



ATTAINABLE HOUSING TOOLKIT

Primer

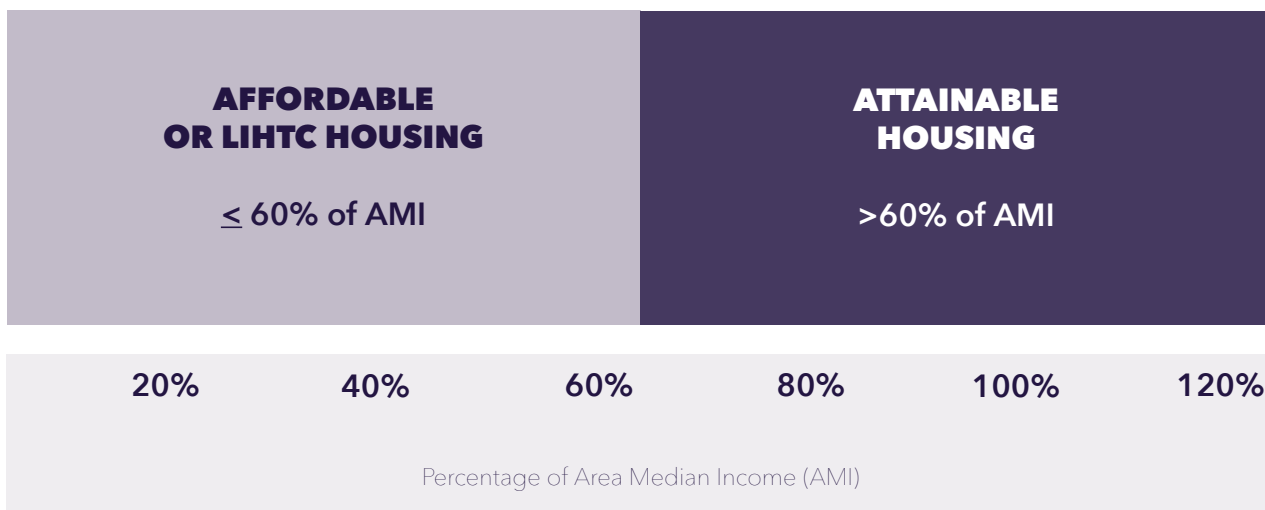
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What is attainable housing? Why attainable, not affordable?

Affordable Housing or Low Income Housing Tax Credit (LIHTC) housing was established as part of the Tax Reform Act of 1986. Today the program is overseen by the U.S. Treasury Department and each state’s housing finance agency (HFA). Annually the LIHTC program provides the equivalent of \$9 billion to state HFAs to assist with the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households. The Department of Housing and Urban Development (HUD) collects LIHTC data at the property level and the tenant level. HUD’s property database includes information on the size, unit mix, and location of individual projects. HUD’s collection of tenant information includes demographic and economic characteristics of households residing in LIHTC properties from state housing finance agencies that administer the LIHTC program. In short, the LIHTC program is a very well-established program that focuses on providing housing for individuals and households making less than 60% of the median income in the area in which they reside.

Attainable Housing refers to a housing option that falls between affordable or LIHTC housing and market-rate housing. While “affordable” or LIHTC housing typically targets those with incomes below 60% Area Median Income, attainable housing aims to cater to the “missing middle,” or a broader range of middle-income individuals (typically between 80% - 120% Area Median Income) who may not qualify for subsidized housing but still face challenges in affording market-rate homes. Unlike affordable or LIHTC housing, no federal program exists to provide financial support for attainable housing. Further, there is no national or even state definition of what constitutes attainable housing. As a result, each municipality is forced to develop its own definition of what is attainable housing. This fact makes it difficult and unwieldy to develop a single national program to finance and support attainable housing.

The goals of this primer and accompanying tool kit are to provide real world examples of communities that have successfully implemented public policies and tools of public financial support to increase the supply of attainable housing in their communities.

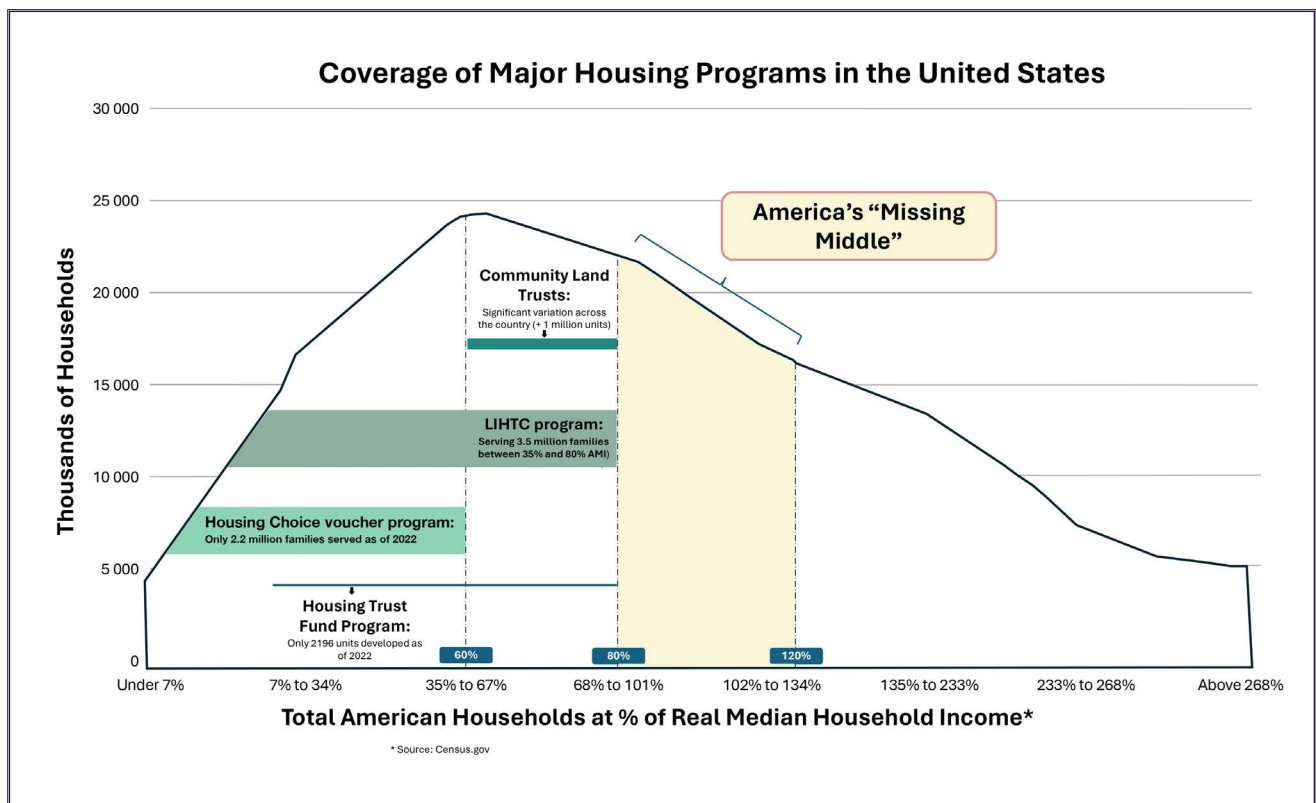


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What are the elements of a successful attainable housing project?

Established programs for affordable housing vary by country and region, but some common examples include:

- 1. Housing Choice Voucher Program (USA):** This federal program provides rental assistance to eligible low-income individuals and families, allowing them to choose their housing in the private market.
- 2. Low-Income Housing Tax Credit (LIHTC) Program (USA):** This program offers tax credits to developers who build or rehabilitate affordable rental housing for low-income individuals.
- 3. Affordable Housing Trust Funds:** Many local governments establish affordable housing trust funds to support the development and preservation of affordable housing units within their communities.
- 4. Community Land Trusts:** These non-profit organizations acquire and manage land to provide permanently affordable housing options to low and moderate-income families.



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Since in the United States there exists a mature, established market for Low Income Housing Tax Credit (LIHTC) or Affordable Housing development. It is not our goal to focus on the LoLIHTC Market, but to address the need for the workforce and general population that is just beyond that threshold - the individuals and households that require access to attainable housing.

Examples of professionals whose income levels may exceed the 60% of Area Median Income (AMI) qualification for affordable housing include:

- 1. Teachers**
Educators often earn salaries that exceed 60% of AMI in many regions but may still be unable to afford housing within the school district that they are employed.
- 2. Nurses and Healthcare Workers**
While healthcare professionals like nurses earn competitive incomes, they often face housing affordability challenges, especially in metropolitan areas with high living costs and are forced to commute long distances between home and work.
- 3. Public Safety Personnel including Police Officers, Fire Fighters, EMTs and Others**
The salaries of these professionals can vary widely based on location and experience, and in some cases, often they earn too much to qualify for affordable housing programs but struggle to buy homes or rent apartments in the communities in which they work.
- 4. Non-Profit & Service Sector Workers**
Employees working in the non-profit and service sector may have modest incomes, but they often do not exceed the income thresholds for affordable housing support.
- 5. Younger Workers**
Recent graduates, young professionals or trades workers starting their careers may have incomes that qualify them for affordable housing assistance, but they might still encounter difficulties renting apartments or purchasing homes, particularly in expensive urban areas.

The focus on attainability recognizes that housing affordability is relative and varies from one region to another, depending on local income levels and real estate markets. By offering housing solutions that are within reach for moderate-income earners, attainable housing initiatives strive to bridge the gap between affordable and market-rate housing, fostering greater inclusivity and economic diversity in communities.

Why is it a challenge? Problem statement

The provision of attainable housing poses significant challenges in the current housing market due to several interconnected factors, including the recent spike in interest rates and the rise in apartment rents due to strong demand. The soaring costs of land and construction, coupled with the NIMBY (Not in My Backyard) syndrome as well as constraints in capital markets, contribute to the scarcity of attainable housing options for moderate-income individuals and families. Attainable housing is crucial because it addresses the housing needs of the workforce and professionals whose incomes surpass affordable housing thresholds but struggle to access market-rate housing. Solving these challenges is essential to fostering inclusive communities, promoting economic diversity, and ensuring housing affordability for a broader segment of society.

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Cost of Land and Construction

The escalating costs of land and construction materials adversely impacts the affordability of new housing communities, including attainable housing initiatives. As land becomes scarcer and more expensive, developers find it challenging to acquire suitable infill sites at affordable prices, resulting in increased property costs for potential buyers or renters. Or requiring these people to reside in distant ex-urban locations where the cost of housing is more attainable, but which results in long commutes between home and work. Rising construction costs further exacerbate the problem, making it financially unfeasible to create attainable housing units without compromising on location, quality or amenities. Many public owners may have access to undeveloped or under utilized land, and can contribute these parcels to an attainable housing developer to help lower the overall cost of these attainable housing units and make a potential project feasible.

NIMBYism (Not in My Backyard)

The NIMBYism phenomenon poses a significant obstacle to the development of attainable housing projects. Local residents and community groups often oppose the construction of new housing developments, including attainable housing, in their neighborhoods. This resistance is driven by concerns over potential impacts on property values, traffic congestion, and strains on schools and existing infrastructure. Such opposition leads to delays, increased regulatory hurdles, costly legal battles and even project cancellations, hampering the development efforts to create attainable housing options in desirable and well-established areas. Many attainable housing developments require early community outreach to inform the local community of the benefits of the proposed attainable housing community, correct any misinterpretations, and allay any misplaced fears of the new community.

Capital Markets and Financing

Access to adequate and affordable financing is vital for the successful implementation of attainable housing projects. However, capital markets may be reluctant to invest in such initiatives due to perceived risks or lower returns compared to other investment opportunities. Additionally, unlike the LIHTC program which supports many affordable housing developments, there is no federal tax credit program to stimulate and attract institutional equity to attainable housing developments. Additionally, stringent lending requirements and high down payment expectations can exclude many moderate-income individuals from homeownership opportunities, limiting the pool of potential buyers for attainable housing units.

Why Attainable Housing Matters

Attainable housing plays a pivotal role in addressing the housing needs of many middle-income wage earners, who often face limited options in the housing markets in which they work. By offering housing solutions that are within the economic and geographic reach of moderate-income earners, attainable housing initiatives promote social and economic diversity in communities. These initiatives allow essential workers, such as teachers, nurses, public safety personnel, service industry and other professionals, to reside closer to their workplaces, reducing commuting times and enhancing overall community well-being. Additionally, attainable housing contributes to a more stable and resilient workforce, with employees working in the communities in which they reside. Overall, attainable housing fosters more equitable and inclusive communities, ensuring that a wider range of individuals can achieve a higher quality of life.

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How to build attainable housing using the P3 model

Public private partnerships (P3s) are contractual agreements between a public agency and a private entity that allow for greater private participation in the delivery of public use projects. The P3 model involves collaboration between public entities (city, county, state and federal government) and private-sector companies to design, build, finance and often operate and maintain (DBFOM) housing projects. This model leverages the strengths and resources of both the public and private sectors.

Some of the most typical financial/contractual structures available to public owners who are considering attainable housing P3 projects include:

- **Ground lease/land contribution**
The local municipality or government sponsor provides the land necessary for the project to the developer who can collect revenues generated by housing for a pre determined project term.
- **Lease/Leasebacks**
The developer leases the property from the project owner for a pre-determined term and collects the revenue generated by the housing units.
- **Tax Credit/Incentives**
The local municipality or government sponsor generates tax incentives and passes them onto the project developer in return for building and operating housing for pre-determined project term.
- **Joint Development**
On public property, a developer builds a revenue generating mixed-use public project on ground floor (i.e., retail mall, commercial building, etc.), but as part of that development contract the winning proposer is required to build a specified percentage of attainable housing units above the revenue generating asset. The additional revenue associated with development can be directed to subsidize the housing costs.
- **Entitlement/Zoning Incentives & Density Bonuses**
Mixed income projects allow owners/developers to pull together more efficient, dense| developments if attainable housing is included in development.

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Understanding your community's options

Community engagement is essential to developing a successful project. The project owner must first identify a need in their community and develop potential solutions to the need in question. In order to identify these needs owners often look to reach out to typical community engagement groups including:

- **Chamber Groups**
- **Neighborhood Groups**
- **Local Not for Profit Organizations**

It is also important to identify the key community groups that will be affected by a potential project. These groups often include:

- **Employers (public and private) impacted by the lack of affordable workforce housing**
- **Media issue influencers (i.e., newspaper, radio, business journals)**
- **Impacted development competitors**

Once outreach to local stakeholders has been completed and a community need is identified, an owner must work to understand the scope and viability of the potential project. Some of the key considerations during this process include:

- **Legal Authority**
Each state has its own laws governing housing development, which typically empower municipalities to regulate and incentivize local housing through zoning, permitting, and other tools. It will be important for an owner to understand the tools available through the municipal code and enabling statutes in their jurisdiction.
- **Available Resources**
Typically owners can contribute land and/or funding/financing tools to decrease overall project costs and make it a viable option. Owners will have a list of requirements and limitations related to land use including:
 - **Zoning**
 - **Single Family or Multifamily**
 - **Land use covenants**
 - **Set aside units (what levels?)**
 - **PUD negotiations/requirements**
 - **Property Transfer Restrictions (e.g., Charter school ROFR)**

The project sponsor must also identify a project champion whose leadership will be essential for the success of the project and the development of an internal governance structure to ensure that a capable project team is selected to provide the necessary resources to deliver on the goals established for the community need.

Introduction to what the Attainable Housing Toolkit offers:

The Association for the Improvement of American Infrastructure (“AIAI”) has developed the following toolkit as a resource for project sponsors developing Attainable Housing Projects and considering utilizing a Public-Private Partnership structure. In the toolkit you will find examples of industry best practices, common defined terms, and successful case studies where the model has been applied.