

PRIMER



INCREASING THE SUPPLY OF NEW AFFORDABLE HOUSING

**A PRIMER OF STRATEGIES
TO IMPLEMENT TODAY**

A PRIMER | AFFORDABLE HOUSING SUPPLY TOOLKIT: CPD PROGRAMS

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INTRODUCTION



Housing is the foundation on which we live, grow, and thrive.

PURPOSE

The U.S. Department of Housing and Urban Development (HUD) Affordable Housing Toolkit assists state and local governments to **increase their supply of new affordable housing units** through the use of HUD’s Community Planning and Development (CPD) funds.

Access to affordable housing is essential to fostering equitable, inclusive, and resilient communities. This Toolkit aims to support housing and community development staff and partners by:

- Introducing key strategies that may expand the local supply of affordable housing.
- Connecting equity considerations to the development of affordable housing.
- Detailing affordable housing development spotlights that deployed local strategies and used CPD funding sources.
- Addressing the need to cultivate and maintain partnerships to combat community opposition.
- Expanding on the notion of housing as merely “bricks and mortar.”



Who is this Toolkit for?

The toolkit is intended for a beginner audience, specifically staff or members of state and local governments who are looking to be involved in affordable housing development and implementation in their communities, or those who want to partner with municipalities to explore affordable housing development options. The **Key Terms** and **Resources** sections provide additional learning opportunities.

For the purposes of this toolkit, *affordable housing* is generally defined as housing on which the occupant is paying no more than 30 percent of gross income for housing costs, including utilities. In addition to affordability, it is important that housing is decent, safe, and located in proximity to adequate employment and transportation options.

THE AFFORDABLE HOUSING CHALLENGE

In our existing environment, the supply of affordable housing does not meet demand. Households are and will continually be priced out of the rental and homeownership markets as the problem persists into the foreseeable future. In fact, there is **no county in the United States** where a worker with a full-time, minimum-wage job could afford the median rent for a two-bedroom apartment. The value of land and housing, both single-family and multifamily, and the cost of construction materials have increased steadily. The **ramifications of the COVID-19 pandemic** have further disrupted supply chains and tightened housing supply, and rising inflation has strained the budgets of renters and homeowners alike.

Access to adequate, safe, and affordable housing is **demonstrably uneven** across several socioeconomic indicators. Despite the Fair Housing Act and antidiscrimination laws, factors including race and ethnicity, gender and sexuality, household composition, access to jobs, the availability of living wage jobs, and disability status all influence an individual's or household's experience when searching for and securing housing. Historical practices and entrenched structural dynamics, such as redlining, exclusionary zoning, racial covenants, blockbusting, and unfair lending and appraisal practices, continue to displace and under-house Black, Indigenous, and people of color and other marginalized populations. These practices also further disinvestment in these communities and undermine key societal outcomes, such as improving educational and health outcomes for children.

We are simply not building enough product for the need...



Only 62 units

are available and affordable for every 100 households at 50% of the area median income.



24% of renters

were severely rent-burdened, with more than **50%** of their income spent on housing.



1.5 times more likely

Black households are **1.5** times more likely to live in places where they are exposed to environmental hazards such as poor air quality.



More than 75%

of households making less than \$30,000 are moderately or severely “housing cost burdened,” meaning that more than 30% of their income goes toward housing costs.

THE ROLE OF STATE AND LOCAL GOVERNMENT AND THE USE OF CPD PROGRAMS

Localities that take an active role in shaping affordable housing initiatives have a strong impact on promoting housing stability, achieving equitable development patterns, and building coalitions to foster broader change.

Decisions over land use—what types of housing can be built in which locations—are largely made by state and local governments. The development process is often seen as long, complicated, and potentially risky—all factors that drive up the cost of newly built housing and limit the market’s ability to respond to demand. Zoning tools, such as caps on building height, minimum lot sizes, bans on multifamily buildings or factory-built housing, and minimum parking requirements, also increase the cost of housing. Because private sector-led development produces most

new affordable housing units, local and state government agencies’ involvement in creating affordable housing centers on the following:

- Establishing a balanced, equity-driven housing strategy.
- Using national and local data to deepen an understanding of housing in the community.
- Analyzing development feasibility to ensure practical housing policies for the local market.
- Developing sound underwriting principles for the use of public funds to maximize the success of individual projects.
- Reducing regulatory barriers.
- Understanding complex market trends and realities (e.g., construction and labor costs).
- Prioritizing development by establishing and tracking clear goals and objectives.



CPD Programs

HUD-funded annual CPD programs provide critical financing options for state and local governments to increase the affordable housing supply. The goal of CPD programs is to develop vibrant communities by promoting integrated, equitable approaches that provide decent housing, a suitable living environment, and expanded economic opportunities for low- and moderate-income persons.

As noted by graphics dispersed throughout this document, the toolkit identifies activities to increase the local supply of affordable housing that may be funded by one or more of the following annual CPD programs.



Community Development Block Grant (CDBG)

The CDBG Program provides funding to state, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. Housing-related eligible activities include acquisition of real property, clearance/demolition, infrastructure, rehabilitation, and in limited circumstances, new housing construction.

HOME Investment Partnerships (HOME)

Congress created the HOME Program to provide participating jurisdictions, both state and local, with flexible funding, specifically to meet the affordable housing needs of low-income renters and homebuyers/homeowners. Eligible activities include costs associated with housing acquisition, new construction, and rehabilitation as well as tenant-based rental assistance.

Housing Trust Fund (HTF)

The HTF Program provides grants to states to develop and preserve affordable housing—primarily rental housing for extremely low-income households. Eligible activities include housing acquisition, new construction, and rehabilitation, along with operating subsidies to ensure the long-term financial stability of assisted projects.

Section 108 Loan Guarantee (Section 108)

The Section 108 Program enables CDBG grantees to leverage their annual CDBG grant allocation to access low-cost, adaptable financing for community and economic development-related projects. Section 108 loans can be used for a number of housing activities eligible for CDBG assistance, including housing rehabilitation, acquisition, site preparation, and, under limited circumstances, new affordable housing construction.

How can jurisdictions access these funds?

With the exception of Section 108 funds, which are available to existing CDBG grantees through an application system, annual CPD programs provide grants on a formula basis to qualifying jurisdictions.

What is the role of partners in CPD-funded housing development?

Successful affordable housing development is typically a result of strong, multilayered partnerships. Annual CPD programs often serve as key components in development deals; for example, gap financing, award letters to secure private financing, or “last-in” dollars to finalize deal closings. For that reason, establishing relationships and a shared vision with the target community, developers, housing-related nonprofits, local advocacy groups, and funding agencies is a key step for local and state governments.

What’s happening in your community?

- ✓ Contact your local municipal or county officials to find out how the program operates in your area.
- ✓ Check out the [Find a Grantee](#) page to access contact information per eligible CPD program.
- ✓ Review the grantees’ [Consolidated Plan](#) to identify housing priorities for their CPD funding.



What requirements must be met before jurisdictions can access funds?

To access annual funds, state and local governments must develop and submit a [Consolidated Plan](#) (Con Plan) every 3 to 5 years, which, among other things, requires the jurisdiction to:

- Conduct an evaluation of its housing market and needs (i.e., the Con Plan Needs Assessment) by engaging in a data-driven analysis of households and demographics with disproportionately greater needs, which can provide valuable insight to identify existing housing needs and inequities within the jurisdiction.
- Identify public policies at the local jurisdiction level that serve as barriers to affordable housing and identify the strategy to remove or ameliorate the negative effects of such policies; for example, tax policy affecting land and other property, land use controls, zoning ordinances, building codes, or fees and charges.
- Comply with the [affirmatively further fair housing](#) (AFFH) mandate that sets out a framework for CPD grantees to take meaningful actions to overcome historic patterns of segregation, promote fair housing choice, and foster inclusive communities that are free from discrimination.
- Engage with and inform the community of the established housing-related goals.

HOW TO USE THE TOOLKIT

The Affordable Housing Supply Toolkit series is designed to provide key introductory information to those who want to understand more about affordable housing with the goal of increasing its supply in one's own community. To do so, follow these steps:



Explore the Toolkit Infographic

The [Affordable Housing Strategies](#) infographic identifies four overarching strategies for localities to increase the supply of affordable housing. Each strategy is linked to a section in the Toolkit. Additionally, it outlines the benefits of CPD funding and elements of building local support.

Demonstrating how communities have incorporated some of these strategies into planning and developing their own affordable housing projects, there are Spotlights dispersed throughout the Toolkit.

Step 1. Consider specific actions for implementing each strategy

The Toolkit identifies four overarching strategies that local and state governments can pursue in their affordable housing strategy and describes how to deploy each strategy by:

- Detailing issue areas that must be addressed, such as the capacity of governmental staff or the level of community support.
- Describing housing interventions to deploy at the local and state levels.
- Listing key stakeholders to engage and for what purpose.
- Identifying challenges and potential solutions for implementation.

STRATEGY 1.

Effective use of public funds involves directly using or leveraging funding sources available to local governments to impact the affordable housing supply.



Why Engage?

- Funding is often a main driver for collaboration between developers and local government and can determine the type and number of units developed.
- When localities can bring funds to the table, developers are much more likely to approach the process as a partner.

STRATEGY 2.

Effective use of external funds describes how governments can build consensus and empower private and nonprofit developers to access available sources of funding and creative funding models in pursuit of a shared vision.



Why Engage?

- Local governments can better leverage their own resources and more effectively guide development partners when they understand of the full range of funding sources and financing mechanisms available.

- Layering various financing sources is the “norm” for developing affordable housing in today’s current climate: Less conventional ways of funding affordable housing present opportunities for localities willing to try new paths.

STRATEGY 3.



Land use and entitlement properties explore how public agencies can directly contribute to housing development by committing public property toward that goal.

Why Engage?

- Public agencies authorized to conduct real estate development activities (e.g., public housing agencies, redevelopment authorities, community development agencies) often receive funding through a combination of local, state, and Federal dollars and address market deficiencies, such as urban blight and insufficient affordable housing, making them natural partners when promoting affordable housing development in their communities.

STRATEGY 4.



Development of public property consists of employing local government’s land use regulatory capacity to remove roadblocks to the production of affordable housing.

Why Engage?

- A concerted regulatory effort across municipal offices can make it substantially easier for private entities to pursue the development of affordable housing.

Step 2. Center equity in affordable housing development strategies

Local housing policies developed and deployed to create new affordable housing units can help mitigate neighborhood disparities and limit the existing inequalities that potentially slow overall growth, cut off opportunities for interactions, and reduce economic mobility.

Long-lasting changes to both policies and systems, especially those that start by addressing the root of a community’s disparities, are best accomplished by engaging in the following four pillars, as identified by the [Urban Sustainability Directors Network](#):



Procedural equity: Engagement and representation in the design and rollout of programs and policies



Distributional equity: Fair distribution of benefits and burdens across all communities, appropriately prioritized



Structural equity: Active recognition of the historical injustice that created the status quo and the institutionalized accountability needed to repair it



Transgenerational equity: A path to lasting equity across generations, ensuring that future generations have pathways to success



Check out the tactics and opportunities for engaging in equity considerations throughout the Toolkit identified by the unique equity icons.



Step 3. Examine ways to build local support and integrate housing into broader community efforts

Growing community support for affordable housing is essential to successful, equitable development. The [Building Support for Local Affordable Housing Development](#) section defines the often-confronted community resistance to affordable housing development and details key actions to overcome opposition.

Additionally, housing plays a connective role in our communities, serving as a nexus

where all community sectors come together. The [Housing As ... graphic](#) describes how housing is a building block of the community's infrastructure, a factor in public safety, a component of the healthcare continuum, a driver of employment, a solution to addressing climate change, and a bridge to economic mobility. By adopting a broader view of housing and its impact on society, local governments can better reflect the specific interests and concerns of their audience and thus improve the success of their messaging around housing production goals.



AFFORDABLE HOUSING STRATEGIES

To learn about each affordable housing strategy, the benefits of CPD funding, and elements of building support locally, click on each section of this infographic to navigate to this Toolkit's corresponding chapter.



Strategy 1:

Effective Use of Public Funds

Explore municipal resources: find out how local government can raise funds to pay for affordable housing.

- TIF Districts, PILOT programs, bridge loans, property acquisition, and more...



Strategy 2:

Effective use of External Funds

Be resourceful: discover how to leverage available sources of funding and learn about additional funding models for affordable housing.

- Low Income Housing Tax Credits, Opportunity Zone funds, Community Land Trusts, deed restricted homeownership, and more...



Strategy 3:

Land use and Entitlement Properties

Get creative: read about ways in which governments can use land use policy to promote the development and preservation of affordable housing.

- Accessory Dwelling Units (ADUs), density bonuses, reduced parking requirements, Brownfields, and more...



Strategy 4:

Development of Public Property

Use what's already there: explore ways for governments to kickstart the production of affordable housing by using existing public assets.

- Adaptive reuse of public buildings, co-locating housing with public uses, land banking, redevelopment of public land, and more...



Benefits of CPD Funding

- Integrates housing, supportive services, and community development.
- Ensures robust public participation and accountability.
- Provides federal resources for program implementation and capacity building.



Build Support Locally

- **Addressing Community Opposition:** Learn to generate support for affordable housing through effective communication and coalition building.
- **Partners:** Develop a diverse coalition of community members, government entities, funders and advocacy groups to reflect and amplify the neighborhood's character.
- **Housing as...:** Foster support for affordable housing development by demonstrating the interdependency of housing and the built environment.

STRATEGY 1

EFFECTIVE USE OF PUBLIC FUNDS



One of the most effective tools available to local government in shaping affordable housing production is the ability to fund, directly or indirectly, development activity.

Given the competitive and limited nature of external funding, a key strategy for local and State governments to promote the development of affordable housing is to raise their own funds. This section provides an overview of both strategies to generate funds as well as decision-making on how best to apply those funds.

WHAT IS NEEDED TO IMPLEMENT THIS STRATEGY?

Raising and using public funds for affordable housing require appropriate internal capacity to navigate the regulatory complexities of administering funds, as well as careful planning and community input processes.

Possess a solid understanding of available funds. Local, regional, and Federal funding streams each comes with their own regulations, eligibility and reporting requirements, and operational limits. Local administrators should aim to understand the most efficient way to layer multiple funding streams.

Bring government stakeholders to the table. It is critical that local government and public agencies are aligned and have a

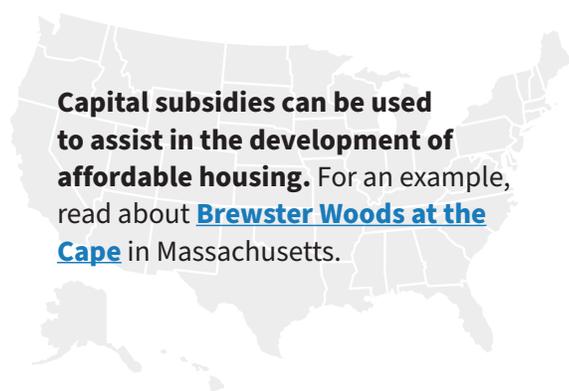
voice in the process of shaping affordable housing strategies and goals. When relevant stakeholders have participated in the decision-making process, the resulting initiatives usually consist of more complete and effective solutions. Important stakeholders include city council and planning board members, financial department and housing office staff, housing and/or redevelopment authorities, land bank administrators, the health and human services department, regional and State transportation authorities, and legal counsel.

Foster citizen participation through equitable engagement. Local governments interested in establishing goals and strategies for affordable housing production do well to engage the public early and often. Public participation at the initial stages of planning gives the community ownership over the process, invites the community to be actively engaged in development decisions that impact them directly, and often results in a more efficient use of available resources. [Building Support for Affordable Housing Development](#), at the end of this Toolkit guide describes a framework for bringing these stakeholders into the affordable housing conversation.



WHAT ARE SOME COMPONENTS OF THIS STRATEGY?

Raising public funding for affordable housing is one of the primary ways that local governments can directly influence the local housing market. Doing so gives government officials a say in what gets developed where to advance specific housing and community development goals. Below is a non-exhaustive list of potential sources of local funding, as well as potential applications of such funds.



Potential sources of local public funding for affordable housing

In addition to the major HUD-funded CPD sources (i.e., CDBG, HOME, HTF, and Section 108), jurisdictions can generate funding sources locally through a variety of tax initiatives or targeted fees.

DEDICATED REVENUE SOURCES

This umbrella term refers to mechanisms, typically a new or repurposed tax or fee, through which governments can raise funds for a stated purpose. Approving the related legislation may be a lengthy and contentious process; however, it tends to yield a stable and reliable source of funds. Many of the sources listed below can be used or conceived of as dedicated revenue sources.

DEMOLITION TAXES AND CONDOMINIUM CONVERSION FEES

These are fees levied on property owners who demolish a structure or convert a residential building into a condominium generating revenues that can be used as dedicated funding sources for affordable housing production.

INCLUSIONARY ZONING FUNDS

Inclusionary zoning (IZ) requires new market-rate developments to set aside a specified percentage of units as affordable housing. Some IZ programs also allow developers to ‘buy out’ of the obligation of dedicating affordable housing units within their properties by contributing a set amount to a fund dedicated to producing affordable housing.

- Note, however, that the implementation of a ‘buy out’ option can have detrimental effects on the equitable delivery of affordable housing. For example, developers may choose to pay for affordable housing elsewhere in lieu of providing those units in the same desirable neighborhoods they target for luxury units, thereby contributing to socioeconomic segregation and augmenting existing disparities in access to opportunity.

PAYMENT IN LIEU OF TAXES (PILOT)

Tax-exempt organizations that own property in a given locality may agree to make annual payments to the local government to ease the tax burden generated by their tax-exempt status. This is typically negotiated at the start of a development project, particularly when public land or other concessions are granted to the project. PILOT revenues are another common source of dedicated revenue for affordable housing production.

REVENUE AND GENERAL OBLIGATION BONDS

Revenue bonds allow municipalities to borrow funds against the projected future revenues of the project for which they are providing financing (i.e., the rental income from a housing development). General obligation bonds work similarly but are not



tied to a specific revenue stream so they may be a better option when revenue streams are not predictable.

TAX INCREMENT FINANCING (TIF)

TIF districts are a tool governments can use to raise funds for infrastructure or redevelopment projects and repay the borrowed money through the increase in property tax revenues associated with that project. TIF funding can be used for a range of redevelopment activities, including the development of affordable housing.

- In theory, TIF districts capture only the additional tax revenue that was created through development that would otherwise not have occurred but for the TIF incentive. However, TIF districts may inadvertently cap the property tax revenue that goes toward public services such as schools and libraries, causing those services to lag behind in funding over the lifetime of the TIF district. As such, governments should carefully design TIF policies to avoid the undesired effect of channeling funding toward development to the detriment of important services and amenities.



Learn more about the strategies on how to effectively use public funds by checking out additional [resources](#).

Potential applications of local public funding for affordable housing

Once public funding for affordable housing is raised, the local jurisdiction must decide how best to deploy it. Public funding can be contributed to a specific housing development activity in a variety of ways, each of which generates a different effect on a project. Governments can ensure that their funds are used efficiently by consulting with

developers to locate the main funding gaps and assess the expected outcomes of various forms of investment.

BRIDGE LOANS



CDBG, HOME, HTF, \$108

Certain private funders (e.g., Low-Income Housing Tax Credit [LIHTC] investors) may be able to offer better terms if their contribution to a project is delayed significantly. By offering low-cost “bridge” loans, government agencies can help developers access such improved terms by covering development costs during the delay period.

- Bridge loans are CPD eligible but uncommon given the lengthy affordability restrictions associated with HOME and HTF, in particular.

CAPITAL SUBSIDIES



CDBG, HOME, HTF, \$108

A frequent application of CPD funds and dedicated revenues, capital subsidies refer to grants and long-term forgivable or low-cost/cash flow loans that may be used as permanent sources in a development project. By reducing the amount of conventional financing required for the project, these subsidies can reduce project costs beyond the actual dollar amount contributed to the project. Similarly, in limited circumstances, CPD funds may be used to refinance existing mortgages in order to reduce interest payments in existing developments when the properties are undergoing rehabilitation with that CPD funding source; and, for some sources, may be restricted to rental.

- For Low-Income Housing Tax Credit-funded developments, Federal grants may cause a reduction in the project’s eligible basis, which can result in a decrease of overall funding available for the project. For this reason, many communities provide Federal subsidies to LIHTC projects in the form of low-cost loans.

HOMEOWNERSHIP ASSISTANCE



CDBG, HOME, HTF

CPD funds may be used to remove barriers to and increase the affordability of homeownership for low- and moderate-income households. This can occur through a variety of mechanisms, including interest rate subsidies, low-interest loans to reduce principal amounts, and direct assistance with related costs such as down payments, mortgage insurance, and closing costs.

NON-FEDERAL HOUSING TRUST FUNDS

These are flexible funding programs established by city, county, or State governments to support the production of affordable housing. Housing trust funds are typically provided as grants or soft loans that can be combined with other forms of financing to subsidize affordable housing efforts and often are funded through dedicated public revenue sources.

OPERATING SUBSIDIES



HTF

Affordable housing developments that have conventional financing rely on rental revenue to service debt during the life of the project. For projects that serve the lowest income households, where rents are insufficient to cover operating expenses and debt service, government-provided operating subsidies can boost that revenue, thus increasing the project's ability to leverage conventional financing. These may take the form of annual payments to affordable housing owners for the ongoing operation of a housing development serving the lowest income households.

PROPERTY ACQUISITION AND PRE-DEVELOPMENT FUNDING*



CDBG, HOME, HTF, §108

Governments may use one of these funding types to kick-start the development of affordable housing by subsidizing upfront costs. They work by providing low-cost or deferred payment loans for developers to cover early development costs. In addition to the loans described above, CPD funds may be used to fund acquisition activities related to affordable housing through other mechanisms, such as grants or purchase and resale.

**Pre-development funding is not an eligible use for any of the CPD Programs except for HOME Community Housing Development Organization (CHDO) set-aside as a CHDO pre-development loan and CDBG, as long as the project ultimately meets a national objective (which may prove difficult).*

- Property acquisition activities are CPD eligible for specific projects. Land banking is not an eligible activity. For the vast majority of HOME and HTF funded projects, all other funding sources must be committed prior to commitment of HOME or HTF funds. And, if only engaging in property acquisition, then the property must meet HOME or HTF property standards prior to acquisition.

RENTAL ASSISTANCE



HOME

When governments commit to providing rental assistance to income-qualifying residents of affordable housing units, they can encourage affordable housing production by strengthening the financial viability of such developments. This works in several ways: It makes units more appealing and affordable to a wider group of households, thus contributing to higher occupancy levels and faster lease-up. It also may improve the reliability of rental payments and, in instances where the subsidized rent payment

is higher than what that unit would generate without the subsidy, it increases rental revenue for the property. Both project- and tenant-based rental assistance programs, such as the Housing Choice Voucher Program, are available through HUD's Office of Public and Indian Housing and can complement CPD-funded assistance.

- Although project-based rental assistance is not CPD eligible, tenant-based assistance is HOME eligible through a program known as HOME Tenant-Based Rental Assistance.

To expand opportunities for housing assistance and to contribute to neighborhood improvement measures, a housing authority joined forces with a non-profit developer using project-based rental assistance for the redevelopment of [Westview Village](#) in Ventura, CA.

REVOLVING LOANS



CDBG, 108*

Revolving loans are repayable low-cost loans made to private developers. Repaid funds are then used to create a revolving loan fund that can then be committed to a different project or developer. Therefore, revolving loans only require a government's initial investment to be established, after which they are expected to be largely self-sustaining. Because they are not forgivable loans, however, they tend to give developers limited flexibility when used as pre-development funding.

- CDBG grantees also may establish a rehabilitation loan fund with a lending institution through a lump sum drawdown on their CDBG line of credit. The fund proceeds may then be combined with other financing mechanisms to leverage non-CDBG funds for rehabilitation of the same properties.

**Section 108 can be used in a similar structure as a revolving loan fund, with limitations.*

WHO ARE THE KEY PARTNERS?

Federal agencies, particularly the local HUD field office staff, can be helpful in addressing questions regarding funding opportunities. For rural communities, the [U.S. Department of Agriculture's Rural Housing Service](#) offers a variety of programs to build or improve housing and essential community facilities in rural areas.

Private developers tend to shape their pipeline of projects according to the broader development goals of, and the availability of funding from, the local government. Close collaboration between the public and private sectors can be mutually beneficial.

Mission-driven groups (e.g., faith-based, nonprofits, neighborhood groups) can function as local community leaders and drum up support for housing initiatives, encourage the community's involvement in public planning processes, identify unused or underutilized parcels of land for future development, and contribute personnel time and resources toward programming and other supportive services. These organizations also are often involved in the development of housing, either directly or through a joint-venture partnership with a private developer, and can make housing proposals more competitive or make new funding streams accessible to the developer through their nonprofit status.



WHAT ARE THE CHALLENGES AND POTENTIAL SOLUTIONS?



CHALLENGES	POTENTIAL SOLUTIONS
<p>Expiration of funding streams. Funds earmarked for affordable housing production often have an “expiration date” by which they must be either used for their intended purpose or returned to the funding source.</p>	<ul style="list-style-type: none"> • Plan carefully and establish robust accounting practices to ensure that all funds are fully committed and spent by the deadlines. • Grant special status to affordable housing developments that may fast-track through the planning process.
<p>Enforcement mechanisms. When awarding funds for development to a third party (e.g., a private developer), governments are responsible for ensuring that party’s compliance with the specific funding program.</p>	<ul style="list-style-type: none"> • Ensure that solicitations, written agreements, and program policies describe the various funding programs, their associated requirements, and the monitoring and enforcement mechanisms.
<p>Complicated award process. Most governmental entities are bound by competition requirements when making large awards to ensure fairness and transparency. These requirements can be difficult to navigate and, when overly cumbersome, can result in project delays and increased costs.</p>	<ul style="list-style-type: none"> • Evaluate the solicitation process for housing funds for simplicity and fairness. • Streamline complex and costly application processes when possible so that funding is attainable for small, new, and nonprofit developers.
<p>Regulations and restrictions required when using Federal funding. The inclusion of Federal funds in a project can result in additional regulatory obligations for both the jurisdiction and the developer. For example, CPD funds can require prevailing wage standards, environmental reviews, income limits, and subsidy layering reviews, and limitations on the timing and source of payment for project costs.</p>	<ul style="list-style-type: none"> • Develop and require periodic trainings for local government staff on CPD rules and regulations, with a curriculum targeted toward specific job functions. • Access a multitude of resources on the HUD Exchange to support planning for and monitoring of CPD-funded activities. • Connect with HUD field office staff for assistance with CPD funding compliance.





PROJECT SPOTLIGHT: AVONDALE TRACE

The development of Avondale Trace, in High Point, NC, is an innovative example of how the city of High Point was able to use \$650,000 of **Section 108 funds** as leverage to obtain \$10.4 million of private capital and create a public-private partnership to facilitate the construction of new affordable rental housing. The project is a 72-unit multifamily rental development located on a 7.75-acre site. The development includes a clubhouse building, playground, and picnic area on the site located in the growing area of North High Point. The units are targeted to families that earn between 40% and 60% of the area median income (AMI).

HUD, the city, the North Carolina Housing Finance Agency (NCHFA), and Wynnefield Properties forged a strong partnership to create the project. The use of Section 108 funds to purchase and improve the site allowed the city of High Point to preserve its HOME funds, which were originally used to secure the 9% LIHTC allocation. Section 108 funding expenditures must follow similar rules to the CDBG program, which include restrictions on the construction of new rental housing. Because of these restrictions, the Avondale Trace Apartments project required the creative structuring of financial resources.

After paying for site acquisition and improvements using, in part, the Section 108 funds, the city conveyed the property to a limited partnership created by Wynnefield Properties. Wynnefield secured **LIHTC** and other funding sources to construct the property, including an NCHFA Rental Production Loan, an NCHFA Work Force Housing Loan, and a conventional first mortgage loan. The state's Rental Program Loan requires the payment of 2% interest over a 20-year term. Both the Rental Program Loan and the Section 108 loan are structured as "soft debt" for the project. The NCHFA Work Force Housing Loan is available as a result of an appropriation of the state of North Carolina that has been used in conjunction with LIHTC transactions. The Work Force Housing Loan is structured as a zero (0%) loan that does not require an annual payment out of the cash flow from property operations.

Read more about this project [here](#).

HIGHLIGHTS

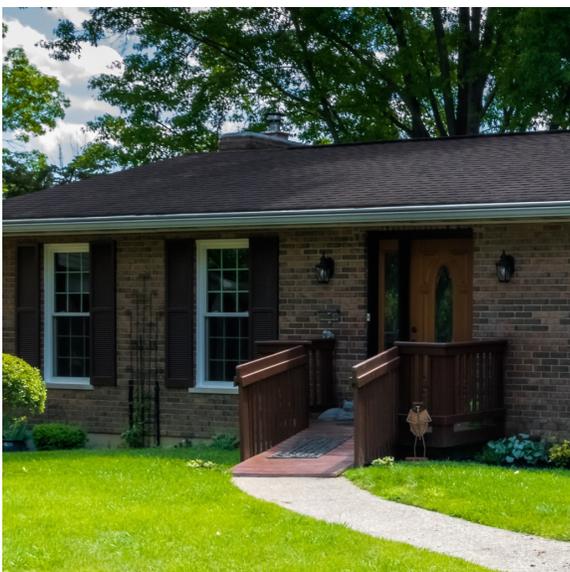
- Affordable housing units: 72
- Use of HUD CPD funding: Section 108 funds to leverage financing
- Key stakeholders: City of High Point, North Carolina Housing Finance Agency, Wynnefield Properties

STRATEGY 2

EFFECTIVE USE OF EXTERNAL FUNDS



Limitations on available financial resources, particularly below-market funding streams, are a barrier to affordable housing production. Local governments can better leverage their own resources and guide development partners when they understand the full range of funding sources and financing mechanisms available for housing developers. This section explores the funding options available to developers in the marketplace or through subsidized programs (public and private) for the development of affordable housing. Because traditional funding sources are often scarce, competitive, or costly due to the required upfront fees and accrued interest, this section also describes less conventional ways of funding affordable housing that may present unique opportunities for localities willing to try new paths.



WHAT IS NEEDED TO IMPLEMENT THIS STRATEGY?

To fully leverage available resources and maximize the likelihood that developers can attract competitive funds to projects in the community, local governments need to establish strong partnerships with a wide range of stakeholders. They also need to take an active role in shaping the local vision for affordable housing development and support private developers who can help advance that vision.

Strong partnerships across public, private, and nonprofit sectors. Successful affordable housing development is usually the result of a multilayered partnership. Establishing relationships and a shared vision with the target community, developers, housing-related nonprofits, local advocacy groups, and funding agencies takes time and effort, and can never be done too early. This is a crucial step in ensuring that the chosen approach to housing affordability is informed by multiple viewpoints, inclusive of underrepresented voices, and relies on a broad network of supporters.

Strategic housing plan. Whether pursuing development directly or through partnerships, governments can strengthen their efforts by establishing a detailed strategic housing plan that creates a framework to guide housing development and describes their intended



development goals. As a first step, a housing needs assessment, like the one required as part of the HUD CPD Consolidated Plan process, can uncover the most pressing housing deficits and identify areas where affordable housing development is likely to produce the greatest impact. Since housing assessments should highlight especially vulnerable or rent-burdened groups in the community, they also present an excellent opportunity for governments to explore equitable development pathways.

Dedicated housing staff. Affordable housing development is a complex process that requires technical competency and the ability to navigate difficult conversations. A dedicated housing staff familiar with development processes who can mediate among the private sector, funding partners, and regulatory bodies can function as the spokesperson for the local government in order to communicate with external and internal partners in an effective and constructive manner. Where funding limitations prevent the hiring of dedicated housing staff, capacity building among existing staff should be a priority. Consulting and community development organizations also may provide a comparable service on a temporary or permanent basis.



Collaboration across all government levels spurred the development of a 72-unit multi-family affordable rental housing site with community amenities in High Point, NC. Learn how [Avondale Terrace](#) benefited from the cooperation of its government partners.

WHAT ARE SOME COMPONENTS OF THIS STRATEGY?

Funding for affordable housing development comes in many forms from a wide range of sources. Below is a list of the most commonly used sources for development across the country, as well as some unique and creative options, whose availability may depend on a locality's specific resources, legislation, and political environment.

External/Third-party sources of funding

Local governments can aid developers in securing third-party funds and outside investment by nurturing partnerships with investors and funding providers and becoming familiar with the funding options most commonly available to developers.

FEDERAL HOME LOAN BANKS' (FHLB) AFFORDABLE HOUSING PROGRAM (AHP)

AHP is a competitive funding program for the production and preservation of affordable housing (both rental and homeownership) funded by the government-sponsored FHLB system. AHP funds can be either grants or low-interest loans, and are typically combined with other development sources, such as LIHTC proceeds. Similar to the LIHTC program, awards are made to developers directly. Thus, localities can help shape the resulting projects by collaborating with developers early on.

HISTORIC TAX CREDITS (HTCs)

Administered by the National Park Service and the Internal Revenue Service, HTCs provide capital funds for developers undertaking a substantial rehabilitation of a historic asset. HTCs can be used in the rehabilitation of historic residential buildings or the adaptive reuse of other historic structures.



HOUSING FINANCE AGENCY (HFA) RISK-SHARING: SECTION 542(C)

Administered by approved HFAs, the program provides low-cost capital to spur the development of rental housing through risk-sharing arrangements between HUD and HFAs. This assists these agencies by providing more insurance and credit for multifamily loans.

INVESTMENT TAX CREDITS (ITCS) AND OTHER ENERGY EFFICIENCY FUNDING

ITCs are commonly referred to as “solar tax credits” because they may be used to cover a portion of the costs of installing solar arrays. ITCs and other funding mechanisms, such as utility rebates, energy performance contracts, and Property Assessed Clean Energy (PACE) programs, can be used as part of the funding stack for housing projects that commit to certain levels of energy efficiency and renewable energy generation.

LOW-INCOME HOUSING TAX CREDITS (LIHTCS)

These are allocated by State HFAs to private developers for the production or preservation of low-income housing. They can take the form of competitive 9% LIHTC awards or non-competitive 4% awards, which can be paired with local or State tax-exempt bond proceeds. While the awards are made directly to developers, local governments can work with and lend their support to local developers to help shape their proposed projects and make their applications more competitive. LIHTC has developed or preserved 3.6 million apartments since 1986.

NEW MARKETS TAX CREDITS (NMTCS)

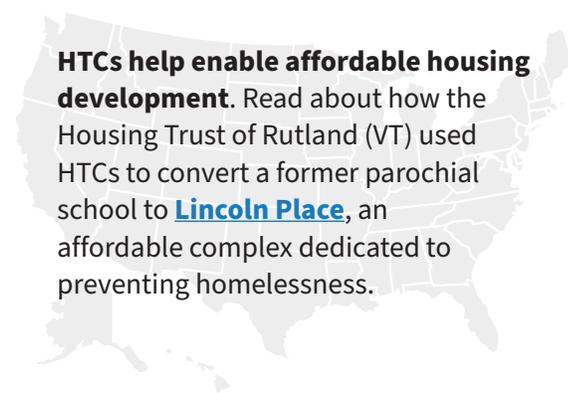
Local organizations called Community Development Entities apply for NMTCS from the Community Development Financial Institutions Fund and invest the proceeds into public interest projects (including affordable housing construction) in qualified low-income communities.

OPPORTUNITY ZONES (OZS)

Created in 2017, OZs offer a tax incentive for people and corporations to invest in distressed communities across the country. Affordable housing development can be structured in a way to leverage these incentives when proposing housing in an OZ.

TAX-EXEMPT BONDS

These are typically issued by State or local government agencies and, as mentioned above, are often in conjunction with an award of non-competitive 4% LIHTCs. Tax-exempt housing bonds function like loans that are contracted by governments and then passed along to developers but with one important difference: With tax-exempt housing bonds, the investor who purchases the loan is exempt from income taxes on the interest earned from that loan. This results in higher returns for the investor when compared with taxable bonds. As a result, the terms of the loan for tax-exempt housing bonds are typically more favorable for the borrower than the terms of taxable loans. These favorable terms are then passed on from the borrower (the government agency that issued the bonds) to the developer, resulting in a low-cost loan for the housing project.



HTCs help enable affordable housing development. Read about how the Housing Trust of Rutland (VT) used HTCs to convert a former parochial school to [Lincoln Place](#), an affordable complex dedicated to preventing homelessness.

Creative financial mechanisms and affordable housing models

To achieve a significant increase in affordable housing supply, local and State governments may not be able to rely solely on well-established sources of funds. Through a creative approach to funding strategies and a broad perspective on who may provide that funding, governments may open up new possibilities for the creation of affordable housing, both within their jurisdiction and in other communities where their success may be replicated. What follows is a non-exhaustive list of potential funding mechanisms and affordable housing models that go beyond the more conventional sources listed above.

COMMUNITY LAND TRUSTS (CLTS)



CDBG, HOME, HTF

A CLT is an affordable homeownership or rental housing model in which a single entity, typically a nonprofit or quasi-governmental organization, maintains ownership of the land when a household purchases the home that sits on top of it. The household pays a nominal amount to the CLT on a monthly basis to lease the land. CLT maintains long-term affordability by removing the cost of the land from the value of the home and limiting resale to income-eligible households at an affordable price.

DEED-RESTRICTED HOMEOWNERSHIP



CDBG, HOME, HTF, §108

In much the same way that rental units, such as those funded through CPD sources including HOME and HTF, can be subject to rent restrictions to ensure their affordability, resident-owned homes may be kept affordable through limitations on sale prices. In areas with rapidly escalating property values, deed restrictions can secure the long-term affordability of homes developed for and/or purchased by low-income households. The seller is able to realize a fair return on their investment, but not the full benefit of price appreciation.

EMPLOYER-ASSISTED HOUSING (EAH) PROGRAMS

Public and private sector employers can initiate EAH programs, which typically involve subsidizing housing costs for employees who live in proximity to the workplace. Government agencies can offer incentives for private sector employers that provide EAH programs, such as a dollar-for-dollar match of funds, encouraging their implementation and enhancing their effect.

LIMITED EQUITY COOPERATIVES (LECS)

Residents of LECs purchase a share of the entire property rather than an individual unit of housing. LECs are typically only available to low- or moderate-income households and limit the resale of its shares to a predetermined price or rate of appreciation to ensure long-term affordability.

TENANT OPPORTUNITY TO PURCHASE ACT (TOPA)

TOPA allows the resident control over the long-term affordability of their units and prevents the displacement of low- and moderate-income households and for some jurisdictions, is a tool related to LECs. Typically, TOPAs enable tenants of a multifamily building to exercise a first right of purchase, providing them with an opportunity to collectively purchase their building prior to its sale to a third-party purchaser, thus transferring property ownership into the hands of the tenants.

MEDICAID WAIVERS AND OTHER SUPPORTIVE SERVICES FUNDING

Housing developments that aim to provide supportive services to residents can sometimes struggle to fund such services. Medicaid waivers are a way in which health services providers can access Federal funding to provide supportive services on-site at residential communities. Other sources of funding for supportive services are available through HUD's [Continuum of Care](#) Program for projects that serve persons who are either homeless or at risk of homelessness.



SOCIAL IMPACT BONDS (AKA PAY-FOR-SUCCESS FINANCING)

These refer to public-private partnerships in the form of performance-based contracts, where investors provide funds for a project expected to have a positive social impact and are repaid by the government when that impact is achieved. Social impact bonds are often used for new or rehabilitated affordable and supportive housing units. This type of partnership can be an excellent avenue for incorporating equity-focused goals into development (or redevelopment) strategies because social impact bonds will often include metrics that go beyond the delivery of physical units, such as populations to be served, specific communities in which to invest, and employment opportunities generated.

WHO ARE THE KEY PARTNERS?

State Housing Finance Agencies administer each **State's** LIHTC program and often other important resources such as below-market loan products and rental assistance funds.

Community Development Financial Institutions (CDFIs) have access to low-cost funds from the Federal Government, as well as private investors, and can be an important source of below-market funding for affordable housing development and other housing-

related services. **CDFIs** also may be able to provide local governments with staffing or capacity training for the administration of local funds.

Traditional market rate loans from **private lenders** are an important piece of the funding puzzle for affordable housing construction. On occasion, grants and low-cost loans for housing development also may be available through **private investors** (e.g., large employers will sometimes make an investment commitment to the communities in which they open new offices).

Entities with a stake in affordable housing.

A critical path toward more and higher quality affordable housing involves bringing in investors who are not traditionally viewed as participants in the housing development process. For example, the healthcare and education industries, large employers, and service providers such as banks and utilities can all benefit from the production of housing and are therefore potential funding partners in this effort. Additionally, their involvement can **help address existing patterns of inequity** in the delivery of essential services, access to jobs and amenities, and community investment by enriching the housing product with supportive services, workforce training, mixed-use development approaches, and other community improvements.



WHAT ARE THE CHALLENGES AND POTENTIAL SOLUTIONS?



CHALLENGES	POTENTIAL SOLUTIONS
<p>Reporting and compliance requirements. The use of subsidized funding can trigger complex reporting requirements that must be observed by the locality, the developer, or both.</p>	<ul style="list-style-type: none"> • Identify the frequency, format, and documentation required to report on each funding source. • Communicate requirements to all development project participants at the beginning of the project and ensure that reporting responsibilities are understood.
<p>Staff availability. Administering funds and development partnerships is a time-consuming and long-term commitment.</p>	<ul style="list-style-type: none"> • Ensure that the staffing plans match the demands of the funds and the partnerships administered. • Evaluate the feasibility of dedicated housing staff to support ongoing development activities. • Consider contracting with third-party consulting companies for assistance with administering funds when local permanent staffing is insufficient or not feasible. Note that subsidized funding typically requires direct oversight by a jurisdiction’s own staff, so key decisions on funding administration cannot be made by external parties.
<p>Project prioritization. Given the limitations of funding and real estate, giving the “green light” to one project often means declining or delaying another.</p>	<ul style="list-style-type: none"> • Establish and follow a clear, transparent, and publicly informed project prioritization and selection method. • Develop underwriting guidelines that evaluate the funding feasibility of a project, as well as readiness.
<p>Outcome tracking and evaluation of existing programs. Tracking outcomes closely can be technically challenging but it usually leads to program improvement, a more efficient use of public funds, and may help secure future funding.</p>	<ul style="list-style-type: none"> • Incorporate data collection practices during the design phase for new programs. • Institute data collection processes and protocols into established programs when they are missing. • Maintain systems over the programs’ lives to evaluate and compare project outcomes and effectiveness. • Partner with educational or community development institutions with technical expertise in program evaluation, if available.





PROJECT SPOTLIGHT: ERIN PARK

Erin Park, located in Eastpointe, MI, is an example of how **deed-restricted homeownership** provides an affordable housing option in an area of single-family homes and duplexes.

Eastpointe is a fully built-out suburb that suffered since the housing market crash in the early 2000s and has not fully rebounded. Most dwellings in this area are single-family and two-family homes built prior to World War II. To increase homeownership opportunities, a rent-to-own **lease-purchase program** is being employed.

The developer, Community Housing Network Inc. (CHN), built the project on the site of a vacant, uninhabitable school in the East Detroit school district. Erin Park consists of 52 two- and three-bedroom units in dozens of one- and two-story buildings. Erin Park has 18 units with project-based vouchers, provided by the Michigan State Housing Development Authority. The site also contains eight Section 811 units. The \$16 million development benefited from a \$560,506 allocation of **HOME** funds, which was an important source of gap financing.

Although Erin Park is a mixed-income development housing residents at between 30% and 80% of AMI, the majority of the residents are at or below 60% of AMI. The units are available to tenants via 15-year lease-to-purchase contracts. In year 13 of the contract period, CHN will engage in conversations with existing residents to provide them with an option to purchase their unit. At the end of the 15-year compliance period, residents will have the option to purchase their unit at an affordable price. Those who are not able or do not wish to purchase can remain as residents, and upon ending their lease, the units(s) will be sold for affordable homeownership.



HIGHLIGHTS

- Affordable housing units: 52 rent-to-own
- Number of project-based vouchers: 18
- Targeted population: Residents at, or below, 60% of AMI



STRATEGY 3

LAND USE AND ENTITLEMENT POLICIES



Many communities struggle to identify quality land that is well suited to affordable housing development, while developers often find that overly strict regulatory and permitting requirements threaten to delay or derail affordable housing projects. To effectively increase the supply of affordable housing, communities can appropriately maximize density and foster affordability with modest home sizes, which can yield significant quantities of housing while minimizing urban sprawl and its related environmental impacts. Local governments also can spur affordable housing production by simplifying their entitlement process (i.e., the legal process by which developers obtain the necessary government approvals to proceed with a proposed development plan), particularly as it relates to an increase in density and long-term affordability restrictions.

WHAT IS NEEDED TO IMPLEMENT THIS STRATEGY?

Communities have two main tools for managing land use in the context of affordable housing:

1. The Comprehensive Plan maps out a community's values, priorities, and goals for development and establishes a framework and justification for future city ordinances.
2. Zoning ordinances, including subdivision ordinances, allow localities to establish various categories of land, called *zones*, and then regulate land use according to these classifications.

Local communities aiming to increase the supply of affordable housing can employ these tools to foster an equitable land use framework—that is, an approach to land use that encourages inclusivity by allowing for a variety of housing types and ensuring access to opportunity-rich areas for households with low and moderate incomes.

Zoning restrictions, high land prices, and unsuitable/undesirable land can make it prohibitively difficult to build affordable units. In some towns and city neighborhoods, zoning ordinances ban small-lot homes, cottages, or multifamily housing. In other communities, strict zoning limits and discretionary approval processes can drive up the time, risk, and cost of building affordable homes so that their development is not financially viable. In redeveloping neighborhoods and those with strong housing markets, high land prices due to intense competition make viable development opportunities scarce.



WHAT ARE SOME COMPONENTS OF THIS STRATEGY?

ACCESSORY DWELLING UNITS (ADUS)

ADUs are homes built on the same lot as an existing single-family house, such as basement apartments, carriage houses, or stand-alone buildings, that increase density while minimizing aesthetic changes to the community. In addition to lowering housing costs by promoting density, ADUs can directly produce affordable housing if the local government institutes affordability requirements as a condition for new ADU permits. Local governments can revise their codes to allow ADU construction in single-family housing neighborhoods, or if they already do, they can consider adding affordability requirements, reducing the minimum eligible lot size to accommodate these units, and revising setbacks and floor area ratio minimums that may otherwise prohibit their construction.

ADAPTIVE REUSE OF COMMERCIAL/OFFICE BUILDINGS FOR HOUSING

As communities evolve, a portion of the existing buildings are abandoned, underutilized, or become functionally obsolete and may be suitable for repurposing as affordable housing. Restrictive and difficult-to-change zoning can be a barrier to adaptive reuse projects. Communities can adopt more flexible zoning requirements to save these developments the time and costs associated with a lengthy variance approval process.

BROWNFIELDS

As defined by the U.S. Environmental Protection Agency (EPA), a *brownfield* is a property on which expansion, redevelopment, or reuse may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. Particularly in areas with limited land availability, brownfield remediation expands the inventory of potential affordable housing sites and presents valuable opportunities for infill

development. EPA provides grants for brownfields assessment and cleanup.

DENSITY BONUSES

This strategy provides an incentive for developers to create affordable housing by allowing the construction of more units than zoning would otherwise allow on a given site in exchange for affordable units. Density bonuses can improve the financial feasibility of affordable housing development because additional units offset the lower per unit revenue. This strategy can be particularly effective to add to the affordable housing stock in higher income and higher cost communities.

EXPEDITED PERMITTING FOR QUALIFYING PROJECTS

Fast-tracking affordable housing developments through the permit approval process saves time and minimizes project-related soft costs. Strategies for moving projects more quickly include prioritizing affordable housing developments for review; combining planning, permitting, and licensing into one office; providing customer support to quickly resolve issues; and adopting an electronic permitting system.

LEGAL AUTHORITY FOR PLANNED UNIT DEVELOPMENTS (PUDS)

PUD refers to a type of master-planned development. The associated regulatory process provides added flexibility for a developer to meet holistic land use goals without the constraints of zoning and density requirements on a parcel-by-parcel basis. This approach allows a mix of housing types (e.g., multifamily, single-family, townhome) and land uses (e.g., residential, commercial, open space/parks). PUDs can encourage affordable housing development with building clusters that result in a cost savings through efficient infrastructure and right-of-way design and construction. In some areas, PUDs can be controversial due to their broad scope and high-profile nature. Communities that decide to adopt PUD regulations should include thoughtful and inclusive design processes to mitigate community opposition.

REDUCED OR WAIVED FEES FOR QUALIFYING PROJECTS

High-impact permit processing and tap fees and/or excessive special assessment districts can have a significant impact on development costs. While the collection of these fees is necessary to fund the delivery of critical services, unnecessarily high fees may discourage affordable housing development. Local governments with high fees should aim to balance the need to collect fees and special assessments with the communal benefit of an increase in the supply of affordable housing. Local governments may consider reducing or waiving a portion of the fees for affordable housing development.

REDUCED PARKING REQUIREMENTS FOR QUALIFYING DEVELOPMENTS

This flexibility allows planning staff and decision makers to consider the true parking needs of a specific affordable housing development. Standard parking requirements impose significant costs and waste valuable land on parking lots that sit empty. Decision makers can ensure that parking accommodations meet the needs of the target population and avoid the burdensome cost of oversized land requirements.

REGULATIONS FOR ALTERNATIVE BUILDING METHODS

Factory-built homes can be designed and constructed so that they are indistinguishable from stick-built housing (i.e., wooden frame homes constructed on-site) and often are more cost-effective to produce. However, some communities do not allow this housing type in their zoning codes. Localities can revise their codes to allow greater flexibility for alternative housing types while including basic design restrictions to maintain neighborhood character and resilient building standards. This added flexibility can result in more efficient construction that expedites the completion of affordable units. It also can allow the jurisdiction to permit newer and more cost-effective construction techniques more easily as they are developed, such as the emerging technology to build homes through three-dimensional printing.

STREAMLINING THE CONVERSION OF SINGLE-FAMILY HOMES

Local governments may want to review and update their approval processes to foster the conversion of single-family homes to multi-unit buildings. By increasing the number of units within each building, these conversions result in increased density and affordability without new construction or changing the character of a neighborhood.

UPZONING

Modifying zoning codes to reduce bulk and height limitations and increase allowable floor area ratios allows developers to accommodate a greater number of units at more affordable prices. Communities can evaluate their growth strategies and allow for this kind of “upzoning” in neighborhoods targeted for development. It is important to highlight that upzoning does not have to mean high density because allowing for duplexes and quadplexes instead of single-unit lots can often provide gentle density increases that help support greater housing supply.



ZONING OVERLAY DISTRICTS

A zoning overlay district is a defined area upon which additional land use requirements or flexibilities apply to promote a specific goal. In exchange for housing affordability, a zoning overlay district can allow increased density in a targeted area, such as adjacent to a transit hub. This strategy can encourage mixed-use development and help maximize the number of units in strategic locations, as well as increase mobility for residents and transit options.

WHO ARE THE KEY PARTNERS?

Political leadership is crucial in setting the local housing agenda and directing coordination across departments when adjusting the local regulatory framework.

When a local government is considering changes to land use codes that will have a lasting impact on the built environment, local government representatives should conduct outreach to **neighborhood-based organizations**, such as homeowners' associations and other less formal neighborhood groups, to gather public input and buy-in. If potentially impacted areas of the community have not organized, local government staff can canvass the area and engage **neighborhood residents** as well.



Housing advocacy groups may be able to convene numerous stakeholders in the affordable housing industry, such as developers, service providers, and funders. These groups can provide valuable insight regarding the challenges to housing development affected by local land use regulations. Housing advocacy group members also may help build support for changes to land use requirements intended to make housing development more efficient.

Municipal planning and legal departments each have a significant role in updates to the local land use code and will have to designate staff time and resources to implement major changes.

School districts have an interest in the availability of housing because students who are unhoused or unstably housed typically struggle more in school. Additionally, development-related fees and property taxes provide funding for local schools. When considering changes to the fee structure or an alternative to traditional property taxes for affordable housing developments, communities should engage with local school districts to understand how additional flexibility may impact the school system. This engagement can also mitigate potential opposition to the proposed land use adjustments.

Transit agencies provide critical infrastructure for the mobility of affordable housing residents and the community at large. Developing affordable housing near public transit can further reduce living costs, and the increased mobility can give residents opportunities from a larger job market. Additionally, like schools, transit agencies may receive a portion of their funding from development impact fees. Communities should engage local transit authorities to ensure adequate service will be maintained through coordinated long-range planning.

WHAT ARE THE CHALLENGES AND POTENTIAL SOLUTIONS?



CHALLENGES	POTENTIAL SOLUTIONS
<p>Making changes to local land use regulatory frameworks requires a commitment of staff time and funding. Municipal and county community development staff are often managing competing priorities and heavy day-to-day workloads.</p>	<ul style="list-style-type: none"> • Ensure that staff have the resources and bandwidth to manage revisions and/or consider hiring a land use consultant to do the bulk of the work.
<p>Planning and zoning regulations are highly technical.</p>	<ul style="list-style-type: none"> • Identify appropriate staff with advanced knowledge of local codes and technical skills to draft changes that will minimize the unintended consequences.
<p>Amending land use regulations may require a lengthy approval process, with multiple public meetings for elected officials to openly evaluate proposed changes and allow for citizens' comments.</p>	<ul style="list-style-type: none"> • Develop and adhere to an implementation plan and schedule to minimize delays. • Manage expectations and ensure that stakeholders understand that, although the process can take time, it is a worthwhile investment that can reap long-term community benefits.
<p>Communicating the need for collaboration across different departments that have a stake in land use can be challenging if the staff across agencies do not share a common vision or are unable to articulate their values in ways that can be understood by others. This can lead to a difficult entitlement process and delays in funding and construction.</p>	<ul style="list-style-type: none"> • Encourage patience and questions early in the collaboration process to foster cross-sector communication. • Provide opportunities for representatives from each stakeholder agency (e.g., school districts, transit) to explain their interest in the process or the regulation slated for change.
<p>Public buy-in is not a foregone conclusion when a local government makes changes to its land use requirements to foster housing development.</p>	<ul style="list-style-type: none"> • Craft and adopt a communication plan to control the narrative and curtail the impact of misinformation.





PROJECT SPOTLIGHT: BREWSTER WOODS AT THE CAPE

Brewster Woods at the Cape is located on a formerly empty lot in Cape Cod, MA. The project is targeted to those who work in the community but cannot afford to live there -- teachers, service workers, and healthcare workers -- due to the area's prohibitive cost of housing. Due to a strong partnership between the Town of Brewster, state of Massachusetts, Preservation of Affordable Housing, Inc. (POAH), and Housing Assistance Corporation, Brewster Woods at the Cape will be composed of 29 units of rental housing, serving low- and moderate-income households, including eight one-bedroom, 18 two-bedroom, and three three-bedroom floor plans. The project will have seven project-based vouchers to serve households below 30% of AMI in addition to three Section 811 supportive housing units, allowing low-income persons with disabilities to have access to appropriate supportive services so they may live as independently as possible.

Development of the project began in 2015 when Housing Assistance Corporation, a nonprofit that provides housing programs and services to the Cape Cod community, was awarded the RFP by the Town of Brewster for a property set aside for housing in the 1990s through a long-term lease.

With total development costs of \$12 million, it is typical for an affordable housing project of this size to require several layers of funding, including **capital subsidies**, from local, state, and federal programs. A \$1.68 million Massworks grant funded site clearing and infrastructure -- roads, sidewalks, and utilities. Additionally, the **building fee was waived**, and the permitting process, which can be very onerous for a multifamily development, was expedited by the state, which allows for more flexible zoning rules. Brewster Woods at the Cape also benefited from a \$2.4 million loan from the Massachusetts Housing Partnership; \$1 million in Affordable Housing Trust Funds from MassHousing; \$450,000 from Community Economic Development Assistance Corporation; \$550,000 in Brewster Community Preservation Act money; and \$800,000 in local and state **HOME** funding (\$250,000 from the local HOME Consortium and \$550,000 from the state's Department of Housing and Community Development funds).

POAH is pushing the envelope on sustainability, including building the property to a **passive house standard**. Cape Light Compact, a nationally recognized award-winning energy services organization, partnered with POAH to fund some of Brewster Woods' sustainability attributes.

HIGHLIGHTS

- Affordable housing units: 29
- Number of project-based vouchers: 7
- Population served: Service workers in the community

STRATEGY 4

DEVELOPMENT OF PUBLIC PROPERTY



Governments and quasi-governmental agencies—land banks, housing authorities, and transit agencies, among others—sometimes own or control vacant or underutilized real estate. When land for affordable housing production is hard to come by in the market due to scarcity or prohibitive costs, underused publicly owned property can become an attractive alternative. Public-private partnerships often result from these opportunities, such as when a private developer builds housing on land made available by the local government. Government agencies themselves also may redevelop existing property to provide affordable housing options, typically through a public housing authority or similar public entity. Regardless of private sector involvement, the development of public land requires keen regulatory expertise and careful attention to procedure as the public nature of the planning process often means close scrutiny by the community and other interested parties.

WHAT IS NEEDED TO IMPLEMENT THIS STRATEGY?

Government agencies need to ensure that they have the essential tools and capacities before pursuing the development of public property, including the following:

- **Statutory authority and development partnerships.** Not all public or quasi-public agencies have the statutory power to develop housing themselves, so identifying where that authority lies is an important early step for governments interested in pursuing the direct development of housing. Rather than pursuing direct development, many government agencies establish partnerships with private or nonprofit developers to avoid issues with developing authority or internal capacity.
- **Central inventory of available real estate.** Public property that can be developed comes in many forms, ranging from vacant land to occupied but underutilized or outdated buildings. Identifying and maintaining a list of potential land for redevelopment is a great start for local governments aiming to make use of public assets for affordable housing. Governments can later share this list with interested developers or to be utilized for other public initiatives.
- **Right of first refusal policies.** Adopt policies that require public agencies to first make surplus or underutilized public land or buildings available to developers who commit to creating affordable housing units. Once a pre-approved period of time has passed and the property has not been purchased, then it may be opened up for other purposes.

- **Engagement of all public agencies with a real estate portfolio.** Transit agencies, school districts, special districts (e.g., water, hospital, cemetery), and redevelopment agencies are examples of public agencies that often have extensive real estate portfolios. Identifying and using surplus property should not just be limited to city, county, or State resources.

WHAT ARE SOME COMPONENTS OF THIS STRATEGY?

ADAPTIVE REUSE OF PUBLIC BUILDINGS



CDBG, HOME, HTF, \$108

Converting non-residential buildings to housing can add to the land available for affordable housing and help address blight and the high maintenance costs of public property. As demographics shift and technologies change, there may be opportunities for repurposing buildings and structures that are no longer fully utilized for their intended purpose. Common examples are oversized school buildings, unused parking lots, and government buildings that can be consolidated.



Assuage community opposition to affordable housing through education and outreach. Learn more about fostering [community support](#) for new affordable housing development.

CO-LOCATING AFFORDABLE HOUSING AND OTHER PUBLIC USES



CDBG, HOME, HTF, \$108

Localities also may consider incorporating affordable housing in new public projects. Many communities have been successful in building affordable housing on top of public libraries or healthcare facilities. With clear social, economic, and environmental benefits, they are often an easier sell to those who would otherwise oppose affordable housing in their backyard.



REDEVELOPING BLIGHTED AND VACANT PRIVATE PROPERTY



CDBG, HOME, HTF, \$108

This refers to land/buildings that become available for redevelopment via tax liens, foreclosures, or similar mechanisms whereby government agencies can take possession of non-conforming or tax-delinquent private property. Specific local ordinances and State laws will typically govern how governments may redirect or dispose of these types of properties.

REDEVELOPMENT OF PUBLIC LAND



CDBG, HOME, HTF, \$108

This is a particularly effective strategy in urban areas where land for development near desirable amenities can be scarce or prohibitively expensive. By partnering with public agencies (e.g., transit authorities, parks and recreation departments, land banks) that may control land in desirable areas for the development of affordable housing, governments can create affordable housing in areas where the market may be unable to do so.

WHO ARE THE KEY PARTNERS?

Government agencies, such as those that oversee transit, parks and recreation, education, and special districts, can contribute the public land and buildings they control toward housing development. The nature of these agencies' involvement in the development process—whether they are simply contributing land or are part of the visioning process and remain involved after construction—will depend on their history of involvement in such activities, as well as the level of engagement and articulation among public officials before development efforts begin.

Political leadership is particularly important for this kind of development. Cooperation across governmental agencies is essential because the success of the land assembly process, co-development efforts, and shared-use agreements are heavily dependent upon the ability of these agencies to work together.

Municipal planning, housing/community development, and legal departments

hold much of the in-house expertise needed to conduct development activities, making their participation one of the key aspects of successful efforts to develop public land.

Private developers often act as co-developers alongside government agencies and thus can contribute their experience and technical expertise to the project. Long-term property management is another area where a partnership with a private entity can be beneficial in complementing the existing expertise and staffing capacities of local government.

Neighborhood-based organizations can help identify development opportunities and lend support to public initiatives and targeted legislation.



WHAT ARE THE CHALLENGES AND POTENTIAL SOLUTIONS?



CHALLENGES	POTENTIAL SOLUTIONS
<p>Competing priorities within government and the opportunity costs involved. Committing resources to housing development means diverting resources from other projects and programs. This can become a source of disagreement among decision makers within government.</p>	<ul style="list-style-type: none"> • Establish transparent criteria for project selection and clearly communicate the expected costs and benefits to legitimize the decision-making process and allow constructive debate when opinions diverge. • Consider requiring a community benefits agreement (CBA) as a condition of the sale of the public property. A CBA is a contract signed by community groups and a real estate developer that requires the developer to provide specific amenities and/or mitigations for the local community or neighborhood.
<p>Long-term ownership and control over property. Especially in the context of private-public partnerships, ultimate ownership over the land and its associated development can become problematic after the project is built and use restrictions expire, especially if not addressed clearly during the development phase.</p>	<ul style="list-style-type: none"> • Ensure that agreements and partnership documents establish exit strategies and property disposition at the termination of the partnership.
<p>Rezoning. Because redeveloping public property typically involves utilizing real estate that was not originally slated for residential/multifamily development, rezoning is typically required, which can slow the process and add costs upfront.</p>	<ul style="list-style-type: none"> • Communicate the timelines and risks to set expectations that acknowledge the inherent complexities in real estate and affordable housing development. • Account for potential rezoning delays in development budgets.
<p>Public opinion. Community opposition to the proposed land use (i.e., affordable housing) or a desire to maintain the property's current use can delay or derail a project. This may occur if the current use has historical characteristics or is valued by neighbors as open or green space.</p>	<ul style="list-style-type: none"> • Ensure that the inventory of public land is publicly available. • Consider detailing exemptions to public land that can be included in the inventory (e.g., small sites within coastal zones or within close proximity to historic sites).





PROJECT SPOTLIGHT: LINCOLN PLACE

Lincoln Place is an example of increasing affordable housing supply through the **development of public property**. Once the home of Immaculate Heart of Mary School in Rutland, VT, which was abandoned and uninhabitable, the two-story masonry facility now provides 19 units of affordable housing. The Housing Trust of Rutland designed the property of micro-units and one-bedroom apartments, along with community space for socializing, events, and supportive services to benefit very low-income residents and formerly homeless individuals. Lincoln Place obtained **Historic Tax Credits**, which enabled the developer to preserve elements of the former school. Unit designs include built-ins – shelves and tables – to minimize the amount of furniture residents and management need to purchase. The historic preservation component required the cement block walls and long hallways to remain, along with a gym that was divided into community and office space. The Housing Trust of Rutland developed Lincoln Place with the assistance of the Rutland Housing Authority, which provides project-based vouchers.

Along with the Historic Tax Credits, Lincoln Place received **National Housing Trust Fund, HOME**, and **CDBG** funds, which provided almost 25% of the total development cost of \$6,565,269.

HIGHLIGHTS

- Affordable units: 19
- Use of HUD-CPD funds: Housing Trust Fund, HOME, CDBG
- Population served: Formerly homeless or at risk of homelessness and those below 50% of AMI



BUILDING SUPPORT FOR AFFORDABLE HOUSING DEVELOPMENT



This Toolkit outlines the many tools, resources, and strategies that local governments can use to increase the supply of affordable housing. As a complement to the preceding strategies and resources, this section discusses effective approaches to addressing community opposition to affordable housing development through consensus building. This type of opposition has the potential to derail or delay housing development efforts and contributes to the present housing crisis across the country. It is crucial to work with community organizations and individuals to alleviate potential resistance to affordable housing. There are multiple strategies with which local governments can foster support for affordable housing developments. Because of the political, technical, and financial complexities commonly involved in the production of affordable housing, developers and proponents of affordable housing benefit from establishing partnerships that connect and embed affordable housing projects within the community.



WHAT CAUSES COMMUNITY OPPOSITION?

Some community members oppose changes to their communities based on perceived negative impacts the changes may have. Many types of development can provoke these concerns, including affordable housing.

Community opposition may manifest itself in different ways, such as:

- A desire to keep affordable housing out of a higher income community. This is sometimes displayed as a fear of decreased property values and overcrowding.
- A concern that additional affordable housing might concentrate poverty in a community. Often fears of increased crime and other negative impacts on the community underlie objections to developing affordable housing.
- Resistance to the redevelopment of existing affordable housing due to fears of displacement. Neighborhood residents may be concerned about gentrification, even if redevelopment would result in the production of additional affordable units.
- Trepidation toward adding multifamily housing from an environmental and traffic standpoint due to increased density and parking requirements.

WHAT ARE SOME STRATEGIES TO OVERCOME OPPOSITION?

Overcoming community opposition is primarily about effective communication and engagement from the start. Local governments that effectively build support for affordable housing development work closely with developers and community partners to coordinate external messaging to the public on the need for affordable housing to foster healthy, vibrant communities—and they convey this messaging in clear, consistent, and unambiguous language.

As they engage the neighborhood, the development team and local government should include community members in the development planning process and ensure that their ideas are heard and their concerns are addressed. When eliciting the public's input, governments do well to offer the entire community a real and meaningful opportunity to participate in the conversation by making it as accessible and engaging as possible. Doing so has triple benefits: It helps empower members of the community who are consistently underrepresented in public forums, it advances equity and addresses structural racism, and it ensures that the debate is not dominated by a particular subset of the community.

Specific community engagement strategies include the following:

- Invite the input of neighborhood and community members regarding the planning and design processes from the start.

By adopting a broader view on housing and its impacts on society, local governments can better reflect their audience's interests and concerns and improve the success of their messaging for housing production goals.

Learn more about how [housing serves as a nexus](#) where all community sectors come together.



- Humanize and illustrate who lives in affordable housing—police, firefighters, teachers, and service industry workers, all of whom are essential to a thriving community.
- If available, provide local examples and data to counter the common assumptions that affordable housing negatively impacts property values and/or increases crime.
- Frame conversations with the public on how the proposed housing will meet the community's needs.
- Eliminate barriers to participation, which can include a variety of measures: Conduct meetings at a location that is familiar and accessible to everyone; schedule public events at varying hours and days of the week; provide online options for participation; pursue various methods of engagement outside large townhall meetings, such as surveys, charettes, and small workgroups; make interpreters and translated materials available where needed; and take into consideration other barriers, such as the availability of childcare, the cost of transportation, differing educational backgrounds, and so forth.





- Acknowledge that citizens may lack trust in the decision-making process because of historical inequities and set the tone for honest, transparent conversations.
- Build relationships with grassroots organizers and elect community ambassadors who can relay the message back to their communities.
- Impose clear boundaries around unacceptable discourse (e.g., racist or classist remarks, offensive language, disruptive behavior) and limit this type of discourse in public meetings or forums.
- Designate a representative on the property management team to be available and accountable to neighbors. Members of the surrounding community may feel more at ease if they have someone to contact directly with concerns, especially about housing that serves more vulnerable populations.
- Gather allies beyond the development and financing team by identifying local housing advocacy, community leaders, or other stakeholder groups to speak in favor of the project at community meetings to demonstrate their support.
- Ensure that the building design captures the character and feel of the neighborhood.

Finally, as development and local government staff communicate with residents and stakeholders, keep in mind the importance of affordable housing to a thriving community. Refer to the discussion below for talking points that may help transform opponents into allies based on their individual and/or organizational values and concerns.



PROJECT SPOTLIGHT: WESTVIEW VILLAGE

Westview Village redevelopment is an effort to preserve affordable housing and expand the opportunities for housing assistance to other qualifying low-income households with minimal displacement. The redevelopment also contributes to other neighborhood improvement measures, including new infrastructure investments and community facilities for a service-enriched environment.

Westview Village replaces the city’s oldest public housing property – a 180-unit community on 20 acres built in the 1950s. The site, co-developed by the Housing Authority of the City of San Buenaventura (Housing Authority) and BRIDGE Housing Corporation (BRIDGE), will consist of 320 new mixed-income homes and apartments built in four phases, including two multifamily housing sites, one senior development, and 34 single family homes for “entry-level” families that will be **deed restricted**. Of the 320 units, 286 will be affordable, thus adding 106 units of affordable housing to this site post-redevelopment.

Westview Village is a Rental Assistance Demonstration (RAD) conversion. Public housing properties that undergo RAD conversions and temporarily displace residents due to construction or renovation must allow these residents to return to the property once construction is complete. Alleviating resident displacement is a cornerstone of RAD. Of the resident households that were temporarily displaced, currently 79 are opting to move back into the property once construction has been completed. The remaining households are either choosing to remain in the public housing complexes to which they were relocated, purchasing their own homes, or accepting tenant-based rental assistance, enabling them to move to another subsidized dwelling of their choice.



HIGHLIGHTS

- Affordable units: 286
- Used a unique mix of funding, including CDBG-DR, in connection with a RAD conversion
- Population served: Seniors, individuals, and families, including “entry-level” households

“HOUSING AS...”: THE CONNECTION BETWEEN AFFORDABLE HOUSING AND THE COMMUNITY



Affordable housing is more than bricks and mortar: rather, it is the nexus at which all community sectors come together and the backbone of our thriving neighborhoods, strengthening opportunities for individuals and their families. Local governments can more effectively convey their affordable housing production goals by integrating the various “Housing as...” approaches (detailed below) into their planning exercises, community engagement practices and investment decisions.”



Housing As: **INFRASTRUCTURE**

Affordable housing can contribute to our communities in important ways, both as a physical asset and a form of economic activity. Affordable housing development is often accompanied by infrastructure improvements that positively impact communities. Among these benefits are improving neighborhood walkability and accessibility by updating sidewalks and streetscapes, increasing the availability of green and open spaces, and bringing transportation hubs and economic investment to historically disinvested or currently declining neighborhoods. Environmental advocates, chambers of commerce, and transportation planners may well lend support to affordable housing development when they recognize its value as a conduit for improved infrastructure.



Housing As: **PUBLIC SAFETY**

A lack of decent, affordable housing can have wide-ranging impacts on the security of a community as a whole and the safety of its most vulnerable members. The availability of affordable housing may correlate to crime reduction. Eliminating barriers to housing for persons with correctional backgrounds can lead to reduced recidivism. Housing chronically homeless individuals leads to reduced incarceration and reliance on emergency medical care, at substantial monetary savings to community taxpayers. Such arguments can be powerful to police departments, justice advocates, educational institutions, and healthcare providers.



Housing As: **HEALTHCARE**

Housing is recognized as one of the social determinants of health and wellbeing, which are non-medical factors that influence an individual's health and quality of life. Housing stability and affordability, the quality of one's home, and neighborhood characteristics such as walkability, safety, and environmental quality all have observed impacts on the health and wellbeing of residents. A compelling argument for healthcare providers is that when people have increased access to medical services, rather than having to rely on emergency room care as is often the case with people experiencing homelessness, healthcare costs decrease for both the individual and the healthcare system. It is becoming increasingly common for affordable housing developments, particularly for seniors and more vulnerable populations, to include a healthcare component such as a clinic.



Housing As: **WORKFORCE**

A potential avenue for facilitating the development of affordable housing is for local governments and developers to partner with large neighborhood or area employers. Elements that may be of interest to area employers are:

- Workers need a place to live. When that place is affordable, connected to amenities, safe, and close to their workplace, workers tend to have higher job satisfaction and employers have better retention.
- The availability of affordable housing near places of employment can boost recruitment efforts and attract more talent as the available worker pool increases. Shorter commutes can also mean more predictability and reliability for employers and employees alike.



Housing As:
CLIMATE RESILIENCE

Housing and transportation are huge contributors to the total domestic carbon footprint affecting U.S. households. The federal government incentivizes affordable housing developers to incorporate green, energy efficiency attributes into their new communities. These energy efficiency upgrades also reduce costs of heating and cooling, increasing long-term affordability for residents. Affordable housing development also provides an opportunity to increase resilience and preparedness through better stormwater management, structural improvements, and updated emergency systems. Such innovations are likely to gain community support, particularly from environmental advocates.



Housing As:
ECONOMIC MOBILITY

Homeownership can provide a pathway to upward mobility, as it provides a way for households to build wealth over the long term through the increase of home equity. While building wealth obviously benefits individual families, it benefits the community as a whole by creating an environment where retail venues, restaurants, and services can thrive. Additionally, safe, stable, affordable housing, whether rented or owned, improves long-term outcomes for low-income children in educational attainment, family stability, and future earnings.





ACKNOWLEDGMENTS

This document was authored by the ICF team of Janine Cuneo, Alexandre Pereira, Toni Gallo, and Carrie Kronberg, under the project management of Olga Mulherin. Additional research was conducted by Andelyn Nesbitt-Rodriguez, Kerrie Tyndall, and Annelieske Sanders. ICF is grateful for the partnership, vision, and critical input from the many HUD staff dedicated to this effort.



PROJECT PROFILES ACKNOWLEDGMENTS AND PHOTO CREDITS

ICF also thanks the HUD grantees and developers who contributed their time and insight on the project spotlights.

Avondale Trace: photo obtained from the [Case Study, Avondale Trace Apartments, Section 108 and LIHTCs](#).

Erin Park: Community Housing Network, Inc.

Brewster Woods at the Cape: Preservation of Affordable Housing, Inc.

Lincoln Place: photos by Stina Booth, provided by Housing Trust of Rutland County.

Westview Village: photos by Dennis Hill Content Creation, provided by Housing Authority of the City of San Buenaventura.

This material is based upon work supported, in whole or in part, by Federal award numbers C-17-TA-VA-0011 and C-20-TA-VA-0011 awarded to ICF by the U.S. Department of Housing and Urban Development. The substance and findings of the work are dedicated to the public. Neither the United States Government, nor any of its employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed or represents that its use would not infringe privately-owned rights. Reference herein to any individuals, agencies, companies, products, process, services, service by trade name, trademark, manufacturer, or otherwise does not constitute or imply an endorsement, recommendation, or favoring by the author(s), contributor(s), the U.S. Government, or any agency thereof. Opinions contained herein are those of the author(s) and do not necessarily reflect the official position of, or a position that is endorsed by, HUD or any Federal agency.