



Mobilizing Private Investment in Affordable Housing

Lessons from the United States

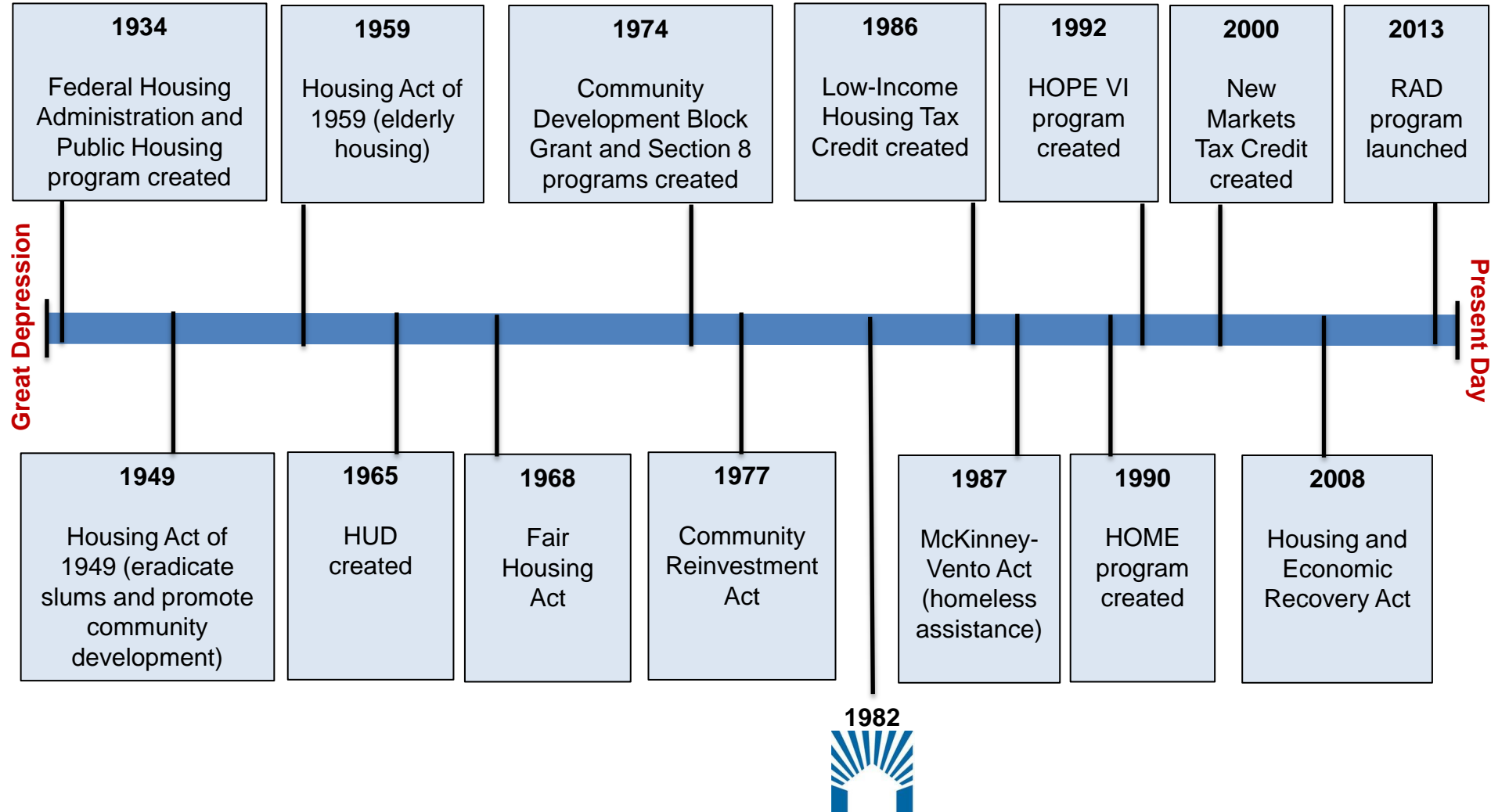
Doris Koo
Enterprise Community Partners

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- **Affordable housing finance in the U.S.**
- **Enterprise's role**
- **The challenges we face today**
- **Possible lessons for the Canadian system**



A BRIEF HISTORY OF U.S. AFFORDABLE HOUSING POLICY



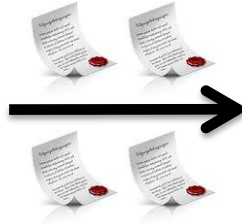
Enterprise founded by Jim & Patty Rouse

HOW THE LOW-INCOME HOUSING TAX CREDIT WORKS



1) Federal Allocation

Internal Revenue Service determines total tax credit allocations for the year and divide it among states on an per-capita basis.



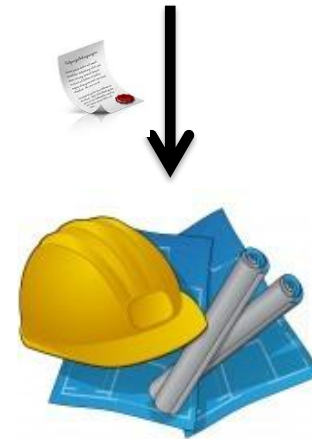
2) State Allocation

State housing agencies allocate tax credits to specific developments through a competitive process that reflects local funding and policy priorities



4) Syndication

Outside investors contribute capital to the development in exchange for the tax credit which they later claim on their taxes. (Banks often also get CRA credit for these investments.) This transaction is usually done through an intermediary, known as a “syndicator.”



3) Development

A multifamily developer agrees to keep rents affordable to low-income families for 30 years in exchange for the tax credit. They either claim the credit on their own taxes or pass it along to investors through a process known as “syndication.”

- Financed virtually all of the country's affordable housing construction **over the past 26 years**
- Financed more than **2.6 million affordable rental homes**
- Leveraged nearly **\$100 billion in private investment**
- Creates about **95,000 jobs each year**
- Government only pays after an affordable home is constructed, rented to a low-income family and **secured as affordable for at least 30 years**
- Third-party **oversight from investors**

New York City

- Plan to build and preserve 165,000 affordable homes by 2013
- Several innovative financing tools for affordable housing

Cleveland

- Pledge to end chronic homelessness in the city by 2020
- Pursuing a “pay-for-success” agreement to fund permanent supportive housing construction

Seattle

- Voter-approved Housing Levy Tax to construct and preserve affordable housing
- Tax exemption for affordable multifamily development

Massachusetts

- Pursuing a “pay-for-success” agreement to reduce chronic homelessness in the state



Affordable Housing

Affordable housing
development

Rental preservation

Green development &
retrofits



Sustaining Communities

Neighborhood
revitalization

Transit-oriented
development

Foreclosure prevention



Vulnerable Populations

Senior housing

Homelessness

Veterans

Rural & Native American
housing



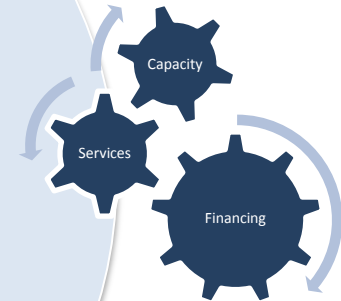
Connecting Capital

Harness investment capital to build healthy, sustainable communities.



Transforming Policy

Engage government to create and enhance policies that strengthen community development investment.



Innovating Solutions

Put ideas into action to create stronger, thriving communities.

A FEW KEY PARTNERS

Community Development Partners

Philanthropic Partners

Investors & Investor Networks

Policy & Advocacy Partners

Research & Development Partners

Development Partners

Over our 30-year history, we've helped invest almost \$14 billion in communities and financed 300,000 affordable homes

Business Line	Estimated Investments in \$M (Inception through 2012)	Estimated Homes Financed (Inception through 2012)
Low-Income Housing Tax Credits	\$9,193	119,210
New Markets Tax Credits	\$670	3,762
Mortgage Loans (Bellwether-Enterprise)	\$954	25,249
Enterprise Community Loan Fund	\$1,115	86,103
Enterprise Homes	\$662	5,298
Green Communities *	\$2,300	32,000
Grants & Technical Assistance	\$146	NA
ALL ENTERPRISE	~\$14,000	~300,000

* NOTE: Since most green initiatives span multiple business lines, row totals do not add to the "All Enterprise" total.

THE CHALLENGES WE FACE



RISING POVERTY LEVELS & WIDENING GAP BETWEEN RICH AND POOR



DEMOGRAPHIC SHIFTS & INCREASED DEMAND FOR RENTAL HOUSING



SKYROCKETING RENTS & INSUFFICIENT PRODUCTION OF AFFORDABLE HOMES



TRADITIONAL FUNDING & SUPPORT STRUCTURES AT RISK



LACK OF COST-EFFECTIVE SOLUTIONS AND INNOVATIONS



A FRAGMENTED AND SUBSCALE FIELD



630,000 people homeless on a given night



8.5 million families with “worst-case housing needs”



20 million families paying more than half of their monthly income on housing



5 million more low-income renters than there are “affordable” rental homes



1 in 4 eligible low-income families receive federal rental assistance



46 million Americans live in poverty

ISSUES:

**SEQUESTER &
DEFICIT
REDUCTION**

**COMPREHENSIVE
TAX
REFORM**

**HOUSING FINANCE
REFORM &
CRA REFORM**

STAKES:

Further steep cuts to affordable housing programs, including Section 8, Section 4, HOME and CDBG

Possible elimination of the Low-Income Housing Tax Credit and the New Market Tax Credit programs

Possible decreases in private investment in affordable rental housing

SOLUTIONS:

Build coalitions around protecting and expanding key programs

Launch campaign to preserve the Housing Credit and other critical programs

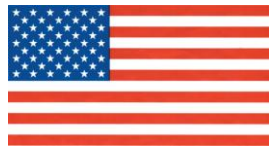
Join coalitions to design a new system of housing finance in the U.S.

Explore new ways to lower costs in affordable housing development



Develop core principals for mortgage market reform

PROS	CONS
<ul style="list-style-type: none">- Public-private partnership- “Pay-for-success” model- Buffer from budget cuts- Not a “one size fits all” approach- Complementary with other rental assistance programs- Third-party oversight- Force nonprofits to build RE discipline and financial capacity	<ul style="list-style-type: none">- Not designed to address the unstable incomes of poor renters- Adds complexity to the tax code and the housing finance system- Still subject to political risk (unless made permanent)- Syndication is difficult during economic downturns (when taxable incomes decrease)



- Worst housing crisis since the Great Depression

- History of strong federal support to affordable housing

- Banks required to invest in local community development (CRA)

- Tax deduction on mortgage interest for owner-occupants

- Relatively stable housing market over the past decade

- Affordable housing traditionally a senior government responsibility

- No such requirement for financial institutions

- Tax deduction for mortgage interest on rental properties, property gains, etc

Similar challenges to affordable housing development :

- High development costs, especially in large cities
- Small social/public housing portfolio relative to need
- Reductions in federal housing expenditures

Some helpful references

- Joint Center for Housing Studies of Harvard University
<http://www.jchs.harvard.edu>
- Enterprise Community Partners, Inc.
<http://www.enterprisecommunity.org>
- Low Income Housing Tax Credit Investment Survey by Ernst & Young. Oct 2009
- Housing for All Americans, 2011 Report. Henley Wood



High Point, Seattle WA

A Case Study in affordable housing finance



High Point as WWII defense workers housing

The original homes at High Point were built in 1942 using funds provided by the Lanham Act. The housing was designed to meet the needs of defense workers who first used it.



High Point as Public Housing

Seattle Housing Authority acquired title to High Point in 1953 after it was no longer used to house defense workers. It was obtained at no cost under the Lanham Act.



Sixty Years Later -- High Point as one of Seattle's most distressed communities

Public housing units at High Point had been in use for more than 60 years by the time demolition began in 2003.



Building a Community Vision

Residents and other community members were involved in redevelopment planning. Many took part in workshops that considered what the new High Point would look like.



Transformation – Rental Housing, Phase I

Construction of Phase I rental housing began in 2004. Families began moving into the first completed units the following year.



Transformation – For Sale Homes, Phase I

For-sale home construction in Phase I began in 2005. Families began moving into the first completed units the following year.



Open Space and Urban Agriculture

Open space was a focus of High Point planning. The neighborhood has more than 20 acres of open space in many forms, including parks, playgrounds, trails, and this market garden.



An Environmentally Sensitive Community

Porous pavement and vegetated swales are two components of High Point's natural drainage system. The system improves water quality, protects salmon habitat, and allows the built environment to more closely mimic drainage in nature.



A Livable, Mixed-Income Community

The construction of rental homes, like the beautiful homes seen here, was completed in 2010.



A Neighborhood Transformed

As a result of a decade-long redevelopment, High Point has grown to include hundreds of affordable and market-rate units with a final build-out capacity of approximately 1,700 units.



A Tribute to the Environment

Instead of polluted runoff, High Point's natural drainage system now provides treated water for Longfellow Creek, a four mile-long creek system running through West Seattle. The right-of-way drainage system attenuates storm events and filters out contaminants to help enhance the creek as a functioning ecosystem



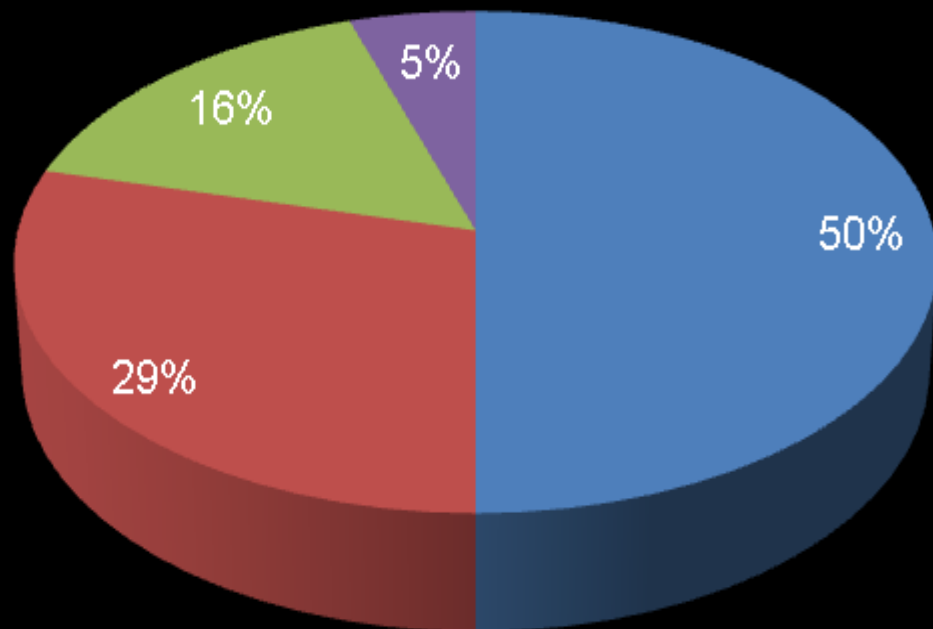
A Tribute to our Future

In addition, the land has been returned to the city's property tax rolls, where it will generate revenues to help keep the neighborhood economically self-sufficient for a long time to come.

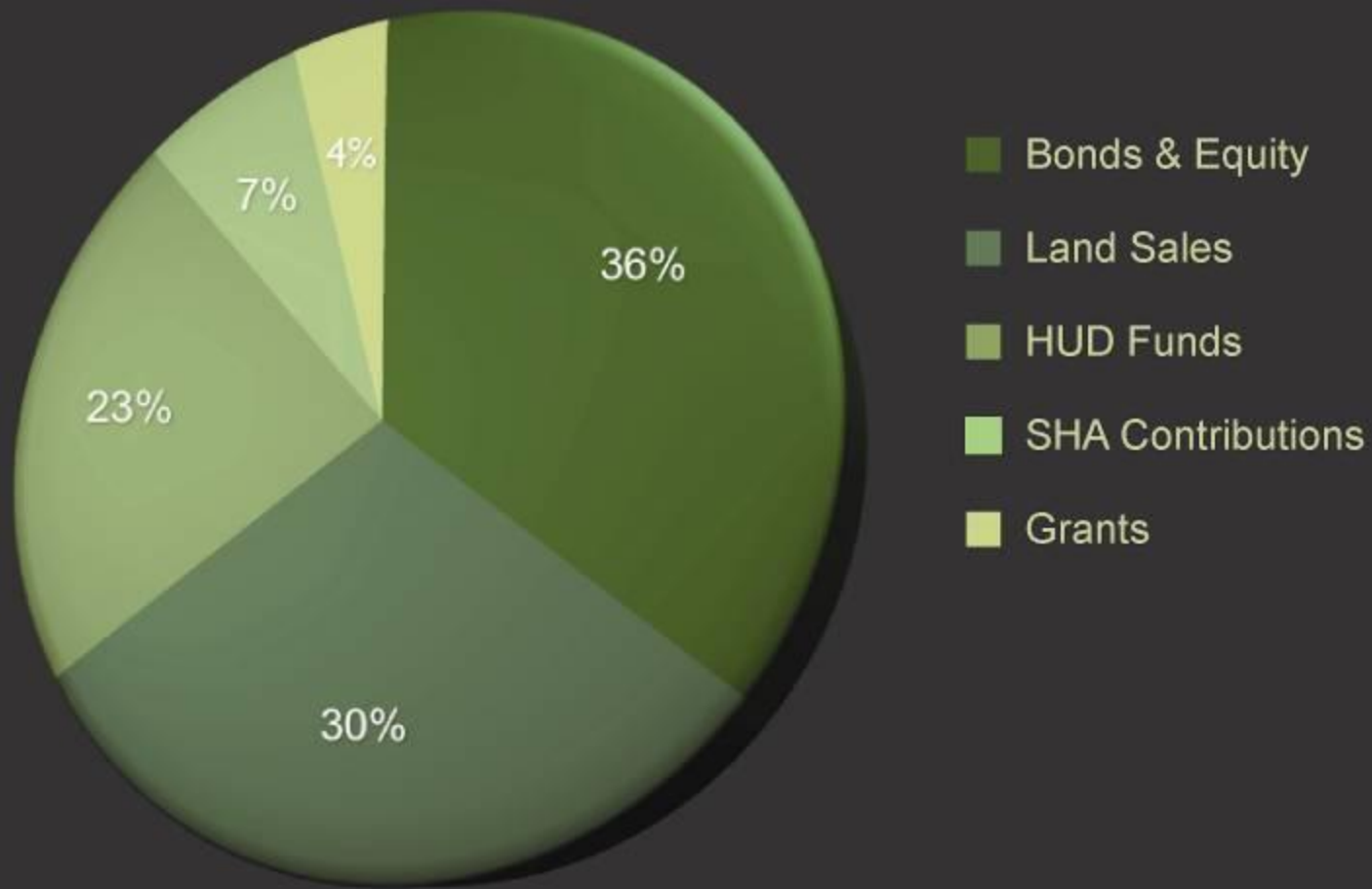
Housing type	Income Category	Units
For-sale housing	Market rate	790
Public housing	Very low income	350
Affordable rental housing	Low income	250
Senior housing	Market rate	160
Senior housing	Very low income	75
Affordable for-sale housing	Low income	56
Units of on-site housing		1,681

Housing Mix in High Point

Proceeds from the land and home sales have helped fund low-income housing in the neighborhood and elsewhere. In addition, the land has been returned to the city's property tax rolls, where it can generate revenues to help keep the neighborhood economically self-sufficient.



- Market rate home ownership & rental units
- Rental units available to households earning 30% of median income or less
- Rental units available to households earning 60% of median income or less
- Homeownership units available to households earning 80% of median income or less



Sources of Financing at High Point









Enterprise®

