House Australia
Financing Affordable Housing
Six Decades: Six Lessons from the U.S.

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Principal DRA

AHURI National Housing Conference
October 29, 2015
Perth, Australia
Overview

1. Case Studies of Success
2. Policy & Practice Requirements for Success
3. Financing Vehicles
4. Key Lessons from U.S. Affordable Housing Policy
Four U.S. Success Stories

Case 1: New York City
Case 2: California Redevelopment Tax Increment Financing
Case 3: State and Local Housing Trust Funds
Case 4: Inclusionary Housing
Five Policy & Practice Requirements for Success

1. Define Affordable Housing
2. Quantify Needs
3. Quantify Financing Gap
4. Create Public Revenue Sources
5. Implement Land Value Capture Policies
Financing Vehicles:
Three Cases

Case 5: Low Income Housing Tax Credit
Case 6: Redevelopment Tax Increment Financing
Case 7: Inclusionary Zoning
Six Decades of U.S. Practice: Six Key Lessons

1. Define affordable housing
2. Create permanent, annually renewable sources of public capital
3. Create public/private partnerships for financing, developing, and managing affordable housing
4. Implement land value capture policies
5. Permanent affordability: treat affordable rental housing as key community infrastructure
6. Resolve ambiguities of affordable housing homeownership policy
Case 1: New York City
Case Study: New York City
Mayor Michael Bloomberg

New Housing Marketplace Plan (NHMP)

Goals—2002-2014:
- 165,000 units preserved or constructed
- $7.5 billion in public capital

Actual—2004-2015:
- 175,000 units
- $8.5 billion in public capital
New York City NHMP FY 2004-2014

Tenure

31% Homeownership
69% Rental

Rental
Homeownership

House Australia: Lessons from the U.S. Experience
New York City NHMP
FY 2004-2014

Income Targeting

- 76% of units at "Low" (≤80% AMI)
- 11% of units at "Moderate" (80%-120% AMI)
- 10% of units at "Middle" (120% AMI)

House Australia: Lessons from the U.S. Experience
# New York City NHMP FY 2004-2014 Budget

<table>
<thead>
<tr>
<th>Uses</th>
<th>2010 Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preservation</td>
<td>$2.9 billion</td>
</tr>
<tr>
<td>New Construction</td>
<td>$3.2 billion</td>
</tr>
<tr>
<td>Supportive Housing</td>
<td>$1.0 billion</td>
</tr>
<tr>
<td>Expense Budget</td>
<td>$1.4 billion</td>
</tr>
<tr>
<td>Total</td>
<td>$8.5 billion</td>
</tr>
</tbody>
</table>
## New York City NHMP FY 2004-2014 Budget

<table>
<thead>
<tr>
<th>Sources</th>
<th>2010 Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Budget GO Bonds</td>
<td>$3.9 billion</td>
</tr>
<tr>
<td>Expense Budget</td>
<td>$1.4 billion</td>
</tr>
<tr>
<td>Housing Development Corporation Reserves</td>
<td>$1.2 billion</td>
</tr>
<tr>
<td>Low Income Housing Tax Credits (Leveraged Value)</td>
<td>$0.6 billion</td>
</tr>
<tr>
<td>Property Tax Abatement (421A Fund)</td>
<td>$0.4 billion</td>
</tr>
<tr>
<td>Other</td>
<td>$1.0 billion</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td><strong>$8.5 billion</strong></td>
</tr>
</tbody>
</table>

House Australia: Lessons from the U.S. Experience
Housing New York
2015-2024
Mayor Bill de Blasio

Goal: 200,000 units

Cost: $41.4 billion Estimated Public and Private Capital
## Housing New York

### 2015-2024

## Ten-Year Totals

<table>
<thead>
<tr>
<th>Uses</th>
<th>Total TDC</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Construction</td>
<td>$30.6 billion</td>
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<tr>
<td>Preservation</td>
<td>$10.5 billion</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$41.1 billion</strong></td>
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Housing New York
2015-2024

Ten-Year Totals

<table>
<thead>
<tr>
<th>Total Sources</th>
<th>$</th>
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</thead>
<tbody>
<tr>
<td>Total City</td>
<td>8.2</td>
</tr>
<tr>
<td>Total State &amp; Federal</td>
<td>2.9</td>
</tr>
<tr>
<td>Total Private</td>
<td>30.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>41.1</td>
</tr>
</tbody>
</table>
Housing New York
2015-2024

Households Served

- Extremely Low Income: 8%
- Very Low Income: 12%
- Low Income: 58%
- Moderate Income: 11%
- Middle Income: 8%

House Australia: Lessons from the U.S. Experience
**Housing New York**

**2015-2024**

Affordable Housing Income & Rent Definition:
2014 Area Median Income: $83,900

<table>
<thead>
<tr>
<th>Income Label</th>
<th>Percentage of AMI</th>
<th>Monthly Rent Required to Prevent Rent-Burden</th>
<th>Annual Income (for a four-person household)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low Income</td>
<td>0-30%</td>
<td>Up to $629</td>
<td>&lt;$25,000</td>
</tr>
<tr>
<td>Very Low Income</td>
<td>31-50%</td>
<td>$630-1,049</td>
<td>$25,000-42,000</td>
</tr>
<tr>
<td>Low Income</td>
<td>51-80%</td>
<td>$1,050-1,678</td>
<td>$42,000-67,000</td>
</tr>
<tr>
<td>Moderate Income</td>
<td>81-120%</td>
<td>$1,679-2,517</td>
<td>$67,000-101,000</td>
</tr>
<tr>
<td>Middle Income</td>
<td>121-165%</td>
<td>$2,518-3,461</td>
<td>$101,000-138,000</td>
</tr>
</tbody>
</table>

House Australia: Lessons from the U.S. Experience
New York City Housing Authority

- 175,000 Public Housing Units
- $13.9 billion in unfunded capital repairs needed FY2014-2018
- 70 Community Centers
- 87 Senior Centers
- 91,000 Rent Vouchers
- $1.1 billion 4-year projected operating deficit (estimate)
Case 2: California Redevelopment
California Redevelopment
Tax Increment Financing

- 1993 to 2010: 98,000 units of affordable housing produced/rehabilitated

- Approximately 5,400 units per year
California Redevelopment
Low-Mod Housing Funds: 1995-2010
Deposits, Expenditures and Balance

Source: Time Structures, Inc., HCD.
Total California Redevelopment Agencies by Year:
1940-2010

Source: Time Structures, Inc., California State Controller.
Total RDA New and Rehabilitated Affordable Housing Units
1984-2010

Source: Time Structures, Inc., HCD.
Case 3:

Housing Trust Funds
Housing Trust Funds

A fund with a permanently dedicated, annually renewable source of revenue to reinvest in the production and preservation of affordable housing.
Housing Trust Funds

As of 2007

600 State, City and County Housing Trust Funds (HTFs) in the U.S.
Generating $1.6 billion per year
Housing Trust Funds: State HTFs

- 40 (out of 50) states with Housing Trust Funds
- 26 state HTFs with dedicated revenue streams
- $848 million in revenue in FY2009
- $1.28 billion for State HTFs in FY2007
Housing Trust Funds: City/County HTFs

- 73 City HTFs
- 57 County HTFs
- 600+ Total Local HTFs

**Note:** Multiple HTFs statewide in California, Massachusetts, New York, & Washington State not included in this total.
California Inclusionary Housing
California Inclusionary Housing

Requires a percentage of all new market-rate housing be set aside as long-term affordable housing for both owners and renters.
California Inclusionary Housing

2003 Survey:

- 107 City and County Programs
- 34,000 Units of Affordable Housing Produced
- Estimate of more than 160 Inclusionary City & County Programs by 2011
California
Inclusionary Housing

Source: NPH, 2003
California
Inclusionary Housing

2003 Survey:

- Average Inclusionary Percentage of Affordable Units: 13%
- Half of All Programs Require 15% Set-aside
- Nearly 25% of jurisdictions require 20% Set-aside
- Most Common (44%) Set-aside: 10%
California
Inclusionary Housing

2003 Survey:

- Most Common Income Targeting:
  - Renter: 51-80% AMI
  - Owner: 81-120 AMI
Five Requirements for Success

1. Define affordable housing
2. Quantify affordable housing needs
3. Quantify affordable housing financing gap
4. Commit permanent, annually renewable sources of public capital for revenue
5. Implement land value capture policies
Requirement 1:
Define Affordable Housing
Affordable to whom?
Define Affordable Housing

Define Affordable Housing by the Cost of Renting or Owning Relative to Household Income Level Adjusted by Household Size
Define Affordable Housing

Define Household Income as a Percent of Area Median Income (AMI) Adjusted by Household Size
Define Affordable Housing
Cost of Renting

30% Gross Household Income*
for Rent and Utilities

*Adjusted by Household Size
Define Affordable Housing Cost of Homeownership

35\%^1 \text{ Gross Household Income}^2 \text{ for Mortgage Principal and Interest, Property Taxes, Insurance (PITI), Property Mortgage Insurance (PMI), and Homeowners Association (HOA) Dues, Maintenance, Utilities}

1Subject to Credit, Underwriting and Public Policy
2Adjusted by Household Size

House Australia: Lessons from the U.S. Experience
Requirement 2:
Quantify Affordable Housing Needs

City of Richmond, Virginia
Richmond, Virginia
Household Income Distribution, 2012

<table>
<thead>
<tr>
<th>Income Range</th>
<th># of Households</th>
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</thead>
<tbody>
<tr>
<td>Less than $24,999</td>
<td>27,821</td>
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<tr>
<td>$25,000 to $34,999</td>
<td>9,597</td>
</tr>
<tr>
<td>$35,000 to $50,000</td>
<td>12,102</td>
</tr>
<tr>
<td>$50,000 to $74,999</td>
<td>13,124</td>
</tr>
<tr>
<td>$75,000 and above</td>
<td>19,724</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>82,368</strong></td>
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</tbody>
</table>

Source: ACS 2012 Five-Year Estimates

House Australia: Lessons from the U.S. Experience
Richmond, Virginia
Comparison of Market and Affordable Rents

<table>
<thead>
<tr>
<th></th>
<th>Very Low Income 50% AMI</th>
<th>Low Income 60% AMI</th>
<th>Low Income 80% AMI</th>
<th>Moderate Income 100% AMI</th>
<th>Average Apartment Market Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom</td>
<td>$576</td>
<td>$713</td>
<td>$987</td>
<td>$1,260</td>
<td>$800</td>
</tr>
<tr>
<td>2 Bedroom</td>
<td>$690</td>
<td>$854</td>
<td>$1,182</td>
<td>$1,510</td>
<td>$905</td>
</tr>
<tr>
<td>3 Bedroom</td>
<td>$799</td>
<td>$988</td>
<td>$1,367</td>
<td>$1,746</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Average annual rental subsidy for 1 bedroom very low income unit is about $2,500 per year.
Richmond, Virginia
Severely Cost-Burdened Renter Households

<table>
<thead>
<tr>
<th>Income Level (% AMI)</th>
<th>Extremely Low Income</th>
<th>Very Low Income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% AMI</td>
<td>30% AMI</td>
<td>50% AMI</td>
<td></td>
</tr>
<tr>
<td>Income Limit, Family of 4</td>
<td>$21,900</td>
<td>$36,450</td>
<td></td>
</tr>
<tr>
<td>Severely Cost-Burdened Households¹</td>
<td>8,390</td>
<td>2,395</td>
<td>10,785</td>
</tr>
</tbody>
</table>

¹Households paying more than 50% of gross income on
Richmond, Virginia
RRHA Public Housing Inventory

<table>
<thead>
<tr>
<th></th>
<th>Less Than 30 Years Old</th>
<th>30 to 50 Years Old</th>
<th>More Than 50 Years Old</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family</td>
<td>50</td>
<td>642</td>
<td>2,575</td>
<td>3,267</td>
</tr>
<tr>
<td>Senior</td>
<td>50</td>
<td>499</td>
<td>0</td>
<td>549</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>1,141</td>
<td>2,575</td>
<td>3,816</td>
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</table>

Source: Richmond Redevelopment and Housing Authority Profiles

House Australia: Lessons from the U.S. Experience
Richmond, Virginia
Federally Subsidized Projects with Expiring Use Restrictions In Next Ten Years

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Expiring 2014 to 2019</th>
<th>Expiring 2020 to 2024</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Tax Credits</td>
<td>3,037</td>
<td>3,895</td>
<td>6,932</td>
</tr>
<tr>
<td>HUD Section 8</td>
<td>2,454</td>
<td>754</td>
<td>3,208</td>
</tr>
<tr>
<td>Other HUD</td>
<td>554</td>
<td>175</td>
<td>729</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,045</strong></td>
<td><strong>4,824</strong></td>
<td><strong>10,869</strong></td>
</tr>
</tbody>
</table>

Source: National Housing Preservation Database
Requirement 3:
Quantify Housing Affordability Gap
San Francisco Bay Area
San Francisco Bay Area Affordable Rent Calculation

2014 Area Media Income (AMI), Alameda County (4 Person HH) $93,500
Affordable Housing Costs as a Percent of Income 30%

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Very Low</th>
<th>Moderate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of AMI</td>
<td>50%</td>
<td>110%</td>
</tr>
<tr>
<td>Annual Gross Income</td>
<td>$46,750</td>
<td>$102,850</td>
</tr>
<tr>
<td>Affordable Monthly Housing Cost</td>
<td>$1,169</td>
<td>$2,571</td>
</tr>
<tr>
<td>Less: Monthly Utility Allowance</td>
<td>($55)</td>
<td>($55)</td>
</tr>
<tr>
<td>Affordable Monthly Rent</td>
<td>$1,114</td>
<td>$2,516</td>
</tr>
</tbody>
</table>
San Francisco Bay Area
Affordable Home Price Calculation

2014 Area Media Income (AMI), Alameda County (4 Person HH) $93,500
Affordable Housing Costs as a Percent of Income 35%

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Low</th>
<th>Moderate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of AMI</td>
<td>60%</td>
<td>110%</td>
</tr>
<tr>
<td>Annual Gross Income</td>
<td>$56,100</td>
<td>$102,850</td>
</tr>
<tr>
<td>Affordable Monthly Housing Cost</td>
<td>$1,636</td>
<td>$3,000</td>
</tr>
<tr>
<td>Less: HOA/Maintenance Expense</td>
<td>($300)</td>
<td>($300)</td>
</tr>
<tr>
<td>Less: Property Insurance</td>
<td>($100)</td>
<td>($100)</td>
</tr>
<tr>
<td>Less: Property Tax/Assessments</td>
<td>($199)</td>
<td>($419)</td>
</tr>
<tr>
<td>Available for Principal and Interest</td>
<td>$1,037</td>
<td>$2,181</td>
</tr>
<tr>
<td>Supportable Mortgage</td>
<td>$193,151</td>
<td>$406,304</td>
</tr>
<tr>
<td><strong>Affordable Sales Price w/ 3% Downpay’t</strong></td>
<td><strong>$199,125</strong></td>
<td><strong>$418,870</strong></td>
</tr>
</tbody>
</table>

Mortgage Interest Rate: 5.00%; Term: 30 Years.
San Francisco Bay Area
Owner Housing Affordability Gap Calculations

### Owner Townhomes

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Very Low</th>
<th>Low</th>
<th>Moderate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable Sales Price Per Unit</td>
<td>$155,300</td>
<td>$199,100</td>
<td>$418,900</td>
</tr>
<tr>
<td>Total Development Cost Per Unit</td>
<td>$479,000</td>
<td>$479,000</td>
<td>$479,000</td>
</tr>
<tr>
<td>Affordability Gap to Cost Per Unit</td>
<td>$323,700</td>
<td>$279,900</td>
<td>$60,100</td>
</tr>
<tr>
<td>Gap to Price Per Unit</td>
<td>$433,800</td>
<td>$390,000</td>
<td>$170,200</td>
</tr>
</tbody>
</table>
### Stacked Flat Apartments

#### Podium Parking

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Very Low</th>
<th>Moderate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Cost Per Unit</td>
<td>$303,000</td>
<td>$303,000</td>
</tr>
<tr>
<td>Maximum Monthly Rent Per Unit</td>
<td>$902</td>
<td>$2,024</td>
</tr>
<tr>
<td>Gap Per Unit</td>
<td>$153,700</td>
<td>($900)</td>
</tr>
</tbody>
</table>

House Australia: Lessons from the U.S. Experience
Requirement 4:
Commit Permanent, Annually Renewable Sources of Revenue for Affordable Housing
Revenue Sources

Tax Subsidies
Credits: Production, Rehabilitation, Home Purchase, Historic Preservation

- Deductions: Depreciation, Mortgage Interest, Property Taxes, Interest Rate Subsidy
- Property Tax, Capital Gains & Stamp Tax Abatements for Affordable Housing Properties
- Sales Tax Exemptions for Affordable Housing Construction Materials
Revenue Sources

Appropriations (Annual Budget Action)

- General Fund Revenues
- Pledged Revenues (e.g., Sales Tax, Increment, Hotel Bed Tax, Others)
- Development Impact Fees
- Publicly Owned Land and Air Rights
- Pledgeable Public Assets (e.g., Subordinated Housing Loan Payments)
Revenue Sources

Bonds
- General Obligation
- Revenue
- Special Assessment District
- Tax Increment
- Social Impact Bonds (Pay for Performance)
Revenue Sources

Private Sector
- Private Sector Lending (Banks, Institutional Lenders, Investors)
- Superannuation Funds, Insurance Companies
- Employer Assisted Housing
New Revenue: Housing Trust Funds

Annually renewable revenue sources permanently dedicated to the production and preservation of affordable housing.
Housing Trust Fund
Revenue Sources

- Title transfer taxes
- Incremental property taxes
- Sales taxes
- Hotel/bed taxes
- Rental car surcharges
- Utility taxes
- Utility franchise fees
- Business license taxes
- Development impact fees (both commercial & residential)

- Inclusionary housing in lieu fees
- Documentary stamp taxes
- Tideland oil revenues
- Carbon cap & trade credits
- Unclaimed property funds
- Interest on escrow accounts
- Public purpose charges
- Special assessment district taxes
- Infrastructure district taxes
Requirement 5:
Implement Land Value Capture Strategies
Land Value Capture Strategies

- Inclusionary Zoning
- Density Bonus (FAR)
- Design Code Incentives (e.g., Parking Reduction for Transit-Oriented Development)
- Air Rights
- Transfer of Development Rights (TDR)/Transfer of FAR (TFAR)
Financing Vehicle

Case 1:

Corporate Equity Investment in Rental Housing
Corporate Equity Investment in Rental Housing

Provide tax credit for qualified affordable housing developments, which:

- Define Affordable Rent for Compliance Term (e.g., 30, 55+ years)
- Require occupancy by Income-Eligible Households (e.g., <50% AMI)
Model: Low Income Housing Tax Credit (U.S.)

- $7.3B US/year (FY 2015)
- 110,000 units/year average
- 1,450 projects/year average
- 2.6 million units 1987-2013
- 40,500 projects 1987-2013
- 27% Nonprofit Developer/Operator
- 73% For profit Developer/Operator
Structure

- Developer of Qualified Project Receives Allocation of Tax Credits from State Housing Agency
- Developer Sells Credits through Skilled Intermediaries Who Assess Risk and Provide Asset Management. (Some corporate tax payers may develop this capacity for their own account.)
Structure (cont.)

Limited Partnership (LP):

- **Corporate Investor** (Limited Partner) = 99.99% owner
- **Developer Operator** (Managing General Partner) = 0.01% owner

Limited Liability Corporation (LLC):

- **Corporate Investor** (LLC Member) = 99.99% owner
- **Developer/Operator** (LLC Managing Member) = 0.01% owner

House Australia: Lessons from the U.S. Experience
Benefits

- Market Discipline Applied to Public/Private Partnerships
- Compliance Enforcement with Tax Penalty
- Third Party Oversight of Property and Asset Management
- Annual Compliance and Financial Audit
- Efficient Pricing in Competitive, Transparent Market
- Price is driven by value of tax credit, not market value of housing. (Community Reinvestment Act Compliance in U.S.)
Development Value

Equity Pays for 30% - 70% of Total Development Cost:

- Dependent on value of credit, level of affordability (% AMI)
- Market price of tax credits
Requires....

- State allocating agency with underwriting and asset management capacity
- Corporate tax payers
- Capable developers, property and asset managers
- Intermediary investment managers
- Capital sources (debt, subsidy) to pay for the balance of development costs
Issues

- Assure long-term (permanent) affordability
- Provide property reinvestment every 10-15 years
- Provide for no cost investor (LP) exit
- Equity is subordinate to Senior, Amortizing Debt
- Credit Efficiency Goal: 90% of tax credit goes to direct housing investment
Financing Vehicle

Case 2: Redevelopment Tax Increment Financing
What is Redevelopment?

- Tool to Remediate Blight
- Economic Development and Affordable Housing
- Ability to Enter into Public Private Partnerships
- Agencies Are Separate from Cities
- Agency Debt Has No Pledge of City Funds
- Financing Flexibility

Source: Orrick, De La Rosa & Co.
What is Tax Increment?

- Tax Increment is “the increase in the property taxes within the redevelopment project area that results from increases in assessed value over the base year assessed value”
- Tax Increment is a Redistribution of Property Tax from Other Taxing Agencies
- No New Taxes
- Primary Funding Source Used by Redevelopment Agencies is Tax Increment

Source: Orrick, De La Rosa & Co.
Growth in Tax Increment

Tax Increments Come Only from Increase in Assessed Value:

- New Construction
- Major Rehabilitation
- Infill Construction
- Reassessment Upon Sale of Property
- Other Conventional Reassessment

Source: Orrick, De La Rosa & Co.
Tax Increment Financing

- Predictable
- Long Term
- Support Dependably Secure, Prudent Debt

Source: Piper Jaffrey & Co.; Kenton Futures
No Agency Direct Control to Increase Revenues

- No Ability to Change Tax Rates
- No Ability to Reallocate Resources as in General Fund Debt
- No Ability to Raise Taxes or Revenues

Source: Orrick, De La Rosa & Co.

House Australia: Lessons from the U.S. Experience
Key Financial Factors for Project Area Credit

- Diversity of Land Uses
- Diversity of Property Ownership
- Diversity of Overall Assessed Value
- Size of Project Area
- Historic Assessed Value Trends
- Revenue Sharing Agreements (Pass Throughs)

Source: Orrick, De La Rosa & Co.
Overview of Tax Increment Bonds

- A Long-Term Debt Secured Solely by Tax Increment Revenues
- Major Advantage is the Ability to Pledge Future Tax Increment
- Bond Proceeds Are Used to Revitalize Blighted Areas, Promote Affordable Housing and Economic Growth
- City’s General Fund Not Liable for Repayment.

Source: Piper Jaffrey & Co.; Kenton Futures
Tax Increment Bond Capacity/Structure Illustrated

Source: Orrick, Stone & Youngberg

House Australia: Lessons from the U.S. Experience
Financing Vehicle Case 3:

Land Value Capture Analysis

Downtown Plan

Long Beach, California

2011
Mona Vale Town Centre
Pittwater Council
# Future City Report

**Mona Vale Town Centre**  
**Pittwater Council**

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Business as Usual</th>
<th>Vision</th>
<th>Increase</th>
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<tbody>
<tr>
<td><strong>HOUSING UNITS</strong></td>
<td>323</td>
<td>N/A</td>
<td>783</td>
<td>460</td>
</tr>
<tr>
<td><strong>COMMERCIAL M²</strong></td>
<td>12,000</td>
<td>N/A</td>
<td>53,500</td>
<td>41,500</td>
</tr>
<tr>
<td><strong>RETAIL M²</strong></td>
<td>100,000</td>
<td>N/A</td>
<td>117,000</td>
<td>17,000</td>
</tr>
</tbody>
</table>

House Australia: Lessons from the U.S. Experience
Rhodes East
City of Canada Bay
## Rhodes East
City of Canada Bay

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Business as Usual</th>
<th>Vision</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOUSING UNITS</td>
<td>102</td>
<td>4,069</td>
<td>2,891</td>
<td>2,789</td>
</tr>
<tr>
<td>COMMERCIAL M²</td>
<td>7,000</td>
<td>7,000</td>
<td>15,000</td>
<td>8,000</td>
</tr>
<tr>
<td>RETAIL M²</td>
<td>400</td>
<td>230</td>
<td>6,100</td>
<td>5,700</td>
</tr>
</tbody>
</table>
Long Beach, California

The Downtown Plan

Full implementation over the next 25 years will allow:

- 5,000 new residential units
- 1.5 million square feet of new office, civic, cultural and similar uses
- 384,000 SF of new retail space
- 96,000 SF of restaurants
- 800 new hotel rooms
Long Beach, California

Plan Incentives

The Downtown Plan provides incentives to landowners, including:

- Development certainty at higher densities than current zoning for many sites;
- Reduced parking requirements and costs;
- Reduction/elimination of requirement and costs to prepare individual project EIR’s; and
- Permit processing time savings related to EIR preparation.
Long Beach, California

Purpose of 2011 Economic Analysis

- Identify and quantify the value conveyed to developers/landowners through the DTP provisions
- Determine extent to which developers can provide community benefits with this increased value
### Long Beach, California

**DTP Zoning Changes**

**Zone Change Scenarios Studied:**

<table>
<thead>
<tr>
<th>Current Height Limit</th>
<th>DTP Height/FAR Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 6 stories</td>
<td>80 ft / 4.0 FAR</td>
</tr>
<tr>
<td>2. 6 stories</td>
<td>150 ft / 5.0 FAR</td>
</tr>
<tr>
<td>3. 6 stories</td>
<td>240 ft / 8.0 FAR</td>
</tr>
<tr>
<td>4. 100 feet</td>
<td>240 ft / 8.0 FAR</td>
</tr>
</tbody>
</table>
Long Beach, California

DTP Land Uses

Land use / development prototypes studied for each zone change scenario:

- Apartments
- Condominiums
- Office
- Hotel

Prototypes also include ground floor retail.

House Australia: Lessons from the U.S. Experience
Long Beach, California
Land Residual Analysis

+ Calculates the value of a development based on its income potential
- Subtracts the costs of the development and developer profit
= Results in the underlying value of the land
→ A negative land value indicates a development is not financially feasible
Long Beach, California

Quantifying DTP Benefit

Any positive increase in land residual value from current to proposed zoning is the benefit conveyed by DTP to downtown developers/landowners.
Current Economic Conditions

Current market economics in Long Beach renders most high-rise prototypes infeasible even under current zoning.

- Increasing height limits in these scenarios does not improve feasibility.
- As market conditions improve, the increased density under the plan is expected to net increase in residual land values from Plan incentives.
Illustrating the **change** in land value before and after DTP zone changes to show the potential value created by the DTP when market conditions improve.
Long Beach, California
Change in Residual Land Value with DTP Incentives and Affordable Housing Recommendation for Apartment Prototypes

Change in Residual Land Value Per SF Site Area

- $ Change in Residual Land Value with DTP Incentives
- $ Change in Residual Land Value With DTP Incentives and 10% Very Low Income Apartments

Zoning Change

- 6 stories to 80 ft / 4.0 FAR
- 6 stories to 150 ft / 5.0 FAR
- 6 stories to 240 ft / 8.0 FAR
- 100 ft to 240 ft / 8.0 FAR
Long Beach, California
Change in Residual Land Value with DTP Incentives and Affordable Housing Recommendation for
**Condominium Prototypes**

![Diagram showing change in residual land value with different zoning changes and DTP incentives.](image-url)
Long Beach, California
Change in Residual Land Value with DTP Incentives and Affordable Housing Recommendation for **Office** Prototypes

![Diagram showing change in residual land value with different zoning changes and land values with DTP incentives and nexus fee considerations.](image-url)
Long Beach, California
Change in Residual Land Value with DTP Incentives and Affordable Housing Recommendation for **Hotel** Prototypes

![Graph showing Change in Residual Land Value Per SF Site Area](chart)

- **$ Change in Residual Land Value with DTP Incentives**
- **$ Change in Residual Land Value With DTP Incentives and $10 per SF Nexus Fee**

Zoning Change:
- 6 stories to 80 ft / 4.0 FAR
- 6 stories to 150 ft / 5.0 FAR
- 6 stories to 240 ft / 8.0 FAR
- 100 ft to 240 ft / 8.0 FAR

$140.00
$120.00
$100.00
$80.00
$60.00
$40.00
$20.00
$0.00
Long Beach, California
Cost Savings from DTP Incentives

DRA isolated the increase in residual land value from cost savings from:

- Reduced parking requirements
- Reduced requirements for individual project EIRs
- Reduced permit processing time from not having to do individual project EIRs

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Long Beach, California
Cost Savings from DTP Incentives
80 Foot/4.0 FAR Height Limit Prototypes

Cost Savings Per Net SF Building Area

- Reduced Processing Time
- Reduced EIR Cost
- Reduced Parking Requirements

Apartments | Condos | Office | Hotel
Long Beach, California

Estimated Affordable Housing Production from Recommendations

- Inclusionary Housing Unit Production:
  - 250 Very Low Income Apartments
  - 375 Moderate Income Condos
- Commercial Linkage Fee Unit Production:
  - 122 Very Low Income Apartments
- Total Affordable Units: 747
- 15% of DTP Unit Build Out
Inclusionary Housing and Linkage Fee Economic Impact Analysis

Long Beach, California

2013
Long Beach, California

Prototypes (Location)

1. High-Rise Office (Downtown)
2. High-Rise Apartments (Downtown)
3. High-Rise Condo (Downtown)
4. Hotel/Apartments (SE Long Beach)
5. Arterial Retail/Condo (No. LB)
6. Village Center Retail/Apts. (No. LB)
7. Industrial (West Long Beach)
Long Beach, California

Inclusionary Housing Requirements

- Rental: % of units affordable at very low income (50% Area Median Income or $32,400, family of four, 2013)
- Owner: % of units affordable at moderate income (100% of AMI or $64,800, family of four, 2013)
Long Beach, California

Market Land Prices

- Analyzed land sales from 2002 to 2013
- Sales sorted by:
  - Downtown, outside of downtown
  - Residential zoning, commercial zoning
Long Beach, California
Residual Land Value With and Without Affordable Housing Requirement
Downtown High-Rise Apartments
Long Beach, California
Residual Land Value With and Without Affordable Housing Requirement
Downtown High-Rise Condos

Affordable Housing Units Affordable to Owner Households at 100% of Area Median Income

House Australia: Lessons from the U.S. Experience
Long Beach, California

Recommendations

- Rental housing: 10% of units affordable at 50% AMI
- Owner: 10% of units affordable at 100% AMI
- Commercial: $5 per Sq. Ft. impact fee
- Industrial: $2 per Sq. Ft. impact fee
Six Decades:
Six Lessons
Six Decades: Six Lessons

1. Create a national consensus on defining affordable housing
2. Create permanent, annually renewable revenue sources for affordable housing
3. Create durable public-private partnerships for financing, developing and managing affordable housing
4. Implement state-of-the-art land value capture policies
Six Decades: Six Lessons

5. Treat affordable rental housing as key community infrastructure
   - Create an industry supply chain to preserve & develop affordable rental housing
   - Include private for profit developers, community nonprofit developers, public housing authorities, property and asset managers, lenders and institutional investors
   - Require permanent affordability

House Australia: Lessons from the U.S. Experience
Six Decades: Six Lessons

6. Homeownership:

Address and resolve the ambiguities of affordable homeownership policy
Thank you!

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Principal, DRA

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