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MAKE AFFORDABLE HOUSING PROJECTS AFFORDABLE

ISSUE

Affordable housing developers already face mountainous challenges to ensure project delivery, including increased construction costs, a decrease in subsidized financing, decrease in tax credit pricing, a lack of available land, and community opposition. Piling on additional costly and unnecessary requirements increase the amount of government funding needed, which in turn limits the number of affordable units created with limited funding. In addition, these added costs can kill even a well-designed and well-planned project that would be valuable to the community.

BACKGROUND

A new report from the Government Accountability Office highlights stark disparities in the cost to build affordable housing that qualifies for tax credits comparing states like California, which has more land-use regulations, and Texas, where it is much easier to get approval to build. A typical unit for a low-income family in San Francisco and Los Angeles costs around $400,000 to build. In Texas, where land-use regulations are more streamlined, the cost is about a third of that. In addition, most affordable housing projects underway in Los Angeles are costing more than $500,000 per unit.

Affordable housing developers aim to deliver a project with as many community benefits as possible without breaking the bank. But today, in addition to amenities such as community rooms and robust services for all residents, cities often request excessive—and unaffordable—amenities, which either jeopardize funding or kill the project. These may include herb gardens, gyms, public art, local hire, teenager activity rooms, rooftop decks, parking in excess of the zoning, offsite upgrades to sidewalks and utility lines for cities, music in stairwells, excessive cabinetry, a car sharing service, on-site child care, public parks, public transportation centers, public bike storage, retail office space, and union requirements.

Oftentimes a City will also request a ground lease for City land and ask for a high percentage of developer cash flow generated from income after debt. The magnitude of these special requests increases construction costs, which, combined with the lack of income potential and city subsidy to pay for these special requests, often renders the project financially infeasible, and results in an abandoned project.

SOLUTION

Cities and counties can obtain the attractive affordable and equitable housing projects they seek for their communities, and their constituents can have a place to call home, if we consider ways to decrease development costs, making sure those projects always come to fruition. This can be achieved by:

1. **Decrease parking requirements.** It is quite common for decision-makers to request additional parking beyond the requirements of zoning; however, this should be the inverse, especially when one considers that 1) housing near transit often negates the purpose of owning a car, and 2) in the case of homeless housing, residents do not own cars.
2. **Remember that community space means a loss of residential space.** When reviewing any project—and certainly an affordable project—one must always ask what is most important. Today, our region faces thousands of people on the streets. Above all, it is imperative that we house those people. If the amenity in question takes away liveable space, no matter how small, we must weigh our options and remember which is most important. Let’s only provide the space and services truly necessary, so we can make room for more units.
3. **Promote Safe, Decent, Basic Housing that Is Easy to Maintain.** The focus for affordable housing production should be on generating the largest amount of safe, decent and basic affordable housing as possible.
4. **Limit Government requirements.** Government requirements add cost to affordable housing construction and lead to fewer units being built.
5. **Bring Back Tax Increment Financing Mechanisms That Are Effective at Generating Affordable Housing.**