

AFFORDABLE HOUSING POLICY GUIDE SMARTCODE MODULE

PREPARED BY HURLEY-FRANKS & ASSOCIATES: JENNIFER HURLEY & NICOLE BROWN

Where, after all, do universal human rights begin? In small places, close to home - so close and so small that they cannot be seen on any maps of the world. Yet they are the world of the individual person; the neighborhood he lives in; the school or college he attends; the factory, farm, or office where he works. Such are the places where every man, woman, and child seeks equal justice, equal opportunity, equal dignity without discrimination. Unless these rights have meaning there, they have little meaning anywhere. Without concerted citizen action to uphold them close to home, we shall look in vain for progress in the larger world.

Eleanor Roosevelt

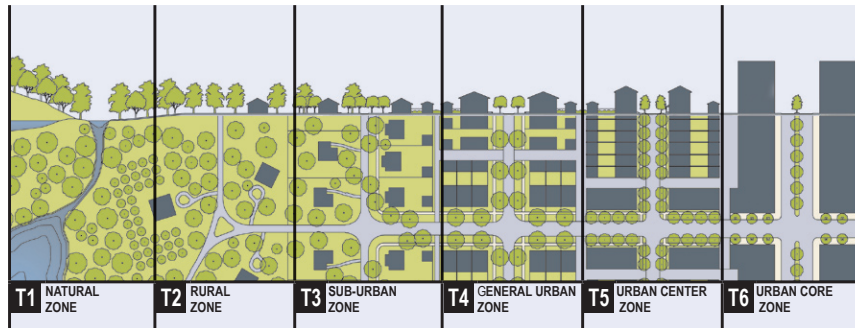
AFFORDABLE HOUSING POLICY - SUMMARY TABLE 2

REGULATION 3

DEVELOPMENT / MANAGEMENT 4

FINANCING 5

This document is intended as an introductory educational piece to encourage discussion and implementation of affordable housing programs and policies. It does not contain regulatory language.



REGULATION	T1	T2	T3	T4	T5	T6	Tenure	Driver
a. Accessory Dwelling Units		A	M	M	L		R/HO	G/D
b. Density Bonus		R	L	L	M	M	R/HO	G
c. Efficient Development Review Process		A	M	M	A	A	R/HO	G
d. Flexible Rehabilitation Codes		A	A	M	M	M	R/HO	G
e. Inclusionary Zoning		R	L	L	L	L	R/HO	G
f. Modest Minimum Lot Sizes		R	M	M	L	L	R/HO	G
g. Rent Control		R	R	R	L	L	R	G
h. Street Vacation		R	L	L	M	M	R/HO	G
i. Diverse Housing Types/Sizes		L	M	M	L	L	R/HO	D/G
DEVELOPMENT / MANAGEMENT								
a. Affordable Housing Deed Covenants		L	M	M	M	L	HO	N
b. Community Land Trust		L	M	M	M	L	R/HO	N
c. Katrina Cottages		M	M	M	L		R/HO	D/G
d. Limited-Equity Condominium		R	R	L	M	M	HO	N
e. Limited-Equity Cooperative		R	R	L	M	M	HO	N
f. Manufactured Housing		M	L	L	R		R/HO	D/G
g. Single-Room Occupancy Buildings			R	L	M	M	R	N/G
FINANCING								
a. Downpayment Assistance Programs		A	A	M	M	A	HO	G
b. Fee Waivers		A	M	M	A	A	R/HO	G
c. Historic Preservation Tax Credits		A	A	M	M	M	R	G
d. Housing Trust Funds		A	A	M	M	A	R/HO	G
e. Infill Incentives		R	R	M	M	L	R/HO	G
f. Linkage Fees		A	A	A	M	M	R/HO	G
g. Live Near Your Work Program		R	L	M	M	M	HO	G
h. Location Efficient Mortgage			L	M	M	M	HO	G
i. Low Income Housing Tax Credits		A	A	M	M	M	R	G
j. Real Estate Transfer Tax		A	A	A	M	M	R/HO	G

KEY

Analysis of Tools

R - Restricted: There may be significant negative impacts or the tool may simply not work in this context. The tool should be used only after detailed analysis and with clear public support.

L - Limited: There may be significant negative impacts, the tool may have limited positive impacts in this context, or there may be significant public opposition. Proceed with caution.

A - Applicable: The tool is likely to have positive impacts in this context.

M - Most Effective: The tool is likely to have noticeable positive impacts in this context, and is unlikely to have negative impacts or generate significant public opposition.

Tenure

R = Rental
HO = Homeownership

Driver

Refers to primary responsibility for initiating or managing.

G = Government

D = Developer

N = Non-Profit Organization

Note that the developer can be for-profit or nonprofit.

	T1	T2	T3	T4	T5	T6
<p>a. Accessory Dwelling Units: Permitting accessory dwelling units or “granny flats” not only allows for some lower-cost rental units to be interspersed within a majority of homeownership units, it also provides extra income for the homeowner. Accessory units can increase the diversity of income levels living in a neighborhood. www.mrsc.org/Publications/textadu.aspx www.policylink.org/EDTK/HTF/action.html</p>		A	M	M	L	
<p>b. Density Bonus: Density bonuses permit increased density in exchange for development of affordable housing. Generally, density bonus are 15-25%, but many cities have a flexible density bonus. Where there is a maximum percentage rate, the city can negotiate a rate with a developer. The city must decide whether bonus units are dedicated only to affordable housing and whether they will include single-family developments in addition to multi-family housing projects. www.huduser.org/rbc/newsletter/vol2iss4more.html www.livableplaces.org/policy/densitybonus.html</p>		R	L	L	M	M
<p>c. Efficient Development Review Process: An efficient development review process is imperative in reducing the cost barrier to affordable housing development. www.planning.org/thecommissioner/2000/sum.htm www.ci.madison.wi.us/planning/BPG_Final_for%20weba.pdf</p>		A	M	M	A	A
<p>d. Flexible Rehabilitation Code: A flexible rehabilitation code helps reduce the cost of rehabilitation by avoiding excessive requirements for materials or size of materials. Stringent requirements can result in neglected or abandoned buildings. www.state.nj.us/dca/codes/rehab/pioneerart.shtml www.huduser.org/rbc/FirstTimer.html</p>		A	A	M	M	M
<p>e. Inclusionary Zoning: Inclusionary zoning requires developers to dedicate a specific percentage of housing units for low income or low-moderate income households. There should not be any outward qualitative difference in units. This can be either mandatory or incentive-driven. The range of incentives may include fee waivers, density bonuses, or variances. Inclusionary zoning may be combined with a voluntary fee-in-lieu program, providing the option of developing the housing or paying into a housing fund. Inclusionary zoning should be applied regionally or over a relatively large geographic area, to avoid displacement effects. www.policylink.org www.realtor.org/libweb.nsf/pages/fg806</p>		R	L	L	L	L
<p>f. Modest Minimum Lot Sizes: A modest minimum lot size allows more homes to be built on a specific plot of land, thereby increasing the ability to include dedicated affordable housing in a development. Furthermore, modest lot sizes in a code generally aid in controlling all homeownership costs, not just for the dedicated affordable units. www.mrsc.org/Publications/textaht.aspx#smalllots www.housingworksri.org/matriarch/MultiPiecePage.asp_Q_PageID_E_9_A_PageName_E_everythingbuilding</p>		R	M	M	L	L
<p>g. Rent Control: Rent control is a legal mechanism that limits the amount of rent that can be charged and the percentage it may be increased in a given year. Rent control laws are useful in tight housing markets where even renting housing units is cost-prohibitive for many income levels. Rent control laws also deal with a landlord’s responsibility to make repairs and negotiate lease renewals and the eviction process. The overall effect of rent control on the functioning of housing markets is controversial. www.real-estate-law.freeadvice.com/landlord_tenant/rent-control.htm www.econlib.org/library/Enc/RentControl.html</p>		R	R	R	L	L
<p>h. Street Vacation: A city can give a development an unused or unneeded street, alley or public-right-of-way, restricting the use to affordable housing. Any street vacation should be analyzed carefully to avoid reducing connectivity. www.spokaneengineering.org/streetvacation.htm www.seattle.gov/transportation/streetvacations.htm</p>		R	L	L	M	M
<p>i. Diverse Housing Types/Sizes: Encouraging a mix of housing types and sizes will organically allow for diversity in the population of a neighborhood. People of different generations and income groups will live in adjacent units, without a specific law or mandate dictating who should live where. www.mrsc.org/Publications/textaht.aspx http://www.policylink.org/site/c.lkIXLbMNJrE/b.5136725/k.EE25/All_Tools.htm</p>		L	M	M	L	L

M - Most Effective A - Applicable L - Limited R - Restricted

	T1	T2	T3	T4	T5	T6
<p>a. Affordable Housing Deed Covenants: A deed covenant is a signed document from a homeowner living in an affordable housing unit, stipulating that when the current homeowner sells the property, it will stay affordable in perpetuity. Deed covenants can be structured in various ways. Some prevent the homeowner from building equity, while others allow the homeowner to benefit from some equity increase. www.landwatch.org/pages/issuesactions/housing/050101recommendations.htm www.nhhfa.org/rl_docs/plandocs/HousingSolutions/Appendix/COVENANT.doc</p>		L	M	M	M	L
<p>b. Community Land Trust: A community land trust (CLT) is one mechanism that allows people to purchase a house without purchasing the underlying land, making homeownership more affordable. The CLT is a nonprofit, community-based organization whose mission is to provide affordable housing in perpetuity. The CLT and the homeowner agree to a long-term lease agreement (typically 99 years). Among the homeowner's rights are the rights to privacy, the exclusive use of the property, and the right to bequeath the property and the lease. The CLT has the right to purchase the house when and if the owner wants to sell, based on a resale formula that balances the interests of the owner's profits with the long-term goals of the CLT to preserve housing affordability in perpetuity. In addition, if buildings become deteriorated, the CLT can force repairs; if the homeowners are at risk for default, the CLT can and does act to forestall the default. www.policylink.org/site/c.1k1XLbMNJrE/b.5136895/k.7746/Community_Land_Trusts.htm www.iceclt.org/clt</p>		L	M	M	M	L
<p>c. Katrina Cottages: Katrina Cottages were born from design charrettes following Hurricane Katrina. They were designed to be an alternative to the temporary FEMA trailers. Katrina Cottages are affordable starter homes that are safe and dignified. Many of the designs are expandable, so the cottage can grow with the homeowner over time, or become an accessory building to a principal dwelling. www.katrinacottages.com/index.html www.katrinacottagehousing.org</p>		M	M	M	L	
<p>d. Limited-Equity Condominium: Limited Equity Condominium (LEC) is a type of homeownership established by state statutes. They are similar to regular condos in that a property is divided into multiple units that are sold separately, but with LECs, an owner cannot sell the unit for its market price. LECs are generally used in conjunction with deed covenants, land trusts, or other mechanisms, where the owner can sell the unit according to a set formula. The formula is typically the original selling price plus inflation, but this is not necessarily the only formula for determining the new selling price. The owner of a unit also owns a share of all the common area property. Unlike regular condos, LEC condo associations own nothing, which may create difficulties in obtaining loans for repairs and rehabilitation. www.weown.net/index1.htm www.clronline.org/resources/app/WhitePaperCondominium.pdf/view</p>		R	R	L	M	M
<p>e. Limited-Equity Cooperative: Limited-Equity Cooperative (LECo) is similar to LEC, but a LECo is a resident-controlled corporation that owns the entire property, and individual residents own shares of stock in the corporation. In a LECo, the resident does not need a mortgage for the unit, and the purchase price of the shares is relatively low. When the resident leaves the LECo, they sell the stock, based on an affordable, pre-determined formula, but not the unit as with a condo. Because there is no down payment or mortgage, a LECo is an easily accessible form of homeownership for many different income groups. www.policylink.org/site/c.1k1XLbMNJrE/b.5137049/k.A9DF/Limited_Equity_Housing_Coop.htm www.weown.net/index1.htm</p>		R	R	L	M	M
<p>f. Manufactured Housing: Manufactured housing maintains low cost per square foot, making it an attractive affordable housing development option in areas with high construction costs. In order to protect community character, zoning and building code permitting must also require appropriate urban design elements. www.jchs.harvard.edu/publications/communitydevelopment/W02-11_apgar_et_al.pdf www.frbsf.org/publications/communityinvestments/0508/assembly.pdf</p>		M	L	L	R	
<p>g. Single-Room Occupancy (SRO) Buildings: SRO buildings typically shelter many at-risk people, such as those suffering AIDS, homelessness, mental illness or drug/alcohol addiction. In theory, an SRO will house people in single rooms, but in practice it varies from dormitory-style housing to private single rooms, with shared facilities. They can be unpopular in the community, but they provide housing for a percentage of the population that would not find housing elsewhere. www.ccsro.org</p>			R	L	M	M

M - Most Effective A - Applicable L - Limited R - Restricted

	T1	T2	T3	T4	T5	T6
<p>a. Downpayment Assistance Programs: Often with a first-time homebuyer, the largest barrier to homeownership is not the monthly mortgage payments but the down payment. Downpayment Assistance Programs provide downpayment grants to the homebuyer. Typically these grants range from two to six percent of the home's sale price and depend on the maximum gift amount allowed by the lender. www.lendingtree.com/smartborrower/Down-payments/Down-payment-assistance-programs.aspx www.nehemiahcorp.org/</p>		A	A	M	M	A
<p>b. Fee Waivers: Fee waivers or reductions are often applied to housing developments based on the percentage of affordable housing units. The percentage of fee reduction usually depends on the percentage of included affordable housing units. Typically, fee waivers or reductions are only for new construction, but it is possible to apply them to larger scale rehabilitation projects. In some cases, these programs are combined with employer incentives and location requirements to develop Live Near Your Work programs. (See g.) www.ci.austin.tx.us/ahfc/smart_waivers.htm www.oaklandnet.com/BlueRibbonCommission/PDFs/BlueRibbon11-WCLP.pdf</p>		A	M	M	A	A
<p>c. Historic Preservation Tax Credits: Historic Preservation Tax Credits (HPTC) is a federal program run by the IRS and administered through the National Park Service and State Historic Preservation Offices. The program gives a 20% tax credit for the certified rehabilitation of certified historic structures. The project must involve substantial rehabilitation efforts and the structure itself must be depreciable (i.e., income-producing). The property must be retained by the owner for at least five years after the completion of the renovation. www.nps.gov/history/hps/tps/tax/brochure1.htm www.state.il.us/hpa/ps/taxcredits.htm</p>		A	A	M	M	M
<p>d. Housing Trust Funds: Housing trust funds are specific funds allocated by a public agency, such as the city, county or state, that may only be used for housing. Typically, they serve the needs of low income households (below 80% Area Median Income), but could also be used for other pre-determined special needs groups. Housing trust funds are generally used for affordable housing development and construction projects, but are sometimes used for rental assistance. The funds come from various public sources, which may include but are not limited to: real estate taxes and fees, developer fees, other taxes and fees, repayments on loan programs, and interest from government-held and market-based accounts. www.bpichicago.org/documents/RegionalToolKit.pdf www.policylink.org/site/c.1k1XLbMNJrE/b.5137005/k.DB1/Housing_Trust_Funds.htm</p>		A	A	M	M	A
<p>e. Infill Incentives: Infill incentives are used to promote the redevelopment of vacant land or the rehabilitation of properties in urbanized areas. Because sites like these are generally more difficult to acquire and develop than greenfield sites, infill incentives seek to redress common development barriers. Incentives may include fast tracking of permits, density bonuses, zoning waivers, fee waivers or reductions. www.policylink.org/site/c.1k1XLbMNJrE/b.5137445/k.A34D/Infill_Incentives.htm www.mrsc.org/Subjects/Planning/infilldev.aspx</p>		R	R	M	M	L
<p>f. Linkage Fees: Linkage fees apply to areas where retail, industrial or office building growth is outpacing residential growth, causing unaffordable housing. A fee is levied on the developer of a new commercial, industrial or office property during the building permit application process. Proceeds from the fee finance an affordable housing fund. www.policylink.org/site/c.1k1XLbMNJrE/b.5136851/k.2F58/Commercial_Linkage_Strategies.htm www.bpichicago.org/documents/RegionalToolKit.pdf</p>		A	A	A	M	M

M - Most Effective A - Applicable L - Limited R - Restricted

	T1	T2	T3	T4	T5	T6
<p>g. Live Near Your Work Program: Live Near Your Work Programs may be administered through regional, state or local agencies to encourage people to end long commutes and live near the workplace. In expensive housing markets, it is important that blue-collar and essential service workers have access to affordable housing. Many localities have set up programs to aid homebuyers in purchasing homes close to the workplace, often partnering with large local employers. www.dnr.state.md.us/education/growfromhere/lesson15/MDP/LNYW.htm www.mwcog.org/commuter2/employer/employer_live_near_your_work.htm</p>		R	L	M	M	M
<p>h. Location Efficient Mortgage: Location Efficient Mortgages (LEMs) allow urban homeowners to increase borrowing capacity due to close proximity to public transit and neighborhood walkability. This reduces the need for a car or multiple cars in households and thereby the expense of car ownership. LEMs support homeownership in areas that are densely populated and are well served by public transit and other services. Currently LEMs are only available in a few locations throughout the US. www.locationefficiency.com/ www.nrdc.org/cities/smartGrowth/qlem.asp</p>			L	M	M	M
<p>i. Low Income Housing Tax Credits: Low Income Housing Tax Credits is a program run by the Internal Revenue Service and administered at the state level by state finance housing agencies. Companies invest in low income housing development projects and receive 10-year tax credits. Projects must be new construction, rehabilitation, or acquisition and rehabilitation. To be eligible, a project must meet the following criteria: 20% or more of the residential units are rent controlled and occupied by individuals whose income is 50% or less of the Area Median Income (AMI), or 40% or more of the residential units are rent controlled and occupied by individuals whose income is 60% or less of the AMI, and housing must be eligible to be affordable for 30 years. The IRS issues tax credits to the state housing finance agency, which then reviews affordable housing development proposals and awards tax credits to the developer. In exchange for further equity financing, the developer "sells" the tax credits to investors. www.realtor.org/libweb.nsf/pages/fg720 www.danter.com/taxcredit/about.htm www.hud.gov/offices/ftheo/lihtcmou.cfm</p>		A	A	M	M	M
<p>j. Real Estate Transfer Tax: A real estate transfer tax is a tax collected by the local or state government when a property changes owners. This helps discourage speculation in a gentrifying neighborhood. The fees are directed to an affordable housing fund and to new services that benefit long-time residents. www.policylink.org/site/c.1kIXLbMNJrE/b.5137597/k.80AA/Real_Estate_Transfer_Taxes.htm www.realtor.org/libweb.nsf/pages/fg717#topica</p>		A	A	A	M	M

M - Most Effective A - Applicable L - Limited R - Restricted