

# **NeighborWorks® America Symposium**

## ***A New Era in Affordable Housing: Investing for Impact in Sustainable Communities***

**Philadelphia, PA - August 18, 2010**

### **Affordable Housing in Walkable, Mixed-Use, Mixed-Income Neighborhoods:**

#### **An Action Plan for Federal Policy Makers**

*This paper was written for discussion purposes of the symposium. The opinions expressed are therefore those of the author and do not represent the opinions, thoughts or positions of NeighborWorks America.*

submitted by:

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The Congress for New Urbanism has contributed greatly to the development of walkable mixed use and mixed income communities. In the recent past CNU developed design standards that advanced the success of HOPE VI across the country . However, large scale subsidy is not usually available, and experience is showing that the high value of these walkable communities often results in a lack of affordability, The Congress has formed an Affordability Initiative to explore the tools needed for walkable communities to be more inclusive of a wide range of affordability, including deeply affordable rental homes, A full spectrum housing stock makes a community truly sustainable. This paper proposes a range of tools. Our objective is to develop a set of action priorities that CNU would adopt and work to advance. We would like to work with other national organizations on these priorities. In light of the current administration's welcome focus on sustainable communities, this paper calls out many items that would benefit from federal support. We look forward to the discussion of these ideas.

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People who need affordable housing require more than a roof and four walls. They require good places – those that mix uses and housing types, and provide access to jobs, services, recreation, and public transit. A sustainable neighborhood is not sustainable unless it offers affordability to a broad range of people.

Federal policy makers have known this for a long time. President Clinton's Council on Sustainable Development (1993-1999) made much the same call. The current administration, under Secretary Shaun Donovan (HUD), Secretary Ray LaHood (DOT), and EPA Head Lisa Jackson (EPA), has committed to redefining affordability to consider both housing and transportation costs. HUD's HOPE VI and Choice Neighborhoods programs have been invaluable demonstrations of how low income-segregated, homogenous neighborhoods can be transformed into successful, income-mixed, walkable communities.

But much more needs to be done. Too often, the efforts of developers to create walkable, mixed-income neighborhoods end up undermining affordability, while the efforts of affordable housing developers to locate projects in walkable neighborhoods requires Herculean effort. This is because we are working with policies and regulatory structures, many of which were created in a post-World War II environment, that work against the goal of affordable housing in mixed-use, mixed-income neighborhoods and incentivize the development of subdivisions and properties that are often segregated

by income. From federal housing policy in the form of tax subsidies to local exclusionary zoning practice, public policy at all levels is frequently in opposition to this core principle of inclusion. It should be CNU's mission to remove all obstacles and provide incentives to investment in walkable neighborhoods that include affordable housing.

Fundamental change is needed if the inclusion of affordable housing in walkable, mixed-use, mixed-income neighborhoods is to become more widespread. We fear that unless this happens, the goals of reform movements like New Urbanism and Smart Growth will be profoundly compromised. What is needed now is specific action to make affordable housing in walkable, mixed-use, mixed-income neighborhoods a common reality. We believe that the following priorities and actions will greatly advance the achievement of this goal:

***Priority 1. Identify and remove federal barriers to inclusion of deeper affordability and expand access to financing for innovative projects that locate affordable housing in walkable, mixed-use and mixed-income neighborhoods.***

**Action 1.** The federal government could launch a public/private sector initiative to identify and end barriers to financing mixed-use, mixed-income development. A high-level task force would be charged with establishing underwriting criteria and a broader secondary market for loans for mixed-use, mixed-income developments. Participants should include: developers, architects, planners, local government officials, and development finance experts (banks, pension and insurance investors, public corporations which provide secondary markets, and community development corporations).

**Action 2.** Affordable housing finance programs should be expanded to include mixed-use, mixed income, mixed generational and special needs components. In particular, the federal government should raise the restriction (currently 10%) in federally backed programs on non-residential development to allow apartments, condominiums and work live space to be included as eligible in retail and commercial districts.

**Action 4.** The federally-mandated, state-administered Qualified Allocation Plans (QAPs) for the allocation of Low Income Housing Tax Credits can be changed to better promote development of affordable rental homes in walkable, mixed-use, mixed-income neighborhoods. Some states have begun to address this. CNU could work with the affordable housing finance and development field to define recommended language for state QAPs and to circulate and advocate for this language in more states.

**Background.** We need a fundamental conceptual overhaul of the basic structure of underwriting for housing assistance. Single purpose, narrowly focused funding criteria are a deeply entrenched norm across the board – in HUD programs, in LIHTC criteria, in the secondary mortgage market, and in mortgage insurance. In addition, the current restrictions have made “main street” illegal in most of America, a setting which has in the past been an important place for affordable housing in a walkable context.

These detrimental financing criteria grew out of segregated land-use patterns with their single-use building typologies, single purpose developers and specialized funders. This basic structure of underwriting needs to be changed so that mixing incomes and uses and integrating rather than segregating special needs populations are concepts that are rewarded, not confronted with numerous obstacles. Just as zoning reform is fundamental to dismantling the culture of sprawl, so is reform of housing finance fundamental to the creation of affordable, mixed-income communities.

In addition to underwriting changes, federal subsidy programs would be improved by incorporating better locational criteria that reinforce the principles of affordability in walkable neighborhoods, and that consider the full cost of housing location, including both housing and transportation expenditures. For example, most Qualified Allocation Plans do not include mandatory criteria for ensuring that LIHTC projects consider these costs. Tax credits used to support new construction in walkable, transit-served neighborhoods could be given priority over new construction in other areas; preservation of existing rental homes in areas that are developing as mixed use, transit oriented neighborhoods could similarly be incentivized in QAPs.. In addition, HUD programs directed at enhancing housing choice for residents should consider not only the criterion of lower-poverty communities, but also the fundamental importance of locating in walkable, mixed-use neighborhoods.

***Priority 2: Increase incentives for partnerships between local, regional, and state governments with housing authorities, mission focused housing nonprofit owner/developers, community land trusts, high quality private developers and other entities to build affordable housing in walkable, mixed-use, mixed-income neighborhoods.***

**Action 1.** The federal government could work with state and local governments to increase funding for innovative public-private partnerships that seek to develop affordable housing in walkable neighborhoods.

**Action 2.** The federal government could support the creation of a Model Affordability Code that would advance local government knowledge of how to coordinate design, policy and financial mechanisms to advance inclusion of affordability.

**Background.** Locally-based, public-private partnerships for affordable housing in mixed-income communities exist and have demonstrated some great success; this approach merits more widespread use. The federal government could play a more active role in stimulating the expansion of partnerships that combine affordable housing and good design through advancement of knowledge and by promoting more flexible use of existing finance tools such as CDBG and HOME.

Ownership matters in the retention of affordability over time. We need to provide incentives for public-private partnerships that link private developers of walkable communities to shared-equity programs, high capacity nonprofit owners, housing authorities, and other stewards of affordability . Full advantage should be taken of the growing interest in Community Land Trusts (CLTs) and other shared equity programs. A few shared equity programs, such as Dudley Square in Boston and Mueller Redevelopment in Austin, have provided long-term, affordable homeownership in walkable, mixed-use and mixed-income neighborhoods. This practice merits expansion. While these programs are locally adopted, federal policies and programs could be enacted to stimulate wider implementation.

The overall logistics of making mixed-income communities work from a financing and operational standpoint are daunting. Fostering these partnerships could be guided by the adoption, at the local level, of a Model Affordability Code that helps locate affordable housing in walkable neighborhood contexts. This code would include design ideas for inclusive neighborhoods, as well as regulatory, financial and other policies to be implemented locally. Several affordability codes have already been proposed. National organizations could work together to further refine and promulgate these practices. Support from federal levels could also provide a great boost.

**Priority 3. The federal government should support inclusionary housing strategies at the local level – i.e., local legislation that requires or creates incentives so that affordable housing is provided as part of the development of the community.**

**Action 1.** Through grants and other incentives, the federal government could support local governments that promote inclusion of affordable housing in large-scale development, especially in high value real estate markets. These programs work best when combined with other strategies such as affordability by design and public investment.

**Action 2.** The federal government should support the dissemination of information to local governments concerning best practices in inclusionary housing including design, finance, operations, and policy incentives.

**Background.** HUD Secretary Shaun Donovan recently argued that communities that receive federal funding should end exclusionary practices and promote inclusive ones, and that the federal government was “prepared to provide clearer guidance and more support than ever before to ensure that they can”.

Inclusionary housing strategies at the local level are a key ingredient for promoting mixed-income development. In many locations, inclusionary housing is an efficient way to reduce the cost of housing and provide rental opportunities within walkable neighborhoods. Communities should be encouraged to adopt intentional strategies for creating and maintaining a supply of housing affordable to a full range of people within walkable neighborhoods. While these programs are locally adopted and not federal, the federal government can play a more proactive role.

In supporting local inclusionary housing strategies, federal policy can respond to a variety of local real estate market conditions. For example, some inclusionary housing strategies, such as inclusionary zoning, may not be appropriate in struggling communities. Under-invested neighborhoods that are the target of new development would be better supported by helping them ensure that new developments do not wall themselves off in gated communities or block public access to existing amenities, and requiring that all new housing include a diversity of types and sizes with equal access to a walkable public realm. As investment increases and wealth grows, support for additional inclusionary housing strategies may be needed.

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In the Fall of 1997, The President’s Council on Sustainable Development issued the *Sustainable Communities Task Force Report*, under President Clinton. Some of the priorities and actions listed above (with paraphrasing) were part of that report.

Members of the Affordability Initiative of the Congress for the New Urbanism were contributors to this Action Plan: Emily Talen and Neal Payton (Co-Chairs); Scott Bernstein, Daniel Cotter, Andres Duany, Ray Gindroz, Frank Greene, Jennifer Hurley, Nori Jabba, Eric Kronberg, Paul Muldawer, John Norquist, Amanda Brown Olmstead, Gayla Schmitt, Daniel Solomon, and Lisa Wise.