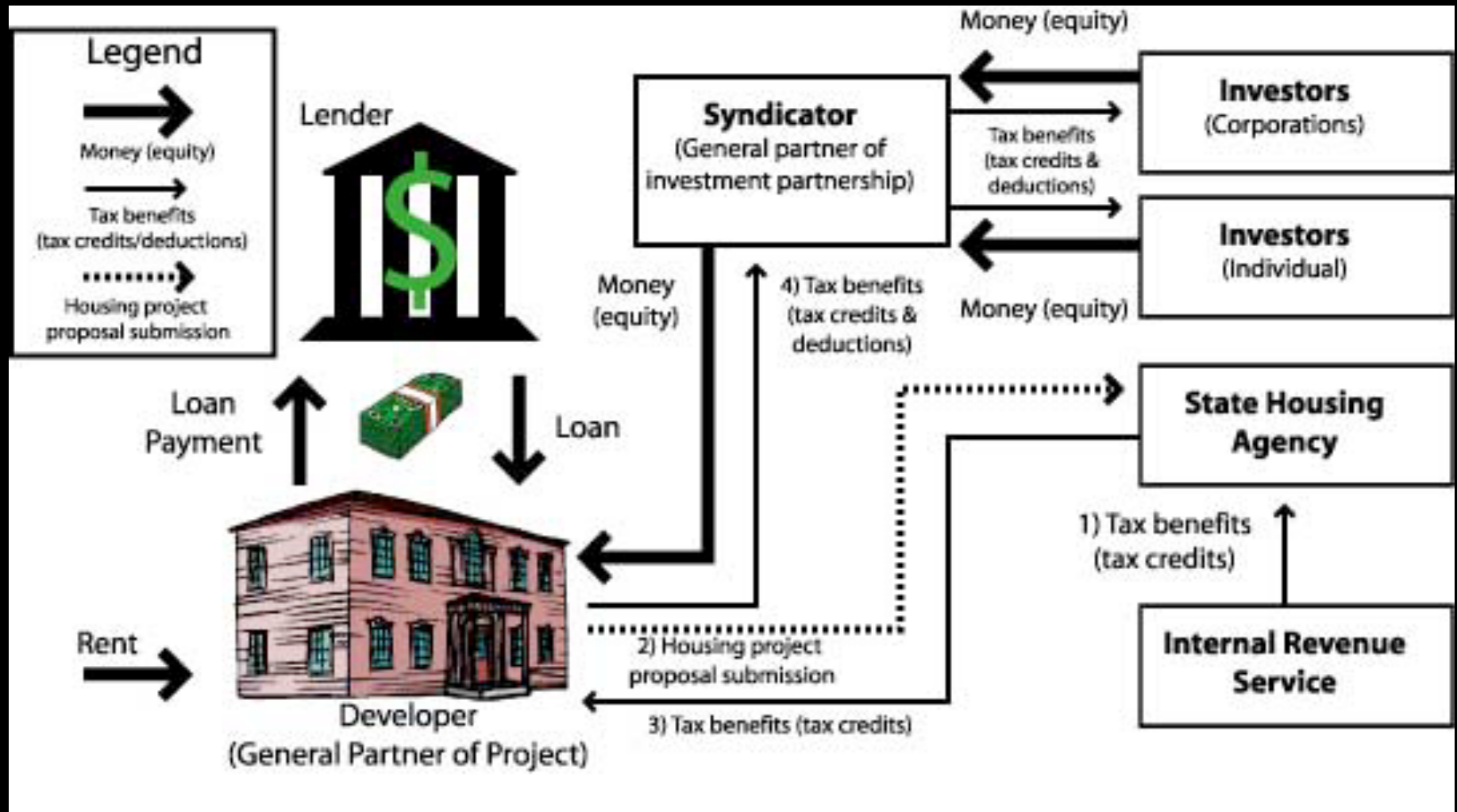
Most **important and effective** program for affordable housing in last two decades

**1,530,000 units** from 1987 to 2005

**30-40% of ALL** new multi-family construction nationally

80% of all affordable housing in Orlando in form of **new construction multi-family** financed through LIHTC

# Low-Income Housing Tax Credit (LIHTC).



# Low-Income Housing Tax Credit (LIHTC).

Step 1

Step 2

Federal income tax credits awarded to states based on population (\$1.75 per capita in 2003, indexed to inflation)

Step 3

Step 4



# Low-Income Housing Tax Credit (LIHTC).

## Step 1

States award credits to private for-profit and non-profit developers based on a competitive selection process (called the Qualified Allocation Plan or QAP)

## Step 2

*[In most states, there are 2 to 3 times more applications than available credits.]*

## Step 3

Developers must commit at least 20% of units affordable to <50% AMI or 40% of units affordable to <60% AMI

## Step 4

for a period of at least 30 years.

## Low-Income Housing Tax Credit (LIHTC).

Step 1

Step 2

Step 3

Step 4

Developers sell the credits to other entities, typically corporations and banks, to raise capital. These investors use them as one-to-one credits on their federal tax returns, claimed in equal installments over a 10-year period.

## Low-Income Housing Tax Credit (LIHTC).

Step 1

Step 2

Step 3

Step 4

Developer uses this revenue to “bridge the gap” needed to (profitably) produce affordable housing. The funds can be used for acquisition, rehabilitation, or new construction costs.



# NorthBridge – Orlando, FL













Responsible for **huge portion** of all affordable housing produced in recent years.

## pros

Without this program, the private sector would not be able to **profitably engage** in the lower-end of the affordable housing market.

Typically combined with **other social services** (day care, after-school programs, credit counseling, job training).



Great **complexity** in obtaining and using these funding sources.

**Finite number** awarded per year → large unmet demand.

## cons

Under some competitive selection rules, may result in **concentrated low-income units**. Most LIHTC properties are 80% + low income.

[Source: “Serving the Affordable Housing Needs of Older Low-Income Renters: A Survey of Low-Income Housing Tax Credit Properties,” AARP, 2002.]

Rules may **encourage anti-urbanism** (“extra” points for excess parking and gated entries; no “extra” points for transit access or mixed-uses)





free market solutions.

Planning *mixed-use* neighborhoods offering a wide *variety of work opportunities* along with *good public transit* may be the single most important contribution to housing affordability.

—Michael Pyatok, leading affordable housing architect



1

small units

2

transportation  
affordability





do not underestimate  
the importance of  
small units.

---



Photo: Ducati1978, flickr



*"I should have bought more crap."*

**more single-person households**

**aging society**

**later average marriage and child-bearing ages**



*excess* of  
22 million  
large lot  
homes by  
2025.



Source: Arthur Chris Nelson, "Leadership in a New Era," *Journal of the American Planning Association*, Vol. 72, No. 4, 2006.

*deficit* of 35  
million small  
lot/attached  
homes by  
2025.



Source: Arthur Chris Nelson, "Leadership in a New Era," *Journal of the American Planning Association*, Vol. 72, No. 4, 2006.



reduction of *transportation* costs is  
an affordable *housing* strategy.

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# the concept of affordable living—

## housing costs

**New York City**

37.1%



**Tampa**

31.1%



why should they bother?

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Our cities contain people **too poor** to pay for the quality of shelter that our **public conscience** (quite rightly, I think) tells us they should have.

—Jane Jacobs, *The Death and Life of Great American Cities*, 1961.



Faster absorption rates

Higher “internal capture” =  
lower transportation  
impacts = \$\$\$ saved

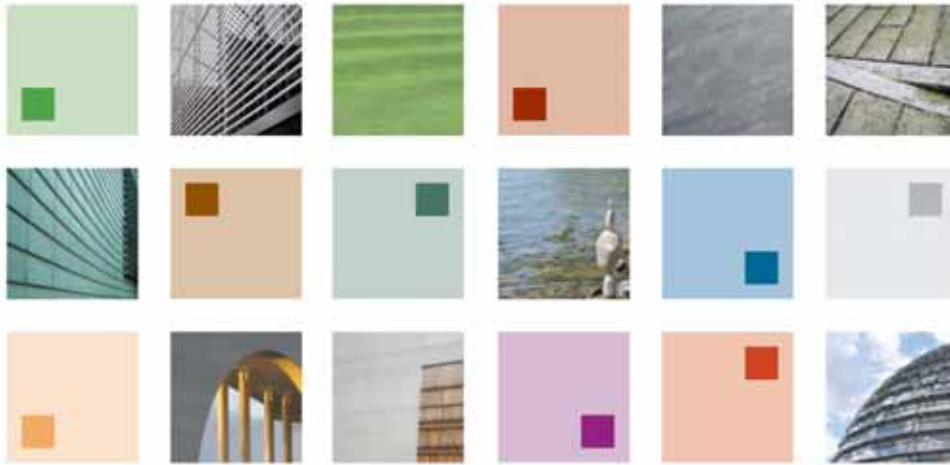
High pent-up demand for  
“diverse” communities

Demographics is destiny





*"Sure, we need affordable housing—just so long as it doesn't come at the expense of unaffordable housing."*



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