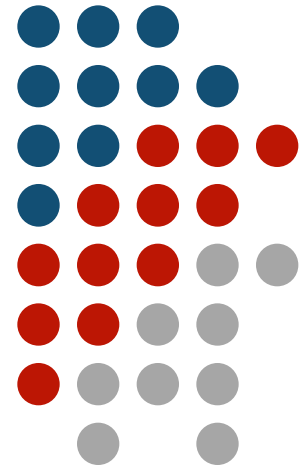


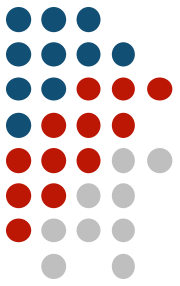
Public Land and Affordable Housing: *Development and Policy Strategies*

March 13, 2015

Webinar series sponsored by:



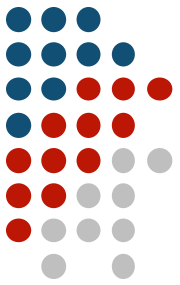
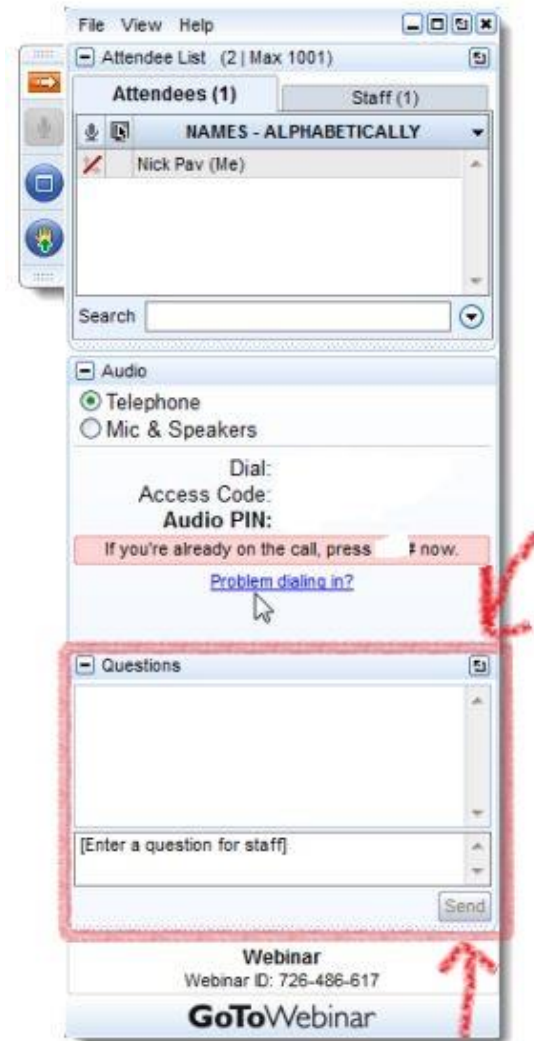
National Housing Conference



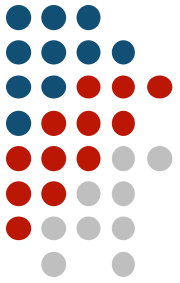
- Since 1931, dedicated to helping **ensure safe, decent and affordable housing for all in America.**
- NHC's **Center for Housing Policy** conducts **research** to increase awareness of housing needs and identify promising policy solutions.
- NHC actively **engages and convenes** its membership in nonpartisan advocacy for **effective housing policy solutions** at the local, state and national levels.

Webinar Logistics

- Phones muted for call quality
- Recording and ppt will be sent to registrants. Also available at www.nhc.org (click “Capital One Webinar Series” button)
- Submit questions through the Questions box in your controller
- Use the chat window to let us about technical difficulties

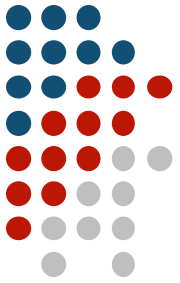


Presenter



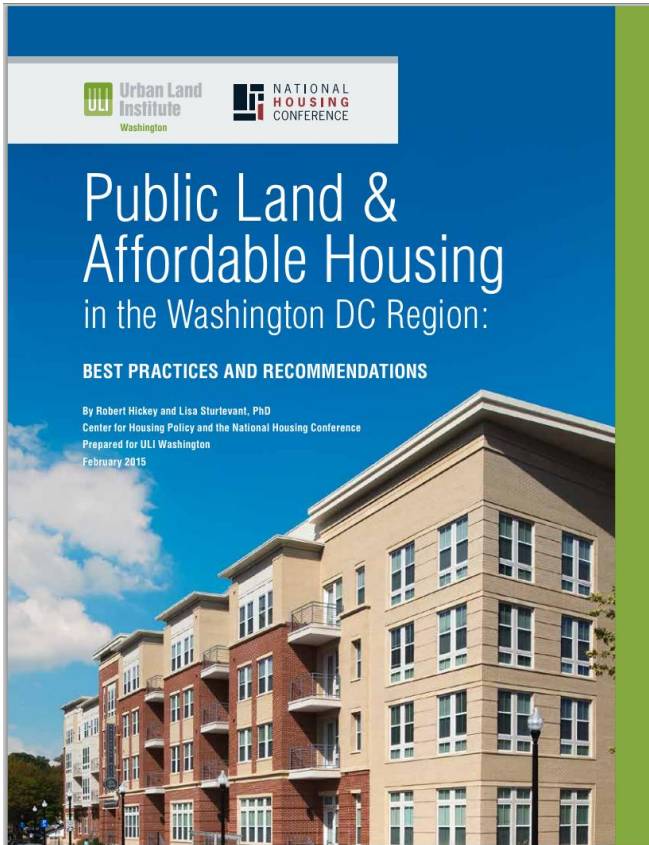
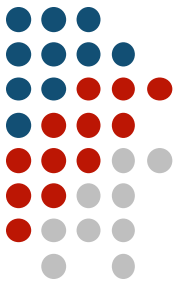
Robert Hickey
Senior Research Associate
Center for Housing Policy and
National Housing Conference

Presenter



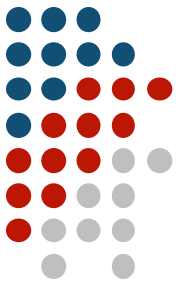
Nina Janopaul
President and CEO
Arlington Partnership for
Affordable Housing (APAH)

Report Sponsored by ULI-Washington



Available at:

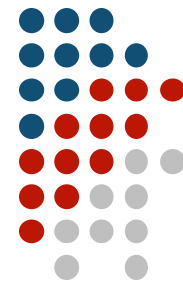
<http://www.nhc.org/publications/index.html>



Overview of Webinar

- Benefits of Using Public Land for Affordable Housing
- Overview of Arlington Mill Residences (APAH)
- Lessons for Public Land Development Strategy
- Lessons for Public Land Policy
- Questions/Comments

Benefits of Using Public Land for Affordable Housing



1. Opportunity to remedy high land costs, which make it challenging to create affordable housing
2. Discounted public land can be a valuable subsidy, significantly reducing the need for local and state financial assistance
 - Can be pivotal for 100% affordable developments in high cost areas

The Bonifant at Silver Spring

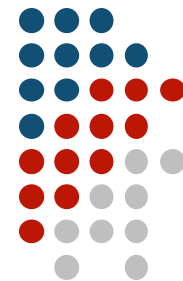


Developers:
Montgomery Housing
Partnership and
Donohoe Development

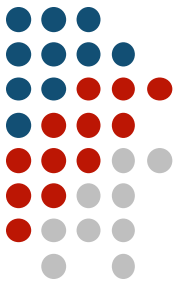
Almost entirely
affordable, 149-unit
apartment building for
seniors located adjacent
to a new, nearly
completed public library

Expected completion:
June 2016

Benefits of Using Public Land for Affordable Housing



1. Opportunity to remedy high land costs, which make it challenging to create affordable housing
2. Discounted public land can be a valuable subsidy, significantly reducing the need for local and state financial assistance
 - Can be pivotal for 100% affordable developments in high cost areas
 - In some mixed-income scenarios may enable a significant share of affordable housing without **any** need for financial assistance.



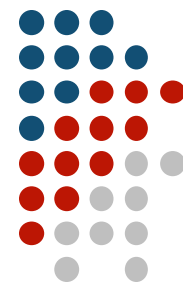
How Valuable?

- **DC research sample:** land approximately 20-30% of total development costs in high-amenity, hot areas.
- Better way to assess the value of free public land is to compare the value of land to the **affordability gap**.

Capacity of Free Public Land to Subsidize Mixed-Income Housing (Three Hypothetical Scenarios)

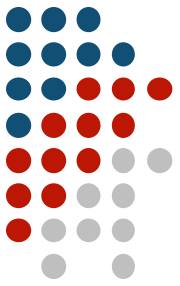
	Weaker Market/Mid-Rise Development	Moderately Strong Market/Mid-Rise Development	Hot Market/High-Rise Development
Land costs	\$25,000 per unit	\$50,000	\$100,000
Hard and soft development costs	\$250,000	\$250,000	\$300,000
<i>Total development costs (land + hard + soft)</i>	<i>\$275,000</i>	<i>\$300,000</i>	<i>\$400,000</i>
Assumed supportable debt for affordable units	\$100,000	\$100,000	\$100,000
Subsidy gap for affordable units	\$175,000	\$200,000	\$300,000
Remaining subsidy gap for affordable units if land for affordable units is free	\$150,000	\$150,000	\$200,000
Reduction of affordability gap with free land for the affordable units	14% reduction	25% reduction	33% reduction
Free land for this many market-rate units offsets the subsidy gap for one affordable unit	6	3	2
Share of total units that could be affordable with support from free land for the entire development	1/7 (14%)	1/4 (25%)	1/3 (33%)

Benefits of Using Public Land for Affordable Housing (cont.)



3. Can increase the potential for **deeper affordability**
4. Can provide otherwise unavailable sites for mixed-income and affordable housing in amenity-rich, transit-served locations
5. A more certain form of subsidy that involves less “subsidy risk”
6. When co-located with public facilities, can produce infrastructure cost savings and better integration of the two land uses

Benefits of Using Public Land for Affordable Housing (cont.)



7. Provides an opportunity to ensure long-term affordability

Infill Development on Public Land

Why Important?

- Garden apt. inventory declining
- Land values rising
- Density increasing thru planning



Key to Creating Infill Affordable Housing

- Free/low cost land
- Capital subsidies (AHIF, LIHTC)
- Efficient scale and design
- Streamlined public process
- Reduced infrastructure, conditions and permit fees

Arlington Mill Residences

- Discounted Ground Lease
- Accelerated Form Based Code approvals (2010-11)
- Wood frame construction
- Shared site/garage costs with County



Total Development Costs: \$302,000 per unit

SOURCES

Mortgage Financing	\$73,000
LIHTC Equity	\$180,000
County Lease Discount	\$49,000

USES

Construction/related	\$191,000
Soft costs, fees, reserves	\$48,000
Land	\$62,000

Impact of Lower Land Costs on Rent

Arlington Mill Able to Serve Lower Incomes				
	40% AMI	Arl Mill Avg	60% AMI	80% AMI
2BR Cash Rent after utilities	\$ 872	\$ 1,200	\$ 1,356	\$ 1,840
Operating Expenses	\$ 625	\$ 625	\$ 625	\$ 625
Cashflow	\$ 247	\$ 575	\$ 731	\$ 1,215
Monthly Cashflow after Hard Debt	\$ 49	\$ 133	\$ 146	\$ 243
Debt Capacity	\$ (32,639)	\$ (73,000)	\$ (96,596)	\$ (160,553)
Arlington Mill income targets: 10% at 30% AMI, 20% at 50% AMI and 70% at 60% AMI				
Debt capacity assumes 6% interest, 30 year term, 1.25DSC.				



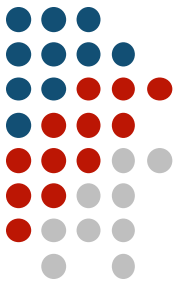
Advantages/Challenges of Leveraging Public Land

Advantages

- Reduced land and overall development costs, opportunity for lower rents/reduced cash subsidy
- Reduced predevelopment risk and holding costs during entitlements
- Potential for shared savings, e.g. infrastructure, site work, garage
- Programmatic synergies, e.g. daycare, community center, housing

Challenges

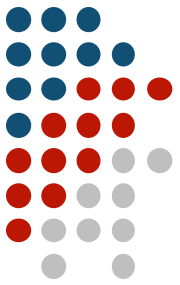
- Typically requires rezoning and GLUP change (1 – 3 years)
- Adds coordination costs for legal, design, operations
- Public may be more engaged in public property changes
- Historic preservation concerns demolition.



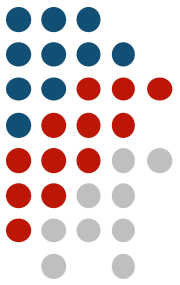
Development Lessons

1. Seek to co-locate affordable housing developments with new public facilities
 - It may be helpful to pursue horizontal mixed-use
 - Coordinate early
2. Consider a ground lease for preserving control over the land and ensuring long-term affordability

Policy Lessons



1. Empower a local agency to lead a regular, cross-agency assessment of public land opportunities
2. Engage the community in the process of identifying sites
3. Include clear, objective criteria in this process. Ex.s:
 - clear of legal encumbrances (such as environmental- or historic-preservation restrictions);
 - clean (free of environmental contamination);
 - adequately sized and shaped
 - located in an accessible location

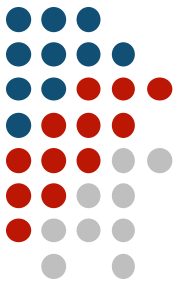


Policy Lessons (cont.)

4. Adopt a policy that protects suitable public land sites and enable their development with affordable housing.

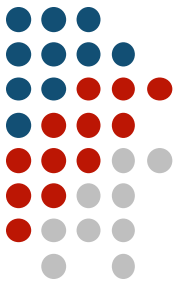
Two important components:

- Ensure that that all capital improvement project proposals are **reviewed for their potential** to include residential development (including affordable housing).
- Set **minimum affordability expectations** for residential development on public land.



Policy Lessons (cont.)

5. Identify publicly-owned land in accessible, high-value areas
6. Allow the agency handling land disposition to accept less than top-dollar bids when reviewing proposals
7. Localities still need a local source or trust fund providing financial subsidy for affordable housing



Contact Information

Robert Hickey

rhickey@nhc.org

www.nhc.org

202-466-2121 x 236

@housingRobert

Nina Janopaul

njanopaul@apah.org

www.apah.org

703-276-7444 x 101

Report available at:

<http://www.nhc.org/publications/index.html>

Info. on upcoming webinars: www.nhc.org

(click “Capital One Webinar Series”)

