

SMART *and* AFFORDABLE

How Communities Have Achieved
Affordable Housing in 'Smart' Locations



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About the author: Philip B. Herr is a planning consultant with a practice centered on community planning, growth management and housing. His recent planning efforts include housing-related work in Lancaster, Wakefield, Needham, Lexington, and Newton; Chester, Derry and Londonderry, N.H.; Block Island, R.I. and Shelter Island, N.Y. This is the second study he has done for MHP. In 2000, he authored a report on the usage of inclusionary zoning in four New England states. He is a retired adjunct professor from MIT's Department of Urban Studies, where he taught courses in land use, growth management and impact assessment.

About MHP: The Massachusetts Housing Partnership is a privately-funded state housing organization that promotes the creation and preservation of affordable housing. MHP helps communities with their affordable housing efforts, provides long-term financing for the development of affordable rental housing and offers the SoftSecond Loan Program, a mortgage program for lower-income homebuyers. This is the third in a series of studies MHP has commissioned in the last year on the state's housing crisis. Previously, MHP studied the increase in land use for each new unit produced and followed up with a study on what the impact on land consumption and prices would be if Massachusetts zoned in a "smart growth" way. This new report identifies some key factors in achieving housing affordability within smart growth projects, based on a survey of recent projects. For more information, go to www.mhp.net

SMART AND AFFORDABLE:

How Communities Have Achieved Affordable Housing in “Smart” Locations

“Smart growth” is widely supported across Massachusetts, and many national, state, regional and local efforts are being made to further its implementation. Broadening housing opportunities and addressing affordability needs also enjoys the wide support of numerous programs promoting its implementation. The conjunction of the two, which might be called “Smart Growth Affordability,” means achieving compact housing, some of which is affordable, located where a mix of nearby uses and transportation alternatives help to reduce auto dependency.

The logic of the conjunction is clear. Incorporating affordable housing into compact locations well served by transportation options helps to achieve housing affordability by reducing transportation costs for those who live there, and having such housing as part of the mix strengthens the vitality of the place. That is the relationship which historically shaped the centers in a large share of the state’s communities. However, in our modern context, that conjunction of smart growth and affordability is just beginning to happen.

This paper grew out of the Massachusetts Housing Partnership’s (MHP) examination of some early experiences in developing smart growth projects containing an affordable housing component. The goal of the examination was to gain insights into what it takes to make smart growth affordability actually happen in Massachusetts, and to better understand what actions are the most important for communities to take in order to encourage smart growth affordability. MHP commissioned planning consultant Philip B. Herr to facilitate and analyze results from a focus group of local officials and developers involved in cases where smart growth affordability has actually broken ground in recent years. The focus group was supplemented with telephone interviews with additional municipal officials and developers, some having had successful smart growth affordability outcomes, some not.

GETTING SMART GROWTH AFFORDABILITY TO HAPPEN

Based on an analysis of the focus groups and interviews, three conditions are typically needed for smart growth affordability to actually occur:

1. Someone has to have an idea about wanting such development in a specific place, and about how it might be done.
2. There has to be a way to make the numbers (i.e. project financing) work in that marketplace context.
3. There has to be community support for what is being proposed.

Without all three of these conditions, smart growth affordability isn’t likely to happen, but when all three are present, review of successful experience suggests that other obstacles such as less

than ideal regulations, lack of certain staff resources, or even regional location can be overcome. The variety of the places in which smart growth affordability has happened is striking, but they are consistent in having had someone with an idea, a way to make the numbers work, and significant community support.

Some have pointed out that a fourth condition, supportive geography, is needed for smart growth affordability to actually occur. For development to be located where there is “a mix of nearby uses and transportation alternatives,” such uses and alternatives have to exist or it must be feasible to create them. Those proximities are commonly found in urban areas (e.g. Holyoke, right) and in some suburban areas, but it is rare in low density towns. Many places have achieved some but not all parts of smart growth affordability, such as compact mixed use and mixed-income housing without nearby transportation alternatives, or compact transport-served mixed-income housing development without related mixed uses.



Such partial smart growth affordability outcomes are certainly worthwhile. Affordable housing in a mixed use context (e.g. Summer St., Lawrence, right) is a good outcome even if transportation alternatives aren't available, as is compact transit-served affordable housing even if mixed use can't be involved. The principles for making such partial outcomes happen are much the same as for the more demanding full smart growth affordability, so the following are probably useful principles even where transport alternatives or nearby mixed use isn't achievable.



CONDITION 1: AN IDEA THAT HAS FOUND A PLACE

Getting development to incorporate both smart growth principles and housing affordability doesn't just happen on its own. It happens because someone brings forward an idea about making it happen at a particular place, perhaps on a single parcel of land or perhaps within a larger vicinity. The project may start as an abstract notion about wanting such development, but before it can happen the idea has to have advocacy leadership and has to be focused on a place.

Commonly that vision comes from a private developer, sometimes initially drawn to a location by accident of ownership or knowledge coupled with his or her own idea of what might happen there. It can also happen through developer response to an inviting context which was produced through community efforts. Occasionally, the concept is initiated by local staff and officials, right down to schematics for the site, and then marketed to developers. These are examples of someone's vision leading to a smart growth affordability development:

- In Abington, a developer, Beacon Residential, conceived the idea of developing compact multi-family housing on a parcel near Abington Station, an idea which was then supported and approved locally.



- In Canton, another developer, John Marini, identified a number of potential sites for his concept of mixed use, in the town center, near commuter rail, then persuaded the town, which had already been considering how to revitalize that area, to revise zoning to enable such development.



- In Ipswich, town planners, seeking compact and affordable downtown development, gained approval for zoning which in village centers offers property owners a very large incentive for producing exactly that. The market has responded with several such developments.



- In Manchester-by-the-Sea, the Manchester Housing Authority, working with a local non-profit, acquired some downtown properties, rehabilitated existing units for affordable rental, and then built new housing above business space.



CONDITION 2: MAKING THE NUMBERS WORK IN THE MARKETPLACE CONTEXT

Smart growth affordability has two strikes against it in the marketplace. The first strike is that given today's economic realities, affordability for low-income people is rarely purely market-produced. For housing affordability to happen, whether smart growth or not, there needs to be some form of market intervention or peculiarity to make it feasible for a developer to sell or rent units below the prices they could command in the marketplace, and to assure continuation of that affordability over the long term.

The second strike against smart growth affordability is that smart growth locations, almost by definition, are not the ones in which it is easy to do residential development, affordable or not. The attributes of smart growth locations – adjacency to businesses, good public transportation, and often times high land values – may favor non-residential uses so strongly that it is often difficult, even with booming residential values, to craft a housing component for the mix of uses which can compete for site location. Potential competition for access and parking along with mitigating the impacts of one use on the other can raise further challenges.

There are four ways in which these strikes against smart growth affordability are commonly overcome. These are sometimes used singly, but more often they are used in combination.

1. The regulatory constraints which limit the site's market value can be overcome for a specific development proposal. As illustrated in these cases, the timing of any regulatory change is critical. An overall rezoning of a portion of the community can certainly be helpful, but the likely resulting increase in land values will often offset most of the gain for any subsequent purchaser. Such an increase in value will benefit those who owned property when the change was made, but is of lesser help to those who might later seek to acquire and develop it. More targeted regulatory relief, whether provided by Chapter 40B, rezoning, or variances, is far more helpful when it occurs after land acquisition (or control) rather than before.

- In the Abington case, market price for the site reflected limitations of low-density single-family zoning. The use of Chapter 40B set aside that limitation, enabling development of multi-family housing at a density high enough to make the inclusion of affordable units economically feasible through internal cross subsidization (i.e. using the profit from market rate units to support the affordable units).
- In a downtown Norwood case, zoning allowed multi-family housing but with too restrictive rules. Positive Board of Appeals responses to requested variances enabled a higher density than anticipated in the site's market price, enabling the inclusion of affordable units, which was made a condition of the variances.
- In Lincoln, financial feasibility was achieved by rezoning portions of land previously acquired by the local non-profit Rural Land Foundation. Land which had been acquired at a relatively low price reflecting large-lot single-family zoning could then be used for commercial and market-rate multi-family uses which can support substantially higher



land prices. The financial returns enabled the inclusion of below market-rate housing and permanent open space adjacent to a commuter rail station.

- In the Manchester-by-the-Sea case, local officials had an insightful vision for an opportunity which the market had failed to fully take into account in setting downtown property values. Real estate markets are notoriously imperfect, with market price changes often responding only slowly to value changes such as those produced through major infrastructure improvements, and sometimes it is possible to capitalize on that.
2. Market hurdles can be overcome through supportive financial contributions, which can come in a variety of ways, including:
- Grants from federal or state programs or non-profit foundations are increasingly targeting smart growth and affordability. Current examples include Chapter 40R Smart Growth Incentive Zoning legislation, Chapter 40S Smart Growth School Costs legislation, the TOD Infrastructure and Housing Program, the Commercial Area Transit Node Housing Program (CATNHP), MassHousing's TOD Financing for Affordable Rental Housing program, and DHCD's Massachusetts Downtown Initiative.
 - Other grant programs, below-market financing, and tax credit programs are commonly part of the proposal's basis. Change at both federal and state levels makes keeping abreast of these sources and the level of their funding challenging. One quick listing of virtually all current grant programs is Appendix A of the Chapter 40B Eligibility Summary, found at www.mass.gov/dhcd/ToolKit/EligSumm.doc.
 - Recent legislation authorizing creation of Municipal Affordable Housing Trust Funds provides a new tool for facilitating use of funds gained locally, such as from grants or payments under inclusionary zoning. Helpful information about those trust funds is described on the MHP web site at http://www.mhp.net/termsheets/Trust_fund_summary.pdf.
 - Traditionally communities have invested in constructing access and utility improvements to spur wanted development, but fiscal constraints in recent years have encouraged the opposite. Communities now commonly impose the financing of off-site infrastructure improvements onto the developer as a condition of development approval. A return to the older model of proactive municipal investments in supportive infrastructure is sometimes possible. However, there are newer tools with which public/private efforts can enable the harnessing of future fiscal benefits from proposed development to cover costs of the infrastructure needed to achieve it. They include Tax Increment Financing (TIF) and District Improvement Financing (DIF) provisions in State law. Westwood Station, a major smart growth affordability project in process in Westwood, is relying heavily on just such provisions.
 - Below-market conveyance of publicly-owned real estate can be a valuable aid. Given the "birth-dearth" in the '70s and '80s numerous Massachusetts communities achieved smart growth affordability (without calling it that) through providing surplus school

properties for such use, including prominent cases in Gloucester and Lexington, where those schools were at locations proximate to mixed use and to transportation alternatives.

The practice of using public land assets in just that way continues, including recent actions in Lincoln and Newton (Crescent Fields, formerly MA Turnpike, right).



3. A town's inclusionary zoning mandate, requiring a percentage of all housing units built to be affordable, can change the market context to make it one in which the inclusion of affordability in all residential development is essentially "the only game in town."

When that is done, market prices of real estate will ultimately reflect that reality. As one example, Cambridge, (right), has with many regulatory and programmatic nuances carefully designed its development framework to that end.



For some time, both Newton and Lexington achieved inclusion administratively, without adopted regulation formalizing it. Litigation induced Newton to then adopt what became the Commonwealth's first inclusionary zoning, and Lexington is considering adopting a regulatory descendant of that measure. Mandating the inclusion of housing affordability in essentially all development typically doesn't do away with the importance of getting help from "other people's money," but it can importantly reduce it, and sometimes eliminate it.

4. Making inclusion of affordable housing so richly rewarding through density or other incentives that it is generally irresistible is a gentler variant on the above. Ipswich, for example, allows double the density otherwise permitted if development is clustered and includes at least 10 percent affordable units. The result has been that developers frequently find that approach not only feasible but even preferable to "standard" development, and so they choose it. That is sharply different from the very common practice of mandating that cluster developments include affordable units but offering no density incentive or only a weak one, such as a 10 percent density bonus, for doing so. Experience has shown that the result of mandating inclusion of affordability with the "incentive" simply gives permission

for cluster or relatively low-density multi-family development, which simply discourages developers from pursuing such development.

The difficulty of crafting and combining these four approaches to making the numbers work is further increased by the need to do so in a way which is compatible with the existing physical, political, and economic context. The approach needs to be implemented in a way that the municipality is willing to adopt and which won't stifle development. For example, it is easy to imagine shaping and gaining approval for a regulatory scheme which would limit development to that which is "smart" and "affordable" if it didn't matter that it would also effectively stop all development. It is easy to conceive rezoning which would create enough site value to make smart growth affordability quite feasible if it didn't matter that such rezoning could never gain a two-thirds vote of town meeting approval. The art of achieving a context change lies in sensitively reflecting both the germ of an idea which motivates the effort and having a context of political feasibility and support which can make it actually happen on the ground.

CONDITION 3: A CULTURE OF SUPPORT

Virtually all smart growth affordability efforts are complex, typically involving a large array of decision-makers, ranging from bankers to fire chiefs, many of whom, if their concerns are not met, can effectively veto whatever is being proposed. Running that daunting gauntlet of local, state and federal regulators and providers of financing is certainly easier if what is proposed is safely in the mainstream of what is locally expected and supported. Complex development becomes more challenging the further from the mainstream the proposal may appear to be. Having both an insightful idea for a smart growth affordable development and having a skillful project design which makes the numbers work is insufficient unless that idea and that design can gain a chorus of approvals. Having an insightful idea germinate and gain the necessary approvals is most likely to occur in a community where there is wide understanding of and support for the concepts of smart growth and affordability from which the idea sprang. Fostering that culture of support, even to the extent of making smart growth affordability the new "mainstream," is a key part of getting sound smart growth affordability to actually happen.

There is no "one size fits all" prescription for how to achieve that supportive culture, or even for maintaining it once achieved, since that culture has often proven fragile over time with regard to affordability. These are some of the ways which have been cited from the communities having successfully gained smart growth affordability.

- Build a supportive institutional framework, perhaps including a local housing partnership. There is commonly no municipal organization other than such a partnership which has the primary function of coordinating and facilitating the array of municipal housing efforts involving finance, regulation, and development which are necessary for effectively addressing housing concerns. In many communities, local housing partnerships have effectively filled that role. Information about their creation and potential activities is on the MHP website at http://www.mhp.net/community/housing_partner.php.

- Develop a carefully documented base of expressed community intentions regarding housing efforts through adopted plans, supportive survey or workshop outcomes, and statements by respected officials. Those can both contribute to creating a culture of support and also provide important legitimacy for specific projects down the road. Almost universally, there is more support for smart growth principles of compactness, mixed use, alternatives to auto reliance, and housing affordability than there is support for their inclusion on any specific site. Despite cynicism, experience shows that a well-designed planning process which truly seeks out broadly held community intentions will in most cases find solid support for the principles involved in smart growth affordability, even in communities which commonly resist “densification” and 40B proposals.

The planning which builds that base might be aimed at developing a comprehensive plan, or a housing plan, or a neighborhood or village center plan. The important thing is that the planning goes beyond being “open” to public input by being truly “inquiring” of the future that the community wants. The process of exchange which such a well-designed effort produces will by itself help greatly in building understanding and support. Clearly documenting and gaining formal approval for that set of shared intentions can then make a lasting contribution to maintaining the needed culture.

- Use local media and other educational channels to develop understanding of the vocabulary of sound development. The ideas around Smart Growth Affordability are not all that complex, but many people have not had exposure to them. Local newspapers and TV, speaker series, and informational handouts at meetings can do much to raise awareness. The MHP website has examples of good local public information efforts at http://www.mhp.net/community/building_support.php.

At http://www.mhp.net/community/affordable_housing.php the MHP site also has images of a wide range of developments which include affordable housing, making vivid that such developments need not depart from the scale and style of other housing in the community. A charismatic speaker who doesn’t tell the community what to do but graphically shows what others have done has not infrequently made a lasting change in the local climate.

- Seek out and support those opportunities for development which can by example raise awareness of the good things which can come from smart growth and housing affordability. At the same time, carefully avoid the damage to support for housing which can result from endorsing proposals which are in fact inappropriate for the community, even though they include mixed use and housing affordability, and are near transit. Especially at this early stage in developing understanding of what smart growth affordability really is, the example set by a bad project can be irreversibly damaging to later efforts to really do the right thing.
- Build alliances. Developing a mix of housing at various income levels together with a mix of non-residential uses inherently serves multiple interests, and presents an opportunity for enlisting support across all of them. For example, the Westwood Station mixed use development, which includes a major affordable housing component, gained needed town meeting support from many more people than it would have otherwise because of its promise of serving multiple interests: housing, economic development, and taxes.

The Massachusetts Community Preservation Act won approval through an unprecedented alliance among housing, open space, recreation, and historic preservation interests and organizations. That Act is now resulting in further alliances at the local level, as people from various interests find those varied interests to be served by the same actions. At both levels, people centered on historic preservation have come to a new appreciation of housing, just as housing-centered people have turned out to support the open space efforts with which housing efforts are sometimes interwoven.

IDEAS, NUMBERS AND CULTURE

In a perfectly orderly world it would make sense first to work on developing a culture of support, following which the right numbers would be put into place, following which an array of great place-centered ideas would emerge and succeed. There is nothing wrong in starting out that way, but the messy reality of producing smart growth affordability means that in particular cases the exact reverse may turn out to be the best approach: beginning with the idea, then working on numbers, then building a culture. Advancing on all three in parallel rather than serially may prove to be the best approach in other cases. What is really critical is recognizing that all three will ultimately prove to be of fundamental importance, and that given sound fundamentals, other considerations, such as not having optimal zoning, or having some troublesome antagonists in government, can in most cases be overcome, so are not sufficient reasons for giving up the effort to pursue the full smart growth affordability agenda. The promise of smart growth affordability for contributing to better communities is too great not to be pursued.