AFFORDABLE HOUSING

Smart Growth Techniques Pave the Way

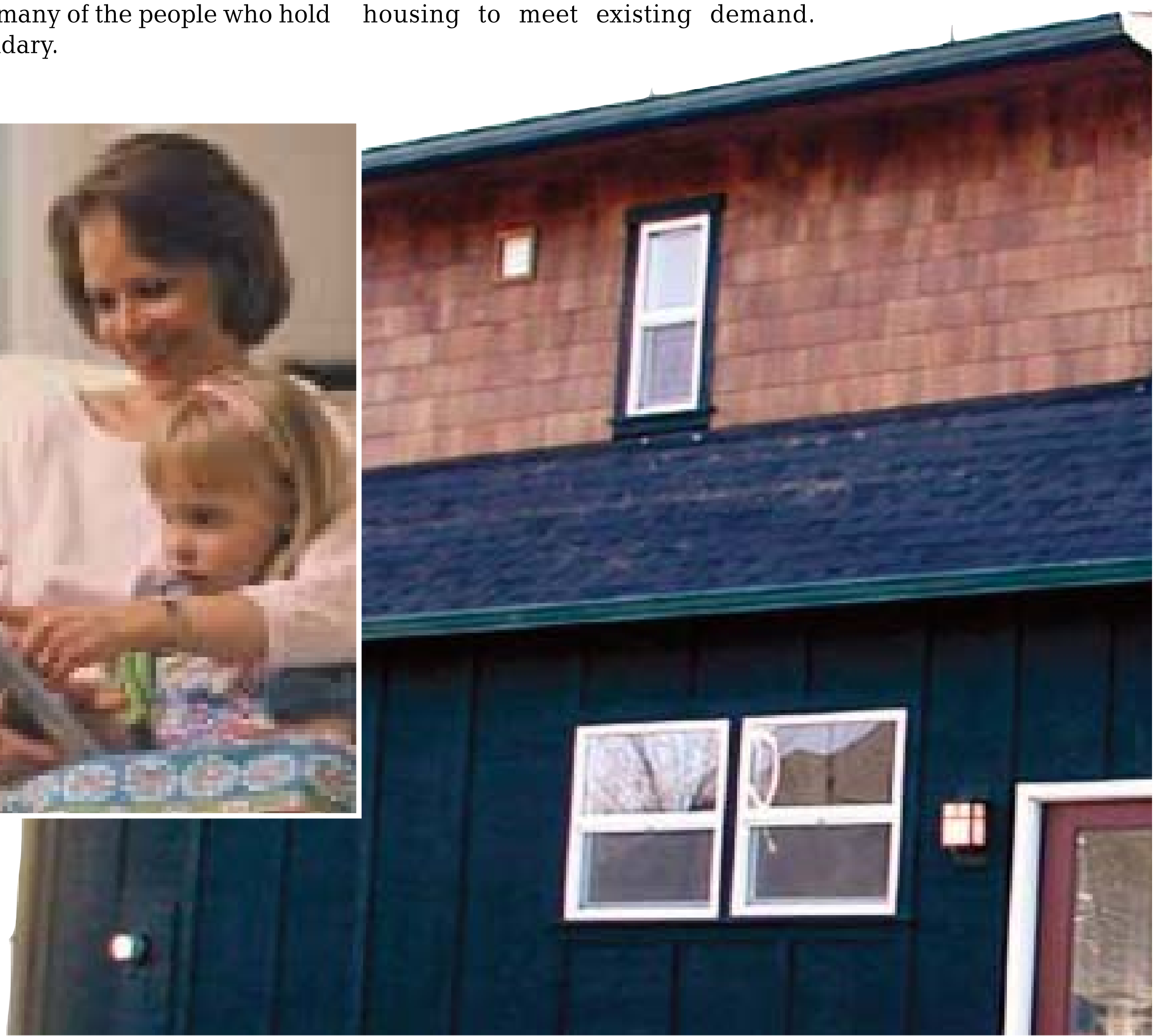
By David Goldberg

As some critics would have it, Smart Growth and affordable housing are mutually exclusive. By aiming to slow the spread of the metropolitan footprint, they say, Smart-Growth practices restrict development of cheap land at the urban fringe, while steering new housing and other construction toward pricier land in already-developed areas.

The critics would have a point if Smart Growth began and ended with urban growth boundaries. For an illustration, one need only look at a city like Boulder, CO, which surrounded itself with a greenbelt and saw housing prices skyrocket well beyond the reach of many of the people who hold jobs within the boundary.

But it's exactly this sort of single-solution thinking that Smart Growth seeks to counter, whether the "silver bullet" is highway expansion to fix congestion or growth boundaries to stop sprawl. Smart Growth attempts to take a more comprehensive look at metropolitan development, with an eye toward both preserving meaningful open space and accommodating the need for economic growth and new housing in neighborhoods of character and quality.

Opponents of Smart Growth imply that the current, sprawl-generating system, left to its own devices, would produce enough affordable housing to meet existing demand.



Housing experts disagree, however. Last January, for example, Fannie Mae CEO Franklin D. Raines warned that a widening gap between housing "haves" and "have nots" is leading toward a serious housing affordability crunch. Already in many regions, wage earners must drive once-unthinkable distances into the hinterlands to find mortgages for which they can qualify.

Ensuring that housing is affordable for the full spectrum of incomes is a central tenet of Smart Growth. To that end, the supporters of this evolving movement are trying a number of different techniques to broaden access to housing of all types, not just anywhere, but where it's needed most: close to jobs and amenities.

Following are five samples of some of those strategies.

1. Mixing incomes and housing types

It is true that redeveloping abandoned industrial sites, failing commercial strips, vacant properties and neglected neighborhoods, or filling in skipped-over urbanized land, is often more expensive than development on farm and forest lands on the fringe. In many cases, some of the difference can be offset by government actions, such as affordable housing tax credits, tax increment financing or land assemblage for redevelopment.

But in many cases the difference can be more than overcome by allowing for higher densities and a mix of housing types and income levels – assuming government red tape is held to a minimum, according to developers of mixed-income projects. Mixing detached houses, rowhouses, townhouses and apartments, in combinations appropriate to the local site and market, allows for more expensive units to "subsidize" the necessary infrastructure, helping make other units more affordable. Higher densities can also support shops and schools within walking distance, adding to the amenities available to single-family homeowners as well as apartment dwellers.

"We know this formula works, because we've done it," said Willie Jones, vice president of The Community Builders, Inc. of Boston, which has built mixed-income projects in a number of cities. "But if you tried to do that before the mid '90s, the REALTORS® would have said you're on drugs."

That may be changing now, thanks to the success of the federal HOPE VI program, Jones said. HOPE VI has allowed public housing authorities to raze dilapidated projects and replace them with new developments in which subsidized housing for a range of incomes is mixed with market-rate units. Housing authorities have to compete for the limited funds by meeting strict standards for neighborhood-scale planning and private sector involvement in the development and management of the project.

Community Builders is the developer of one of the early successes, the Park DuValle Revitalization in Louisville (see photos on page 21). Built on 125 acres formerly occupied by two public housing developments, the project includes mixed-income townhouses, apartments, and single-family

homes, with 600 rental units and 400 owner-occupied. The new neighborhood is designed according to New Urbanist principles, in the pattern of the traditional Louisville neighborhoods nearby. Though the project is scheduled to take several more years to finish, more than 300 rental and over 50 homeownership units are complete, Jones said. Former Louisville Mayor Jerry Abramson has called the existence of a waiting list for market-rate housing in a formerly blighted area a "miracle". Projects in Boston, Atlanta and elsewhere have been similarly well received.

Other pioneering efforts not involving HOPE VI have met similar success. In downtown Pittsburgh, the Crawford Square neighborhood has been full from the opening of its first 203 apartments and townhouses – half market and half subsidized – nearly 10 years ago. Because the project, with its parks and single-family neighborhood look and feel, has been popular, subsequent phases have included for-sale houses and townhouses.

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Similarly, The Farm near Santa Cruz, CA, one of the least affordable parts of a notoriously pricey region, has seen similar success in providing some of the first rental housing in over a decade in a mixed-income setting. Built on 11.5 acres of a former farmstead, it contains 331 units, the majority affordable, along with a pool, tot lot and park. Rents are from $279 to $795, and for-sale homes (ranging from just under 2,000 square feet to 2,800 square feet) from $89,000 to $140,000.

2. Accessory dwelling units

Whether you call them granny flats, garage apartments or carriage houses, accessory dwelling units are a Smart-Growth win on a number of levels. Allowing single family residences to provide an apartment on premises helps owners pay the mortgage, making the house itself more affordable; it increases the efficiency of developed land; and provides affordable rental housing for all incomes and ages, from seniors to graduate students.

Though they continue to be outlawed or severely restricted in many jurisdictions, accessory dwelling units are making a comeback in some New Urbanist developments and in cities looking for creative ways to meet housing needs.

In Portland, Oregon, which is trying to keep from expanding its urban growth boundary by housing more people in existing areas, the regional government has required local governments to ease restrictions on ADUs, making it easier to create them without seeking special dispensation. Not only are existing garages and basements being converted to apartments in many areas, especially in the city of Portland, but a number of new subdivisions are being built with spare units tucked behind homes, over garages or in rear cottages. The developers of two New Urbanist projects, Orenco Station near the MAX light rail line and the neotraditional Fairview Village, have found granny flats to be popular with owners and renters alike. (See photo on page 18.) "They are one of our real success stories," Rick Holt, a developer of Fairview Village, told the New Urban News last year. "We've added them to rowhouses as well as single-family homes and they have introduced a greater blend of people in our community." Nearly all of the ADUs in Fairview Village are rented out.

3. Transit-oriented development

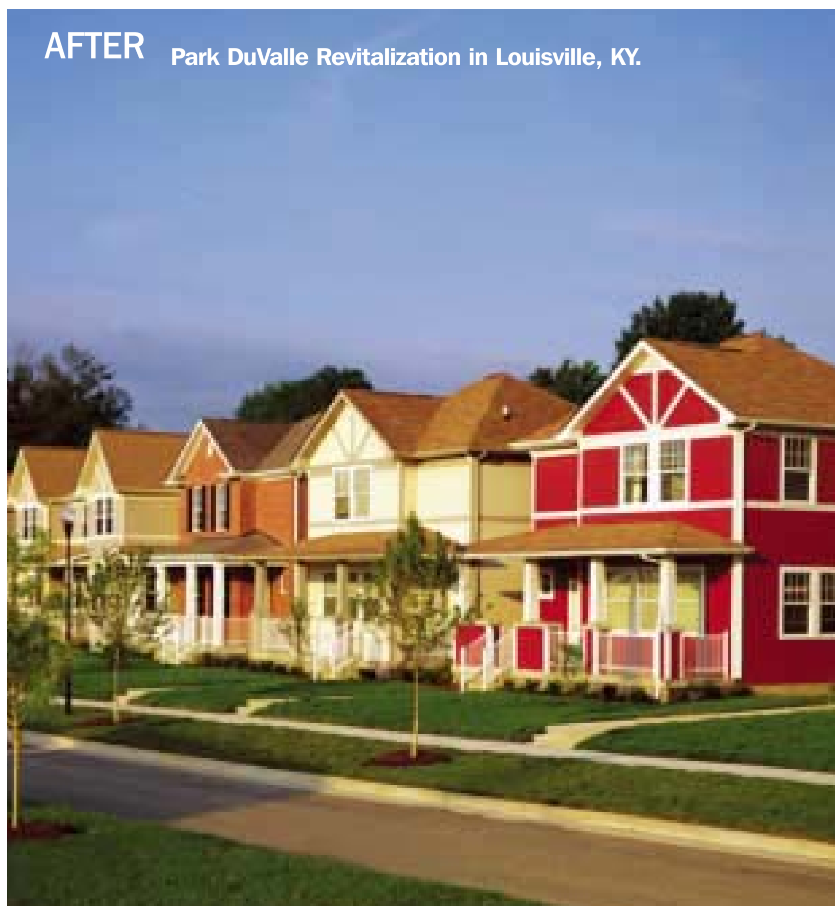
In Silicon Valley, "affordable" is relative. The housing shortage is so acute, and prices so high, that many wage earners are forced to make exorbitant commutes only to find housing that still consumes an inordinate share of a paycheck. To induce the construction of more attainable housing while taking advantage of an excellent rail transit network, local governments in San Mateo County are offering transportation funds as an incentive for transit-oriented development (TOD).

Winner of an Environmental Protection Agency award for "national Smart Growth achievement", San Mateo's TOD program allocates up to 10 percent of State Transportation Improvement Program funds to provide incentives to local governments to approve multi-family housing within one-third mile of rail station. Local governments receive up to $2,000 per bedroom for eligible projects with density of at least 40 units per acre. In two funding cycles, covering the period from Oct. 2001 to Feb. 2004, the program will help spur the construction of 4,000 bedrooms in 15 projects at a cost of just over $5 million.

The program was inspired in part by the success of The Crossings, the transit-oriented redevelopment of a 60s-era strip mall into a pedestrian-oriented neighborhood adjacent to a commuter rail station. Completed in 1998 just ahead of the Caltrain rail station, the Peter Calthorpe-designed project includes more than 350 single-family homes, townhouses, rowhouses, and apartments along a network of tree-lined streets, with pedestrian paths that lead to a grocery store and other shops. Three parks and other open spaces are distributed throughout the 18-acre site. Though all the housing is market rate, the project's density allowed the initial offerings to be well below prevailing rates in Silicon Valley.

Supporters say TOD (Transit-oriented developments) can help with affordability not only by supplying rental and other lower-cost housing, but also by allowing households to shed a vehicle, thanks to the proximity to daily needs and transit service.

BEFORE



AFTER Park DuValle Revitalization in Louisville, KY.

4. Affordable apartments over retail

In order to accommodate hoped-for population growth without sacrificing the area's treasured single-family neighborhoods to higher density, the city of Minneapolis acted in recent years to permit, and encourage, the redevelopment of its aging commercial strips for mixed use. The vision is for defunct single-story shops and their parking lots to be redeveloped as three- or four-story buildings with apartments and condominiums over offices and stores. Residents of the single-family homes would see their streets stay intact, while enjoying the benefits of new retail opportunities and higher property values.

That's the theory, anyway, and that's what Lisa Kugler and her two partners are putting to the test. Three years ago, their group, Lyndale West Partners, began a bid to redevelop a block in their own neighborhood, on a 50s-era commercial corridor along Lynnhurst. In their vision, the block would become home to a row of new storefronts, some occupied by relocated existing businesses, with 97 dwelling units above and behind. The housing would include affordable apartments and for-sale townhouses positioned as a transition from the busy street to the adjacent single-family neighborhood.

"It's a perfect mixed-use site, near a grocery, drug store, the largest library branch, near a park, on a bus line and close to schools," said Kugler. Although Kugler has done development work for nonprofits, she and her partners chose to make this one a for-profit venture, in part to show that it could be done.

The partners scaled back their vision after some businesses said they couldn't relocate and residents raised concerns about traffic from the large number of new residents, Kugler said. They decided to limit the development to the property lines of a vacant bank on which they had an option — scaling back to a micro-scale mixed use project with just 19 units. With construction set to begin this summer, The Boulevard will contain 7,000 square feet of retail with six Section 8 apartments, four other units subsidized with low-income housing tax credits, four market-rate apartments and five for-sale townhouses, with a single story of underground parking. A community room and children's playroom flank a courtyard on the second story, between the apartments and townhouses.

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Because this was the first attempt of its kind in Minneapolis, Kugler ran into numerous unforeseen snags in the process of securing approvals, particularly for the expected tax-increment financing. On the basis of this experience, the city has streamlined and clarified its procedures, Kugler said. "There's no doubt in my mind this can work, but it needs to be done on a larger scale and in a more-simplified regulatory environment," she said. "Not many developers will go through what we did to make this one work."

5. "Live Near Your Work" Program

Maryland's "Live Near Your Work" (LNYW) program offers $3,000 toward closing costs for employees who buy a home within five miles of their workplace. A third of the money comes from the state, a third from the local government where workplace and home are located and a third from the employer.

In addition to encouraging workers to avoid long highway commutes, said Ellen Janes, assistant secretary of Maryland's Department of Housing and Community Development, "Our goals were to have people purchase more homes in areas that are revitalizing … and to get businesses to participate in improving the health of the communities that surround them." Because Maryland has above-average closing costs, the $3,000 can be a make-or-break sum for many would-be buyers.

While the state designates the eligible jurisdictions, employers may select the boundaries for their own contributions, as long as they're within five miles of the workplace. After five years, more than 100 employers in eight jurisdictions have signed up for the program, and over 1,000 purchasers have benefited. "REALTORS® say it's very easy to use," Janes said. "There's a one-page form, and one check is issued by the local government for use at closing."

Officials in Baltimore, where the lion's share of employers are located, say the program's growing popularity has surpassed the state's funding, which the city has decided to cover, said Deborah Braxton, who oversees LNYW for Baltimore.

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"It helps employers retain workers because it helps them put down roots and reduces their commutes," she said. "It also strengthens the city and improves the relationship between the city and its employers."

"When we first started it, we didn't think it would be that popular, so we only allocated funds for six employees per year," said Adoniram Johnson, benefits assistant for Catholic Relief Services. "The response has been overwhelming, and we'd like to up our allocation."

Conclusion

The examples above are only a few of the affordable housing weapons in the ever-increasing Smart Growth arsenal. As most advocates would acknowledge, Smart Growth is an evolving discipline that is still developing new ideas and putting them to the test; some will no doubt prove more effective than others.

For more information

Many of the approaches discussed in the article, and more, are covered in detail in a publication by the Smart Growth Network and the National Neighborhood Coalition called *Affordable Housing and Smart Growth: Making the Connection*. This publication is available to order or download at: http://www.epa.gov/smartgrowth/pdf/epa_ah_sg.pdf.

For a more in-depth examination of the topic, see *The Link between Housing Affordability and Growth Management: The Academic Evidence* (Brookings Institution, 2002).

The Affordable Housing Design Advisor, developed for the U.S. Department of Housing and Urban Development, is an excellent resource on the wide range of techniques for building tasteful, affordable housing, including dozens of real-world examples. It can be found at http://www.designadvisor.org/.

David A. Goldberg, who has a national reputation for penetrating reporting and commentary on sprawl, growth management, transportation, and urban design, is the communications director for Smart Growth America, a nationwide coalition, based in Washington, D.C., that advocates for land-use policy reform. In 2002 he was awarded a Loeb Fellowship at Harvard University, where he studied urban policy.