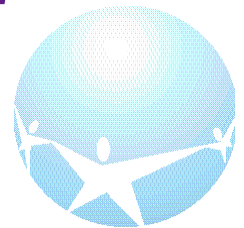




Affordable Housing and Smart Growth

Making the Connection



National Neighborhood Coalition



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AFFORDABLE HOUSING and SMART GROWTH *Making the Connection*

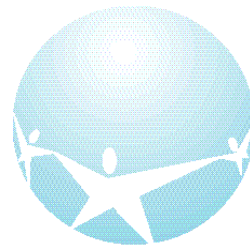
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2001



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Smart Growth Network

In 1996, the U.S. Environmental Protection Agency joined with several non-profit and government organizations to form the Smart Growth Network (SGN). The Network was formed in response to increasing community concerns about the need for new ways to grow that boost the economy, protect the environment, and enhance community vitality. The Network's partners include environmental groups, historic preservation organizations, professional associations, developers, local and state government entities.

Mission:

The SGN works to encourage development that serves the economy, community, and environment. The Network provides a forum for:

- w Raising public awareness of smart growth and the implications of development decisions for the economy, community, and the environment
- w Promoting smart growth best practices through educational publications and other venues
- w Developing and sharing information, innovative policies, tools, and ideas
- w Fostering collaboration among Network partners and members, who represent various interests, to apply smart growth approaches to resolve problems of the built environment, and
- w Cultivating strategies to address barriers to, and to advance opportunities for, smart growth

Since its inception, the Smart Growth Network has become a forum for bringing together different constituencies to share their diverse ideas and finding opportunities for smart growth.

For more information about the Smart Growth Network visit

<http://www.smartgrowth.org>

National Neighborhood Coalition

The National Neighborhood Coalition was founded in 1979 to provide a national voice for neighborhoods. NNC brings together the leading national organizations involved in affordable housing, neighborhood revitalization and social equity. NNC's mission is to promote socially and economically vibrant neighborhoods and strong and effective partnerships between community-based organizations and the public and private sector.

The National Neighborhood Coalition (NNC) launched its Neighborhoods, Regions, and Smart Growth project in July 1999. During the past two years, NNC has looked at the relationship between smart growth and low-income neighborhoods and the role of community, neighborhood, and faith-based organizations in connecting neighborhood revitalization and smart growth. NNC developed a set of Neighborhood Principles for Smart Growth that promotes regional equity and a strong community voice. NNC publications include "Smart Growth, Better Neighborhoods, Communities Leading the Way," a set of case studies that document the efforts of community-based organizations to balance better regional growth policies with neighborhood-focused revitalization and "Smart Growth for Neighborhoods: Affordable Housing and Regional Vision".

For more information about the National Neighborhood Coalition visit

<http://www.neighborhoodcoalition.org>

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Introduction

The policies and approaches of the public, private, and nonprofit sectors exert strong influences over the growth of cities, suburbs, and towns, including the development of housing. To date, traditional development patterns—characterized by the separation of uses, limited transportation options, and suburban and ex-urban expansion—have failed to adequately secure affordable housing for low-income households. Smart growth, through its regional approach to development and its goal of increasing choices in housing and transportation, can improve the quality, distribution, and supply of affordable housing.

Communities throughout the United States are faced with a persistent, and in some places growing, affordable housing crisis. In 2000, the National-Low Income Housing Coalition (NLIHC) reported that there was not a locale in the United States where a full-time minimum-wage earner could afford fair-market rent for a two-bedroom apartment.¹ Approximately 5.4 million households in the United States—an all-time-high—face worst-case housing needs, defined as living in severely inadequate housing or paying more than half of their income for housing.² Increasingly, the housing needs of moderate-income households—those earning up to 120 percent of the median income—are worsening.³ Put simply, the current development market, with its myriad local, state, federal, and private sector components, is not meeting the nation's affordable housing needs. Major symptoms of this failure include the following:

- ✎ the critical housing shortage faced by low- and very low income households and the burgeoning shortage of dwellings for households of moderate means;
- ✎ the concentration of affordable housing and poverty primarily in central cities, inner suburbs, and rural areas that leads to unequal access to services and economic opportunities;
- ✎ the presence of low-cost housing in areas with poor neighborhood quality of life, including bad schools, high crime rates, and unreliable neighborhood services;
- ✎ the cycle of disinvestment in low-income neighborhoods, leading to falling home values and loss of wealth, fewer economic opportunities, dwindling tax bases for schools and other essential services, and reduced investments of public and private capital stock;
- ✎ the unintended consequences of revitalization approaches, including rapidly escalating housing costs, rental conversions to properties for sale, and displacement of renters;
- ✎ the growing share of travel costs associated with affordable housing located on cheap land in far-flung suburbs or in low-income urban neighborhoods where amenities are few; and
- ✎ social or institutional practices that create incentives within the development market for the continuation of these problems, making it unprofitable for developers to serve the low-income market and more likely that local governments will seek to limit affordable housing for fiscal reasons.

The scale of these issues is significant. NLIHC reports that there is a net shortage of more than 5 million rental units for very low income households, those earning at 0 to 30 percent of the median

1 National Low Income Housing Coalition, "Out of Reach: The Growing Gap between Housing Costs and Income of Poor People in the United States," September 2000. <http://www.nlihc.org/oor2000/index.htm>.
<http://www.nlihc.org/oor2000/index.htm>.

2 Department of Housing and Urban Development, *The State of the Cities, 2000: Megaforces Shaping the Future of America's Cities* (Washington, D.C.: HUD, 2000).

3 The number of working families with critical housing needs rose by about 17 percent (440,000 families) from 1995 to 1997. Surprisingly, 51 percent of families with critical housing needs are homeowners. See Michael Stegman, "Facing the New Suburban Housing Crunch," The Democratic Leadership Council Web site, http://www.ndol.org/ndol_ci.cfm?contentid=2152&kaid=114&subid=144.

income, in part due to an absolute shortage of units and to the occupancy of affordable units by people in higher income brackets. NLIHC found that farther up the income scale, at the 50 to 80 percent median income level, while sufficient affordable rental units appear to exist, the occupancy of these units by members of still higher income brackets contributes to a net shortfall of more than 1 million units.⁴ These conditions are representative of the widespread and diverse needs faced at the low- and, increasingly, moderate-income levels. The solution requires not only subsidies to close the gap between incomes and the cost of housing, but also the production of more affordable housing units from which households can choose. While some observers believe that recent smart growth efforts may actually exacerbate rather than alleviate these problems, this report seeks to shed light on these perceived conflicts, and identifies the ways in which smart growth can be implemented to increase the availability of affordable housing.

Smart growth is development that serves the economy, the community, and the environment. In other words, smart growth seeks the adoption of new policies and practices that, as a package, provide better housing, transportation, economic expansion, and environmental outcomes than do traditional approaches to development. Smart growth generally is that which invests time, attention, and resources in restoring community and vitality to center cities and older, inner suburbs. Smart growth in new developments is more town centered, transit and pedestrian oriented, and has a greater mix of housing, commercial, and retail uses. It encourages the efficient use of public resources and a wider range of choice in the development of cities and suburbs. Smart growth ensures greater environmental protection, by preserving open space and other environmental amenities, and leads to stronger communities by recognizing the importance of integrating development and quality of life. In order to achieve these diverse goals, development solutions must be comprehensive. Failure to do so is a failure to achieve smart growth.

The experiences of communities struggling with the challenges of development demonstrate the need to address them with the integrated problem-solving approach represented by smart growth. Because of the benefits of smart growth, many initiatives are now being labeled as such even when they address only one issue, such as open space, transportation, or affordability. These single-issue initiatives, although they may contribute to smart growth if they are linked to a community's broader goals, do not by themselves represent a comprehensive smart growth approach. Unfortunately, their narrow focus sometimes leads to conflicts about the perceived benefits of the smart growth approach and costs incurred by the failure to consider other, broader, issues during the development process. In particular, conflicts have arisen around these single-issue "smart growth" initiatives and their negative impact on affordable housing, leading some observers to claim that smart growth and affordability are inherently in conflict. Affordable housing, however, is an explicit goal of smart growth. Policies that reduce housing affordability are not smart. With its focus on the effect of development patterns and practices on the quantity and quality of affordable housing, smart growth is a critical part of the solution. Communities and states can use smart growth to improve affordability in the following ways:

- ☞ increase the supply of affordable housing by loosening restrictions against low-cost housing such as townhouses, live-work spaces, accessory dwelling units, etc.;
- ☞ provide more scattered affordable units and promote mixed-income neighborhoods;
- ☞ reinvest in existing neighborhoods to improve the tax base and the availability of jobs and amenities;

4 Sheila Crowley, testimony before the U.S. Congress, Committee on Financial Services, Subcommittee on Housing and Community Opportunity, May 3,

2001, National Low Income Housing Coalition Web site, <http://www.nlihc.org/testimony.htm>.

- ✍ implement policies and revitalization practices that benefit existing residents and prevent their displacement;
- ✍ reduce household transportation costs and increase transportation choices and
- ✍ create incentives for regional cooperation on affordable housing.

A range of policies and approaches are discussed here that link smart growth's broad goals with the more specific goals of affordable housing. These strategies have been used by communities to improve housing conditions and foster economic development, protect environmental and natural resources, and enhance community quality of life. Case studies are presented of towns, cities, and states that have benefited from linking these two goals. Finally, options are presented from which community activists, local and regional policymakers, advocates for affordable housing, and supporters of smart growth can choose in charting a course for development in their community.

This report is not a comprehensive analysis of the policies and effects associated with affordable housing and smart growth. Rather it serves to identify areas of common interest between advocates for smart growth and affordable housing, not unlike those areas represented by the diverse membership of the Smart Growth Network Subgroup on Affordable Housing. While few of the policies and approaches profiled will independently accomplish smart growth's multiple goals, they all demonstrate the ability of smart growth to demand better performance from policies by applying them in an inclusive development strategy. Smart growth spurs innovation, which is precisely what is needed if communities are to overcome the mounting challenges posed by development pressures and housing needs.

Section I: The Development Context



THE ECONOMIC, SOCIAL, AND ENVIRONMENTAL COSTS OF CURRENT DEVELOPMENT PATTERNS

Development patterns—the product of a complex mix of policies, practices, and public preferences—have changed dramatically over the past century. In the early twentieth century, cities were characterized by compact neighborhoods, a strong central business district, and primary reliance on public transportation, such as trolleys and trains and walking, for access to services and jobs. Following World War II, however, a range of private and public forces radically changed the look of community development. These included the growing affordability of private automobile ownership, favorable financing for suburban homeownership, rapid annexation in growing cities, slum clearance and urban renewal, growing dominance of low-density single-family-home construction, industrial decentralization, and implicit and explicit racial and class prejudice and discrimination.⁵

Consumer preference was a driver in this transformation, but public policy at the federal, state, and local levels also played a significant role. For example, a Philadelphia Federal Reserve Bank analyst found that one set of policies—the U.S. tax code's treatment of housing—contributes to decentralization, geographic sorting by income, and increased consumption of land by households.⁶ What results are development patterns characterized by a separation of uses (residential, commercial, industrial, etc.), auto dependency (because of poor or nonexistent access to transportation alternatives), and the rapid consumption of open space in suburban and ex-urban areas.⁷ In rural areas, for example, formerly robust agricultural economies have been threatened in part by the encroachment of subdivisions. Furthermore, many of the policies and practices supporting this pattern of development—strict zoning regulations, subsidized infrastructure and transportation networks, and a lack of regional coordination in planning—continue to pose significant obstacles to devising alternatives. While these development patterns convey many benefits, the associated costs are garnering increased attention.

Economic Costs

The direct economic effects of development choices on communities and households are, of course, significant. Approximately 5.4 million households in the United States—an all-time high—face worst-case housing needs, which are defined as living in severely inadequate housing or paying more than half of their income for housing.⁸ As a result of the booming economy of the mid- and late 1990s and the range of housing choices available, from 1997 to 1999 home prices rose at more than twice the rate of general inflation, and rent increases exceeded inflation all three years.⁹ In the 21 largest metropolitan areas in the United States, median home prices rose by an average of 34 percent in the 1990s.¹⁰ These housing conditions are, not surprisingly, most problematic for the poor. Below-median-income households are unable to find affordable housing. They are therefore forced into overcrowded or sub-

5 For a full discussion of these forces, see Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of the United States* (New York: Oxford University Press, 1985).

6 Richard Voith, "Does the Federal Tax Treatment of Housing Affect the Pattern of Metropolitan Development?" *Business Review*, March/April 1999.

7 For a thorough analysis of the facets of current development patterns that comprise sprawl, see Reid Ewing, "Is Los Angeles-Style Sprawl Desirable?" *Journal of the American Planning Association* 63.1 (Winter 1997).

8 HUD, *State of the Cities*, 2000.

9 *Ibid.*

10 Anthony Downs, "Housing Policies for the New Millennium," *Brookings Institution Online*, October 3, 2000. <http://www.brook.edu/es/urban/speeches/housingpolicy.htm>. (www.brook.edu/es/urban/speeches/housingpolicy.htm).

standard units, homelessness, or expected to compromise access to jobs, services, security, and often quality educations for their children in order to avail themselves of the few affordable housing opportunities that exist. Increasingly, moderate-income households are finding themselves in the same situation.¹¹

The more indirect impacts of the housing crunch are evident as well. The price tag for building the infrastructure necessary to accommodate new developments in low-density areas places a higher burden on taxpayers and local and state governments than it would in higher-density areas.¹² In most cases, the public costs incurred to build infrastructure and provide services for new residential development are not recovered in taxes or impact fees.¹³ To the extent that new job growth takes place primarily on the suburban fringe, rather than in the central business district, a regional mismatch emerges that distances many workers from jobs, thereby increasing commuting costs and creating an added challenge for businesses, particularly when attempting to hire during times of low unemployment. At the household level today, the costs associated with longer commutes and growing reliance on private transportation are at their highest ever, constituting the second largest household expense, after housing.¹⁴ These costs are borne most significantly by the poor, who in some cases pay more than one-third of their total household income for transportation,¹⁵ thereby reducing the amount of money available to pay for other goods and activities.

Social Costs

The social effects of traditional development approaches are evident in many areas, including the increasing concentration and isolation of low-income households and emerging threats to public health. Property values in neighborhoods that were previously middle- and working-class strongholds in cities and inner suburbs have deteriorated as resources have shifted ever outward. Development patterns have affected and been influenced by racial, economic, and class prejudice.¹⁶ With the onset of "white flight" in the 1950s, Federal Housing Administration (FHA) policies that prohibited lending in mixed-race neighborhoods, and persistent racist practices in housing markets, metropolitan areas grew increasingly segregated. As a result, the concentration of low-income and minority households in inner cities and rural towns have made poorer households less likely to have equal access to the housing, jobs, and education that would make it possible to break the cycle of poverty. Instead, they are more likely to be subjected to environmental hazards—LULUs, or locally undesirable land uses such as garbage dumps,

11 See Stegman, "Housing Crunch."

12 Joseph Persky and Wim Wiewel, *Central City and Suburban Development: Who Pays and Who Benefits?* (Chicago: Great Cities Institute, 1996), estimate that higher density developments save 25 percent on road construction, 15 percent on utilities, 5 percent on school building, and more than \$10,000 per dwelling on capital facilities. Also see Robert W. Burchell and David Listokin, "Land, Infrastructure, Housing Costs and Fiscal Impacts Associated with Growth: The Literature on the Impacts of Sprawl versus Managed Growth" (Cambridge, Mass.: Lincoln Institute of Land Policy, 1995), upon which Persky and Wiewel base their estimates.

13 Persky and Wiewel, *Central City and Suburban Development*.

14 According to the Surface Transportation Policy Project {and the Center for Neighborhood Technology?} the average American household devotes 18 cents of every dollar it spends to transportation. In some metro areas, house-

hold transportation costs exceed housing costs. An estimated 98 percent of household transportation spending is for the purchase, operation, and maintenance of automobiles, a cost that yields little or no long-term equity when compared with similar investments in transit-accessible housing. See Surface Transportation Policy Project and Center for Neighborhood Technology, *Driven to Spend: The Impact of Sprawl on Household Transportation Costs* (Washington, D.C.: STPP, 2000).

15 STPP and CNT, *Driven to Spend*.

16 For a full discussion of these issues, see Robert D. Bullard, Glenn S. Johnson, and Angel O. Torres, "Race, Equity, and Smart Growth: Why People of Color Must Speak for Themselves," July 10, 2001, Environmental Justice Resource Web site, <http://www.ejrc.cau.edu/raceequitysmartgrowth.htm>, and John A. Powell, "Achieving Racial Justice: What's Sprawl Got to Do with It?" *Poverty and Race* 8.5 (1999).

sewage treatment plants, and noxious industries because the political will to object is weakest there.¹⁷ Finally, when these concentrations are in inner cities that have experienced disinvestment, residents are often burdened with higher per unit city service costs as the local government attempts to pay for services from the funds of a diminishing tax base.

The health risks of prevailing development patterns are becoming clearer. Studies recently have linked low-density, auto-dependent suburban developments to a higher incidence of health problems, as few viable alternatives for walking and bike riding exist.¹⁸ These same development patterns, exacerbated by worsening traffic congestion, have been tied to a growing number of asthma cases caused by polluted air. Atlanta experienced this firsthand during the 1996 Olympic Games, when officials discouraged vehicle use and promoted mass transit, which had the unintended effect of dramatically reducing hospitalizations for asthma attacks, particularly among children.¹⁹ Even the most basic opportunity for exercise among children—the walk or bike ride to and from school—is taken by only one in eight children as a result of land-use and zoning standards that direct new schools to be constructed at the urban fringe where large tracts of land exist.²⁰

Environmental Costs

Open space and farmland are being consumed at increasingly rapid rates. Between 1954 and 1997 developed urban land in the United States nearly quadrupled, far outstripping population growth. The environmental effects of this type of development are clear. The loss and fragmentation of natural habitats are cited as the main factors threatening 80 percent of the species listed in the federal Endangered Species Act. Nearly 36 percent of the nation's lakes, rivers, and estuaries suffer from the effects of pollution; an estimated 21 percent of the lakes, 12 percent of the rivers, and 46 percent of the estuaries are feeling the negative consequences of urban runoff. Furthermore, the failure to ensure clean air in urban areas and the growing threat of global climate change are in significant part connected to current development and transportation patterns. Motor vehicle emissions currently account for 57 percent of all CO₂ emissions, 30 percent of NO₃ emissions, 44 percent of PM-10 emissions, and 27 percent of VOC (volatile organic compound) emissions. Despite the fact that technology is helping to reduce tailpipe emissions, the development patterns that have led to a growth in vehicle miles traveled, one measure of automobile use, are threatening to undermine such advances, especially in large metropolitan areas.²¹

SMART GROWTH: ALTERNATIVES TO CURRENT DEVELOPMENT PATTERNS

In recent public opinion surveys, community growth and development consistently appear in the top tier of public concerns. Myriad factors influence this trend, including those mentioned above. In the past these concerns have often led to conflict between pro- and anti-growth forces. Smart growth, how-

17 For an in-depth discussion of these issues, refer to the work of Robert D. Bullard, particularly "Environmental Racism and Land Uses," *Land Use Forum: A Journal of Law, Policy and Practice* (Spring 1993).

18 See Lawrence D. Frank and Peter Engelke, "How Land Use and Transportation Systems Impact Public Health," *Active Community Environments Working Paper 1*, Centers for Disease Control, <http://www.cdc.gov/nccdphp/dnpa/aces.htm>.

19 The study noted a 23 percent decrease in morning rush hour traffic and a 42 percent drop in daily hospitalizations for asthma among children between the ages of one and sixteen. Michael S. Friedman et al., "Impact of Changes in Transportation and Commuting Behaviors during the 1996 Summer Olympic

Games in Atlanta on Air Quality and Childhood Asthma," *Journal of the American Medical Association*, February 21, 2001, <http://www.jama.ama-assn.org/issues/v285n7/abs/joc90862.htm>.

20 Constance E. Beaumont and Elizabeth Pianca, *Historic Neighborhood Schools in the Age of Sprawl: Why Johnny Can't Walk to School* (Washington, D.C.: National Trust for Historic Preservation, 2000).

21 For a thorough review of the environmental impact of transportation and development patterns, consult Environmental Protection Agency, *Our Built and Natural Environments: A Technical Review of the Interactions between Land Use, Transportation, and Environmental Quality* (Washington, D.C.: EPA, 2001).

ever, presents an opportunity to change the nature of the debate by asking not whether to grow, but how. Smart growth seeks to answer several questions: How can planners leverage growth to improve communities, provide more transportation options, and create economic opportunity? How can communities continue to grow but in a way that minimizes the problems associated with current development patterns and practices?

Smart growth—as defined by the Smart Growth Network²²—is development that serves the economy, community, and the environment and is most often characterized by ten principles for growth (see box). In general, the approach focuses on the connections between the economic, environmental, and social aspects of the built environment and offers alternatives for guiding future development in a way that is more sustainable and equitable. It advocates reducing or removing regulatory barriers that inhibit "good development." Smart growth strives to level the playing field between greenfield development, that on formerly undeveloped land, and infill development, that on land in existing neighborhoods. Through the recycling of existing buildings and recapturing and remediation of brownfields,²³ smart growth encourages the reuse of old airports, industrial sites, and the like, which unattended would pose an obstacle to area revitalization. Smart growth is not anti-growth, anti-car, or anti-suburb; rather, it is about better growth through improved transportation options and the development of better places to live in towns, suburbs, and cities.

SMART GROWTH PRINCIPLES

1. Mix land uses.
2. Take advantage of compact building design.
3. Create housing opportunities and choices for a range of household types, family sizes, and incomes.
4. Create walkable neighborhoods.
5. Foster distinctive, attractive communities with a strong sense of place.
6. Preserve open space, farmland, natural beauty, historic buildings, and critical environmental areas.
7. Reinvest in and strengthen existing communities and achieve more balanced regional development.
8. Provide a variety of transportation choices.
9. Make development decisions predictable, fair, and cost-effective.
10. Encourage citizen and stakeholder participation in development decisions.

Communities throughout the United States that are increasingly concerned about the current and future impacts of unchecked growth in their regions have sought alternatives to the development status quo. Some communities have looked to growth management approaches—isolated attempts to limit or stop growth, with few or nonexistent changes in other land-use regulation—as a means to halt expansion. While these approaches are sometimes called smart growth, such labeling is incorrect. For example, smart growth would create the same number of building units as would a "business-as-usual" plan, but the connection of these units to transit, open space, existing infrastructure and schools, commercial activity, and their community would differ significantly. Similarly, smart growth is not achieved if new developments feature a town square, mixed uses, grid street networks, and front porches in the "new urbanist" tradition, but fail to plan for affordable-housing opportunities.

Smart growth has attracted an increasingly diverse mix of advocates who recognize the value of its approach. Where once the movement to promote smart growth was characterized primarily by the advocacy of environmentalists, it now includes developers, historic preservationists, local and regional government interests, transportation advocates, and, increasingly, community development advocates. It is precisely this diverse range of opinions, experience, and priorities that has helped to continually inform the evolution of smart growth and create the broad base of support necessary to resolve complicated development issues.

22 The Smart Growth Network, co-founded in 1996 by the Environmental Protection Agency, is a coalition of more than 25 organizations representing a broad range of issues related to development. Its membership is diverse, including the American Planning Association, Fannie Mae, the National Association of Counties, National Neighborhood Coalition, National Trust for Historic Preservation, the Natural Resources Defense Council, and the Urban Land Institute, to name a few. The network is a resource for informa-

tion on development decisions using best practices, policy innovation, technical assistance, and research on the effects of development alternatives. A subgroup to the network is responsible for the publication of this paper. Learn more about the Smart Growth Network at <http://www.smartgrowth.org>.

23 Brownfields are sites that are perceived to or do contain environmental hazards preventing development.

Nevertheless, the adoption of smart growth is not always smooth or easy. In many communities, initial attempts to deal with growth's negative effects focused simplistically on limiting new development. As a result, tensions rose between efforts to manage growth and perceived threats to affordable housing. The adoption of strict growth management policies which aim to stop growth without making provisions for new development do raise legitimate concerns about increasing housing costs because of a diminishing supply. Unfortunately, it is precisely these situations that have created a perception that smart growth and affordable housing are opposing forces. Ensuring an adequate supply, distribution, and quality of affordable housing is a litmus test for smart growth. In reality, smart growth represents an opportunity for communities to achieve more sustainable growth and improve affordable housing. As with other complex development needs, the broad principles of smart growth provide a forum for engaging diverse interests in resolving issues that are often challenging but necessary in realizing a common vision for how and where communities grow.

The Importance of Housing

Of all the elements that comprise cities, suburbs, and towns, housing is perhaps the most complex. In addition to providing shelter, housing is also a driver of transportation patterns, a consumptive good, a prominent feature of the built environment, an investment for building wealth, a determinant of social interaction and achievement, and a symbol of familial connections and personal history.

Housing acts as the figurative and literal building block for communities in rural, suburban, and urban areas. It affects how we interact with our neighbors whether across a shared fence or in the building lobby influencing the social networks and social capital that constitute the community fabric. The distribution of housing creates the footprint of a neighborhood or town whether houses are aligned in cul-de-sacs or small-scale grid streets and as a result affects transportation needs. When housing is in close proximity to high-wage jobs, top-quality schools, and well-funded public safety operations and services, children have more opportunity to achieve economic and social stability than when they are not. Poor-quality housing not only poses environmental risks for occupants, but often contributes to community disinvestment when vacant homes and other buildings in need of repair are left to deteriorate.

The quality of available housing is determined largely by income. Traditionally, housing has constituted the single largest monthly expense of households, requiring approximately 30 percent of adjusted gross income, although recent development patterns have caused a significant increase in the share of household costs associated with transportation - a direct result of housing location choice.²⁴ Rental and home price increases at rates that exceed inflation have forced millions of households to pay more than this generally accepted amount. Renters remain particularly vulnerable to these rapid changes in price. At the same time, housing tenure choice and neighborhood quality are strong determinants of the ability of households to accumulate wealth through equity in their homes.²⁵ For the 67 percent of Americans who are homeowners, their home is the largest purchase they are likely to make in their lifetime.²⁶ Homeownership is advocated by the Department of Housing and Urban Development (HUD) and others for the benefits it can offer in insulating households against rapid rental price increases and in stabilizing neighborhoods by increasing the community tax base.²⁷

24 See STPP and CNT, *Driven to Spend*.

25 For more information on these subjects, see Donald R. Haurin, Patric H. Hendershott, and Susan M. Wachter, "Wealth Accumulation and Housing Choices of Young Households: An Exploratory Investigation," *Journal of Housing Research* 7.1 (May 2001); Roberto G. Quercia, George W. McCarthy, Rhonda M. Ryznar, and Ayse Can Talen, "Spatio-Temporal Measurement of

House Price Appreciation in Underserved Areas," *Journal of Housing Research* 11.1 (May 2001).

26 It should be noted that homeownership rates are lower among some ethnic groups. In 2000, only 45.7 percent of Hispanics, 47.8 percent of non-Hispanic African Americans, and 54.2 percent of other non-Hispanic minorities were homeowners.

27 HUD, *State of the Cities*, 2000.

Perhaps most challenging in the effort to address housing needs are the complex public opinions about affordable housing. While it is consistently identified in growth-related polls as an area for which the public expresses support,²⁸ at the same time a negative perception of and reaction to affordable housing acts as an obstacle to proposed placements of subsidized or multi-family housing in particular neighborhoods. Fueled by economic, racial, and class prejudice, and influenced by the perception that crime, disinvestment, and declining property values go hand-in-hand with low-income and high-density housing, despite evidence to the contrary,²⁹ many households seek homogeneous, secured communities in which to reside - and the market responds accordingly. There continues to be a poor understanding on the part of much of the public of those who are most affected by the lack of affordable housing - rural residents and urban residents, very low and low-income households as well as moderate-income households, young households as well as the elderly - and the social and economic costs of inadequately addressing the problem. It is precisely the breadth of these needs and the scope of the challenge that require exploration of new ways to create affordable housing - including those that smart growth can provide.

The Role of the Private and Public Sectors in Housing

The housing situations faced by communities today are the result of a diverse set of private sector practices and national policy priorities implemented during the past century, reflecting the complexity of public opinion about affordable housing. The successes and failures of the private and public sector approaches not only help identify the causes of today's affordable housing crisis, but also help to highlight the obstacles and opportunities that remain.

The private sector is, naturally, discouraged from constructing and financing affordable housing when higher regulatory barriers and the prospects of lower profit margins make it less desirable than housing for higher-income groups. Conversely, the market is effective at creating some affordable units through the natural "filtering" of homes sold by owners who seek the amenities of newly constructed homes or whose housing needs change over time.³⁰ Private sector improvements in technology have made manufactured housing an increasingly desirable and affordable solution. So too, improvements in the syndication of the low-income housing tax credit have made the distribution of tax credits more efficient, attracting private investors to affordable housing construction. Similar advances in the use of historic property tax credits have made older buildings an important resource for the preservation and renovation of existing housing units by private investors.

The role of the public sector in the development of housing has been even more complex. The importance of housing was most clearly articulated in 1949, when Congress first declared that the United States should work to ensure a "decent home and a suitable living environment for every

28 Smart Growth America's October 2000 poll indicates that 66 percent of all respondents favor a requirement that all new housing developments include at least 15 percent housing for moderate- and low-income families. A November 2000 American Planning Association poll indicates that 84 percent of respondents favor providing affordable housing for low- and moderate-income families. An October 2000 poll by the Mortgage Bankers Association and US Conference of Mayors cites 74 percent of respondents saying that affordable housing should be made available to public servants - such as teachers, fire-fighters, and police officers - so that they can live in communities where they work.

29 A September 2000 study by the Family Housing Fund, for example, determined that there was little to suggest a sustained, negative trend in property values in owner-occupied units in close proximity to affordable rental units financed by tax credits. In fact, in some cases, the addition of tax-credit housing was shown to increase the average appreciation of units, suggesting that

markets that include tax-credit developments become stronger as a group than their control group counterparts. See Family Housing Fund, *A Study of the Relationship between Affordable Family Rental and Home Values in the Twin Cities* (Minneapolis, Minn.: FMF, 2000); also see www.fhfund.org/whatsnew.htm. Another study, published by the Innovative Housing Institute, produced similar findings in its analysis of property values for non-subsidized units in close proximity to subsidized units constructed through the Montgomery County, Maryland, Moderately Priced Dwelling Unit program. See Innovative Housing Institute, "The House Next Door," Innovative Housing Institute Online, 2000, www.inhousing.org/house1.htm.

30 It should be noted, however, that the value and long-term prospects for appreciation of these homes is subject to real and perceived investment levels in surrounding neighborhoods and their relative desirability compared to other new or existing areas.

American family."³¹ By some accounts, government policies to increase homeownership have been among the most successful and lasting of the last fifty years.³² Even today, the value of one of the most time-honored tax policies in the country - the mortgage-interest deduction on federal income taxes - indicates the continued importance placed on homeownership. In 2000, the Congressional Budget Office estimated the tax revenue foregone to be about \$55 billion and expected it to rise to \$65 billion by 2004.³³ The Millennial Housing Commission - a bipartisan group called upon by the 106th Congress to study current housing policies and propose new programs - estimates that the total share of all tax incentives for housing accounted for more than \$1.2 billion, or 77 percent of total federal housing expenditures, in fiscal year 2001.³⁴

Despite the U.S. government's enduring commitment to housing, on balance the benefits of federal housing policies have accrued primarily to homeowners at the middle-income level and above and have come at the expense of other possible efforts to support housing. Since the 1970s, for example, federal funding for housing and housing policy have moved away from the production of units - an approach some housing advocates cite as contributing to today's affordability crisis.³⁵ The 2001 HUD budget is dwarfed by of annual tax expenditures to support homeownership, which are nearly four times larger.³⁶ These same expenditures not only favor high-income households, but also contribute to urban disinvestment, which acts as a net transfer of resources from central cities to outlying areas.³⁷ As a result, while there have been a number of successful policy interventions in recent years, many very low and low-income households, renters, and residents of central cities and rural communities still face critical housing needs.

Other public policies have succeeded and failed to varying degrees as well. Certainly, the tax credit programs can be deemed successes, as can the Community Reinvestment Act (CRA), which encourages private lenders to provide capital for housing (and other uses) in their communities. The U.S. Department of Agriculture's Section 502 direct loan program, particularly when combined with HUD's Self-Help Homeownership Program (SHOP), has been successful in creating modest, environmentally sound single-family housing in rural areas. HUD's Home Investment Partnership (HOME) and Community Development Block Grant (CDBG) programs have also been largely successful, in contrast to some of HUD's earlier large-scale public housing efforts. The successes of HUD's project-based and voucher Section 8 programs threaten to be undermined by the wave of expiring project-based units and by tight housing markets, where program participants find it difficult to secure rental units that will accept Section 8 vouchers. HUD's HOPE VI program has the potential to emerge as a successful policy approach, particularly given its emphasis on the replacement of severely distressed public housing with mixed-income housing, although the failure to provide a one-to-one replacement of units is considered by many to be a program weakness. Finally, while locally based inclusionary zoning practices have had successes in some areas, predatory lending and exclusionary zoning have put at risk the ability of minority households to seize the homeownership opportunities that are available to them.

31 International City/County Management Association, *The Practice of Local Government Planning* (Washington, D.C.: ICMA, 2000), 628.

32 For a comprehensive analysis of the federal government's support of homeownership since 1944, refer to "Government's 50 Greatest Endeavors," Brookings Institution Online, May 18, 2001, <http://www.brook.edu/gs/cps/50ge/endeavors/ownership.htm>.

33 "Little Pressure to Eliminate Mortgage Interest Deduction, Realty Times Online, February 21, 2000. http://realtytimes.com/rtnews/rtpages/20000221_deduction.htm.

34 Millennial Housing Commission, PowerPoint presentation on federal housing assistance to Smart Growth America, available at <http://www.mhc.gov>.

35 Federal budget allocations to the U.S. Department of Housing and Urban Development have dropped steadily to a level in 2001 that was equivalent to approximately one-third the amount allocated in the last full year of the Ford Administration. Sheila Crowley, "Testimony before the U.S. House of Representatives," Committee on Financial Services, Subcommittee on Housing and Community Opportunity May 3, 2001, National Low Income Housing Coalition Web site, <http://www.nlihc.org/testimony.htm>.

36 Ibid.

37 Joseph Gyourko and Todd Sinai, "The Spatial Distribution of Housing-Related Tax Benefits in the United States," Brookings Institution Online, July 2001, <http://www.brook.edu/es/urban/publications/gyourko.pdf>.



Section II: Opportunities in Smart Growth

What Smart Growth Means for Affordable Housing Quality and Supply

Little has been written demonstrating the link between affordable housing and smart growth. This in part reflects the schism often (but not always) seen between practitioners of both fields in communities where decisions about development have been unnecessarily cast in an either/or context: either make efforts to manage growth or concentrate on expanding housing supply. The case of Amendment 24 in the November 2000 Colorado elections illustrates this paradox. A broad coalition of opponents—including a local chapter of Habitat for Humanity—campaigns successfully to defeat the amendment, which would have required local governments to demonstrate developmental impacts as charted by local growth plans. Housing, traffic, air quality, and water supply were to be included in the assessments. Opponents claimed that the plan would exacerbate the already strained housing market and negatively affect the supply of affordable housing.³⁸ The fight over Amendment 24 succinctly demonstrates the need to encourage the use of smart growth to highlight the shared objectives of affordable housing advocates and growth management proponents and the opportunities for leveraging success.

A handful of reports exists that articulate this challenge and provide points for discussion and tools for coalition building. Reports by Policy Link, the National Neighborhood Coalition, Chris Nelson of the Georgia Institute of Technology, the National Association of Home Builders, and the Joint Center for Housing Studies/Neighborhood Reinvestment Corporation are among those that have most clearly articulated the tension between single-issue "smart growth" approaches and affordable housing and the opportunities for forging closer alliances.³⁹ Nevertheless, there still persists a widely held perception that affordable housing and smart growth are contradictory rather than complementary forces, even among practitioners and policymakers.

For example, a number of studies have sought to demonstrate that efforts to manage and direct growth have a detrimental effect on the price of land and, therefore, on the availability of affordable housing.⁴⁰ The example most often used is the city of Portland, Oregon, oft-cited as the "poster child for smart growth" for its environmentally focused citizenry, its emphasis on transit-oriented development, and, of course, its urban growth boundary. While it is true that housing costs have increased rapidly in Portland in recent years, a number of facts belie the argument that the increase is due solely to the metropolitan region's growth management efforts. Although the amount of land has been constrained, provisions for higher-density construction have allowed more units to be constructed on the same amount of land and for infrastructure costs to be reduced.⁴¹ Comparable increases in housing prices were seen in the mid- and late 1990s in Salt Lake City, Utah, which has no urban growth boundary.⁴² Through investment

38 Phyllis Myers and Robert Puentes, "Growth at the Ballot Box: Electing the Shape of Communities in November 2000," Brookings Institution Online, February 2001, <http://www.brook.edu/urban/ballotbox/abstract.htm>.

39 See PolicyLink, "Opportunities for Smarter Growth: Social Equity and the Smart Growth Movement," December 1999, <http://www.policylink.org/economy/regionalism.html>; National Neighborhood Coalition, *Smart Growth for Neighborhoods: Affordable housing and Regional Vision* (Washington, D.C.: NNC, 2001); Arthur C. Nelson, "Effects of Urban Containment on Housing Prices and Landowner Behavior," *LandLines*, May 2000, <http://www.lincolninst.edu/landline/2000/may/may1.html>; National Association of Home Builders, "The Truth about Regulatory Barriers to Housing Affordability,"

1998, http://www.nahb.com/housing_issues/regulation.htm; Sarah Karlinsky, *Community Development Corporations and Smart Growth: Putting Policy into Practice* (Washington, D.C.: Neighborhood Reinvestment Corporation and Joint Center for Housing Studies, 2000).

40 See Samuel R. Staley, Jefferson G. Edgens, and Gerard C. S. Mildner, *A Line in the Land*, Policy Study 263. Washington, D.C.: Reason Public Policy Institute, 1999); and Wendell Cox and Ronald D. Utt, "Smart Growth, Housing Costs, and Homeownership," *Heritage Foundation Backgrounder*, April 6, 2000.

41 Nelson, "Effects of Urban Containment."

42 1000 Friends of Oregon, factsheet, June 1999.

in existing neighborhoods, there are fewer distressed properties to bring average house prices down, thereby complicating calculations of average housing affordability.⁴³ Speculation in bull markets such as the one that much of the West Coast, including Portland, experienced in the 1990s can also influence housing price levels.⁴⁴ Finally, some conclude that it is not the obstacles presented by growth management plans that have raised prices, but the market demand (and lack of supply across the United States) for the benefits generated by Portland's efforts, as exemplified by its vibrant communities and high quality of life.⁴⁵

Fortunately, examples do exist of communities that have recognized the interrelatedness of the above issues and made critical development decisions accordingly. The Vermont Housing and Conservation Board is perhaps the most prominent example. Since 1987, the board has acted to reverse the trends that have led to escalating disinvestment in Vermont's cities, inner suburbs, and towns and to pressures for development on natural and agricultural lands. It has since provided guidance and funds to support the revitalization of existing communities and for construction of more than 5,500 units of affordable housing as well as the acquisition and preservation of more than 300,000 acres of agricultural and recreational areas and natural lands. The board's commitment of \$130 million to local community groups, housing and conservation associations, towns, municipalities, and state agencies is estimated to have leveraged an additional \$450 million in funds from other public and private sources.⁴⁶ Other examples of communities around the United States that have made the connection are highlighted in *Smart Growth, Better Neighborhoods: Communities Leading the Way*, a publication of the National Neighborhood Coalition with the support of the Smart Growth Network.

Threat or Opportunity?

While some observers consider smart growth the newest planning "fad," others see it as a return to the traditional development patterns that formed many now-heralded pre-World War II historic communities. Alternatively, others see it as an attempt to restrict how and where people grow, live, and work, while others perceive it as a means of eliminating current land use regulations predicated on Euclidean zoning.⁴⁷ Still others perceive smart growth as a surefire path to the displacement of the poor, while opponents would argue that continued disinvestment is equally untenable for improving housing opportunities for low-income households.

Among the more pervasive criticisms of smart growth, particularly those related to affordable housing, are the following: it limits the quantity of land available for development, thereby driving up housing prices; it displaces existing residents through revitalization efforts; it interferes with the ability of the market to provide affordable housing; it limits choice and forces all development to be high density; it neglects to provide funding for affordable housing in rural areas in favor of conservation easements and farmland preservation; and it causes leapfrog development and limits infrastructure investment in rural areas.

43 Earl Blumenauer, "Portland: Ground Zero in the Livable Communities Debate" (speech presented at the conference "New Urbanism," Portland, Oregon, June 15, 2000).

44 Phillips, J. and Eban Goodstein. "Growth Management and Housing Prices: The Case of Portland, Oregon," *Contemporary Economic Policy* 18.3 (2000).

45 For a comparison of a range of quality of life issues between Portland and Atlanta, see Arthur C. Nelson, "Smart Growth or Business as Usual? Which Approach Improves Quality of Life and Central City Vitality?" 2000. In Susan

M. Wachter, et al., *Bridging the Divide: Making Regions Work*. Washington, D.C.: Department of Housing and Urban Development. 2000.

46 For more information on the Vermont Housing and Conservation Board, refer to their Web site, <http://www.vhcb.org>.

47 Euclidean zoning refers to the prescription of single uses and densities for blocks of land. This approach, originating in *City of Euclid v. Ambler Realty* (1926), has formed the basis for much of land use planning in the United States for the past half-century.

While some of these criticisms are based on actual situations, they are often the result of the isolated application of strict growth management controls - which aim to limit or stop growth - rather than a comprehensive smart growth strategy. Smart growth recognizes that growth will occur and seeks to direct it first to locations already serviced by infrastructure, roads, transit, and other services, rather than consuming open space on the urban fringe. While growth boundaries may be one means of achieving this objective, they do not by themselves constitute a smart growth strategy. Rather the strategy must include concentrated efforts to protect low-income residents, increase opportunities for development through higher density, expand the range of housing choices, balance housing and preservation goals, and ensure the viability of rural areas, all as determined by the community's vision of how and where it wants to grow. The pursuit of multiple community goals is the hallmark of a true smart growth initiative.

In fact, smart growth with its focus on the impact of development patterns and practices on the quantity and quality of affordable housing can and must be part of a comprehensive affordable housing solution. Among the potential benefits are the following:

- ✍ Smart growth expands the range of choice available to households in terms of housing type and location. In so doing, it has the potential to assist the private sector in providing housing solutions that are usually inaccessible or difficult to produce. While the dominant house preference may continue to be the single-family detached home, smart growth designs can help in constructing this housing type more cost-effectively as well as other housing typologies that may better suit the needs of some households and income levels.
- ✍ Smart growth expands the range of transportation options by encouraging housing in transit and pedestrian friendly neighborhoods. Where pre-World War II communities were developed to be pedestrian friendly and serviced by trolley lines that provided an efficient and cost-effective means of commuting to services and jobs, private vehicles are much more integral to today's households and, therefore, development patterns. Smart growth aims to expand the viability of development by reducing household transportation costs by providing housing in close proximity to full-service transit systems and secure pedestrian opportunities.
- ✍ Smart growth invests in existing neighborhoods, providing better services and improved access for residents. By directing infrastructure and investment dollars into existing neighborhoods, past investments in infrastructure such as roads, water and sewer systems, and schools are utilized, and the need for costly new infrastructure on the urban fringe is reduced. In addition to stemming or reversing disinvestment, such investments mean improved services for existing residents, the retention of property values for owners of older homes, and stronger communities.
- ✍ Smart growth promotes mixed-income communities and connects the development of affordable housing to jobs, services, commerce, transportation, and recreation. When housing, particularly affordable housing, is dispersed throughout a region and connected to other land uses, the need for long commutes to work or shopping can be reduced. Pockets of poverty and disinvestment are less likely to occur as a result.
- ✍ Smart growth balances greenfield development with infill development and opportunities to recycle existing structures and buildings. Development will need to be accommodated on the urban fringe in order to keep up with population growth, but identifying opportunities for brownfield and infill development in communities and encouraging the reuse and renovation of existing structures as

viable affordable housing units can reduce this need and provide economic stimulation to existing communities.

- Smart growth creates opportunities to reestablish more traditional communities through development that encourages neighbor interaction. It seeks opportunities to rebuild and create anew the social capital that holds communities together.

Furthermore, smart growth provides a means of connecting community development efforts at the neighborhood level to broader development decisions, such as infrastructure investment patterns, transportation links, zoning practices, and regional development strategies. It can help in creating models for reconciling thorny development issues, such as how to go about neighborhood reinvestment that avoids displacing existing residents.⁴⁸ Smart growth can provide a platform to advocate for repairs and renovation of neighborhood schools, for example, on the basis that such measures are more cost-effective than large-scale new school construction on the urban fringe. Distressed neighborhoods with underutilized housing and infrastructure are development priorities in a smart growth strategy, in contrast to current development approaches. Smart growth provides a means of achieving a more equitable approach to development by improving the quality of life for formerly underserved citizens. It is precisely these types of opportunities for linking neighborhood priorities to broader regional development issues that make smart growth such an important approach to affordable housing.

Tools for Policymakers and Practitioners

Many American communities are faced with the challenges of sprawling fringe development, disinvestment in existing neighborhoods, and increasingly unaffordable housing. The policies and approaches featured in the next section represent a "toolbox" of options for policymakers and practitioners to use in addressing these complex and important challenges. While some of these policies can be considered neutral - serving to help or hinder smart growth or affordable housing, depending on how they are practiced - their application will determine whether they are part of a viable smart growth strategy. It is the ability and application of each policy or approach to help not only improve the prospects for affordable housing, but also contribute to a community's own long-term vision of how and where it wants to grow, that will determine its appropriateness and eventually its success. The following approaches represent successfully tested means for achieving smart growth and affordable housing:

- The approach increases the supply, quality, and distribution of affordable housing.
- The approach encourages smart growth's goals of promoting economic development and redevelopment, protecting the environment, and social equity.

For each policy or approach discussed, the explicit links to smart growth and affordable housing are noted, and, in most cases, potential issues that may arise in their application. Case studies illustrate the use of each approach in a U.S. community today. Together they provide a range of options for public, private, and nonprofit sectors that have the ability to better incorporate affordable housing into their community's growth strategy and ensure that they are not forced to choose one over the other. In this way, the development of housing and of regions can take place in ways that serve the needs of the environment, community, and the economy for this generation and those to come.

48 PolicyLink has developed an online toolkit for communities faced with the threat of gentrification. See "Beyond Gentrification Toolkit: Tools for

Equitable Development," <http://www.policylink.org>.



Section III: Policies and Approaches

The challenge of translating the goals and principles of smart growth into real strategies rests in the identification and utilization of approaches and policies that simultaneously address the need for more affordable housing and smarter approaches to growth. This section presents a range of policy options and development approaches for communities to consider. It is important to recognize, however, that no single approach is sufficient to remedy today's growth and housing challenges; each approach is more likely to succeed if integrated into a comprehensive, regional strategy for development. Furthermore, each approach requires that a range of actors at the federal, state, regional, or city level as well as private and nonprofit sector partners are engaged. Collaboration among these diverse stakeholders is critical to ensuring that implementation achieves the full range of smart growth and housing benefits.

The policies and approaches that follow are loosely grouped into four categories: land use regulation efforts, tax-based strategies, community-based efforts, and subsidies for affordable housing. For purposes of organization, policies and approaches that fall into more than one category have been placed in the category most fundamentally appropriate. Furthermore, a mix of specific policies (e.g., building codes to promote rehabilitation) and more general approaches (e.g., increase affordability by reducing transportation costs) are discussed. By recognizing the enormous variety in local development contexts, this diversity of options ensures that all communities will be able to identify opportunities relevant to their needs. Alternatively, the case studies may help communities identify additional smart growth or housing benefits that can be achieved. What follows is not a comprehensive analysis of all possible policies and approaches, rather it is a first step toward identifying what can be achieved when communities approach development with an eye to simultaneously improving affordable housing and incorporating smart growth principles.

LAND USE AND PLANNING STRATEGIES

Flexibility in Land Use Regulations

Current development patterns fail to provide adequate affordable housing in part as a result of a range of land use regulations administered by local governments. While land use regulations can achieve important development and planning goals, they can also prevent (or inhibit) the private sector from creating lower-cost housing that may serve the needs of many below-median-income households. The removal of certain zoning and regulatory barriers eliminates the need for developers to procure variances and waivers through a lengthy (and costly in pre-development terms) planning process in order to create housing alternatives. Such regulatory barriers include minimum lot size requirements, minimum setback requirements, minimum square footage requirements, parking requirements, and prohibitions on accessory dwelling units (ADUs) or multifamily housing.⁴⁹

Smart Growth Impacts In many areas, communities are hampered by regulations in creating the types of developments that advance smart growth. Setback, parking, and lot size requirements advance the con-

49 For more information, refer to Marya Morris, *Incentive Zoning: Meeting Urban Design and Affordable Housing Objectives* (Chicago: American Planning Association, 2000); S. Mark White, *Affordable Housing: Proactive and Reactive Planning Strategies* (Chicago: American Planning Association, 1992); Arthur C. Nelson, "Exclusionary Practices and Urban Sprawl in

Metropolitan Atlanta," *Georgia State University Law Review* (forthcoming 2001); and Fannie Mae, *Reducing Barriers to Affordable Housing: A Resource Guide for Creating Partnerships to Reduce Regulatory Barriers* (Washington, D.C.: Fannie Mae, 2001).

cept of traditional suburban growth, but are not well suited to helping communities reap the benefits that compact development can yield, including better walkability and a greater range of housing and transportation choices. Reduced or flexible parking requirements would allow developers to construct more units and therefore put more households in closer proximity to bus and rail, making transit-oriented development more viable. Provisions for accessory dwelling units create more housing choices for residents and allow opportunities for households to remain in place despite changing needs over time. Communities are able to gradually increase density without constructing new buildings if they are allowed to convert carriage houses and garages into housing units. Finally, regulations that prohibit the construction of multifamily housing impose formidable obstacles to building duplexes, rowhouses, and garden apartments, which constituted a large part of house construction in early twentieth-century communities and which today provide affordable, viable options for households that seek proximity over privacy.



*Single-Family House and Townhouse in Carpenter Village, Cary, NC.
Photo provided by City of Cary, NC.*

Affordable Housing Impacts One of the most basic approaches to making housing more affordable is to lower the cost of producing it. A reduction in the land required for construction, shorter or no setback requirements, and flexible parking requirements (such as shorter driveways or smaller garages) significantly lower the cost of land acquisition and housing construction for developers (and therefore consumers) and do not require public subsidy. Reduced square footage requirements allow residents to select smaller units for cost savings if they correspond to household needs. Additionally, allowing accessory units to be created - to serve as the principal residence for aging family members or as an additional source of rental income to support the costs borne by homeowners - helps increase the supply of housing without new land acquisition costs.

Issues to Consider: There will continue to be areas and communities in which setback requirements and minimum lot sizes are appropriate tools for managing the look and layout of neighborhoods. There will also be communities, however, in which the diverse range of household needs are better and more efficiently addressed by the private sector through greater flexibility in land use regulation. In all cases, design and safety guidelines should be enforced to ensure that lower-cost housing does not mean housing that detracts from the community or puts residents at risk. Communities that have heretofore used zoning techniques to exclude multifamily housing or denser developments as a result of fiscal concerns⁵⁰ will have to reframe the issue of zoning for desired housing type by considering the range of needs of households that comprise their community and their region. In rural areas, residents' desire to preserve the character of their communities or agricultural traditions may make minimum lot size requirements appropriate, although their potential negative impact on rural affordable housing needs should be taken into consideration. "Growing Smart" by the American Planning Association provides model planning and zoning legislation for communities seeking to modify land use regulations to permit the types of developments that advance smart growth.

50 Fiscal zoning is carried out by a number of communities that have determined that multifamily units cost more in terms of services demanded than

they generate in tax revenue.



CASE STUDY: ADUs in Cary, North Carolina

Accessory dwelling units (ADUs) are independent housing units created within single-family homes or on their lots. ADUs can be apartments created within an existing house, added on to a house or above a garage, built as a free-standing cottage, or even designed

and constructed as part of a new housing development. ADUs help communities meet smart growth and affordable housing objectives by increasing density in an existing neighborhood without changing its character or requiring additional infrastructure. They can make owning a home more affordable by providing owners with a source of income. ADUs can also increase the supply of affordable rental units and enable elderly homeowners to stay in their neighborhoods and "age in place."

Local zoning ordinances can promote or prohibit the creation of ADUs. The town of Cary, North Carolina, is experiencing tremendous growth, fueled in large part by Research Triangle Park and the Raleigh-Durham International Airport. Rapidly rising housing prices and land and building costs have made finding affordable housing a challenge for many residents and workers. The town's current zoning code allows all single-family homes to include accessory apartments but requires them to be attached to the main building and occupied by a rel-

ative. As part of a zoning ordinance overhaul, the town is considering removing both of these restrictions, which would expand the types of ADUs that can be built and the number of people who can take advantage of them. Recognizing the market potential of ADUs, one local builder is already including 300-square-foot "suites" in new townhomes. These units will be part of Carpenter Village, a neo-traditional, planned community that incorporates such smart growth concepts as hidden parking, commercial-use structures mixed among homes, and alleys, sidewalks, and paths.

Permitting the building of ADUs is just one aspect of Cary's affordable housing plan, which is part of its broader, comprehensive plan. For more information, visit the Cary Planning Department's Web page at <http://www.townofcary.org/depts/dshome.htm>. Additional examples and model language for an ADU ordinance can be found in the American Planning Association's Accessory Dwelling Units: Model State Act and Local Ordinance, a brief guide prepared for the American Association of Retired Persons. The guide is available on the AARP Web site at http://research.aarp.org/consume/d17158_dwll_1.html.

Contacts: Shawn McNamara, Senior Planner (Housing), Cary Planning Department, (919) 469-4086, smcnamar@ci.cary.nc.us

Builder: Impact Design-Build, (919) 463-9940

Developer of Carpenter Village: Mike Hunter, WW Partners, (919) 462-0775

Provided by American Planning Association

Building Code Changes to Promote Rehabilitation

The enormous amount of existing housing stock in need of rehabilitation provides an excellent opportunity to create affordable homes and to infuse capital into existing neighborhoods in need of revitalization. Building codes regulating construction standards, however, have been designed primarily to address the needs of new suburban construction and can therefore be a barrier to the rehabilitation of buildings in inner suburbs and cities. For example, when faced with the cost of retrofitting turn-of-the-century homes to meet current standards for hallway width, ceiling height, door clearance, and the like, many developers and property owners come to the conclusion that rehabilitation is not cost-effective and therefore leave buildings to further deteriorate. The creation and adoption of separate codes to monitor rehabilitation of older buildings encourages their renovation, an important new source of potentially affordable housing and new investment in existing neighborhoods.

Smart Growth Impacts Smart growth objectives are achieved when building code changes take into account the conditions in older and historic homes and facilitate the renovation of existing housing stock and existing infrastructure. In applying these standards to buildings that are blighted or essentially abandoned, new development is possible without new land or infrastructure requirements. Recently rehabilitated homes also present opportunities for new residents who may seek proximity to services, transit, and jobs, but whose market demands are not addressed by the private sector as a result of zoning limitations or community resistance. The rehabilitation of homes frequently generates further investment in existing neighborhoods by fellow homeowners, community groups, and commercial investors.

CASE STUDY: New Jersey's Smart Codes

New Jersey's Rehabilitation Subcode, or rehab code, has greatly reduced the cost and administrative obstacles to rehabilitating older buildings, thereby facilitating reinvestment in urban areas. Of the many policies that discourage urban reinvestment, building codes that require a rehabbed building to meet modern-day standards can be the strongest disincentive vis-à-vis greenfield development. Under the New Jersey rehab code, buildings are not automatically required to meet modern-day standards, but are instead judged on their meeting the qualifications of a safe building. Instructions for compliance are compiled in an easy-to-read "cookbook," and developers are given "recipes" for each type of rehabilitation project. The code can shave between 10 and 40 percent off the cost of redeveloping older buildings.

Proof of the code's effectiveness is illustrated by the fact that rehabilitation work in New Jersey's five largest cities increased by 60 percent during the first year of the code's implementation - 83 percent in Newark alone. By comparison, in 1997, the year before the code's implementation, rehabilitation in these cities increased a mere 1.6 percent. New Jersey's rehab code recently won the prestigious Innovations in American Government Award from the Ford Foundation and the John F. Kennedy School of Government at Harvard University. The state of Maryland and city of Wilmington, Delaware, have already enacted similar legislation, and many other states and localities are considering the same approach.

Contact: State of New Jersey,
<http://www.state.nj.us/dca/codes/forms/rehab.htm>
Provided by Smart Growth America

Affordable Housing Impacts: The cost savings associated with acquiring older homes for rehabilitation can prove significant, thus lowering the cost of homes for below-median-income residents and homeowners. Alternative building codes increase the viability of renovation by private and nonprofit developers by reducing the cost of code compliance. As a result, quality housing units that would otherwise not be available are created in existing neighborhoods.

Issues to Consider: Other potential barriers to rehabilitation exist - such as the availability of skilled tradespeople, historic preservation requirements, and difficulty in estimating total cost. These obstacles are far from insurmountable.⁵¹ Communities seeking to incorporate a parallel code structure to support the rehabilitation of older homes would do well to engage fire and safety officials early in the process to ensure that the basic purpose of building codes - to ensure the safety of residents and stability of the buildings - are sufficiently addressed. It is also important to ensure that the adoption of new codes is not a reduction in building standards. Rather, it should be perceived as a means of addressing a market anomaly, and where cost-effective rehabilitation opportunities exist, making the market work more efficiently in producing affordable housing.

Increase Affordability by Reducing Transportation Costs

Total household costs attributable to housing choices go far beyond the actual dollar amounts paid each month in rent or mortgage payments. The transportation costs incurred as a result of location often constitute as large a portion of total household expense as do direct housing costs. The role of transportation costs in total household expenses should be taken into consideration when making decisions on location and financing. One of the most innovative approaches to linking these issues is the location-efficient mortgage (LEM), developed by the Center for Neighborhood Technology and Fannie Mae. The LEM considers household savings in transportation costs associated with living near public transit. In including these savings in calculating housing affordability, LEMs enable potential homebuyers to qualify for higher mortgages, making more housing affordable. Employer-assisted housing and live-near-your-work programs, usually promoted by local governments and offered by private sector employers, also help households locate in close proximity to jobs by providing down payment assistance or other benefits to employees. In so doing, employers are able to ensure that housing remains affordable

51 David Listokin and Barbara Listokin, "Barriers to Rehabilitation of Affordable Housing," draft, Center for Urban Policy Research, Rutgers

University, April 2001.

and accessible for employees in areas that do not require long commutes, thereby reducing traffic congestion and household transportation costs. Transit-oriented development also helps achieve these goals, by locating housing and services in close proximity to bus or rail systems. As a result, public transit becomes a viable option for people unable or unwilling to pay for private vehicles as their only means for mobility.

Smart Growth Impacts These approaches yield a number of important smart growth benefits. Location-efficient mortgages create an incentive for developers to construct and locate homes with access to public transportation. Wider availability of these mortgages will help expand the market demand for transit-oriented housing developments, leading to a greater supply and range of housing choices. By providing more access to housing in reach of transit, household dependence on automobiles is reduced, thereby improving air quality. Employer-assisted housing programs promote a better distribution of housing unit types and affordability levels (where a sufficient number of housing opportunities exist) throughout a region and help to create the necessary balance of jobs and housing associated with regional long-term economic growth. These efforts demonstrate the growing recognition by the private sector of the economic and environmental benefits associated with ensuring a range of housing choices for prospective workers. This is particularly true in times of low unemployment, when the ability of employers to demonstrate that adequate, proximate housing exists in a healthy regional environment can be a determinant in attracting quality labor.

Affordable Housing Impacts Making a closer connection between affordable housing and transportation costs can play an important role increasing the affordability of housing. Where current development patterns rely on the automobile for access to jobs and services - thereby requiring that each household privately own one or more vehicles - smart growth development reduces household costs by providing

CASE STUDY: Location-Efficient Mortgages in Chicago

In Chicago, homebuyers now have financial incentives to purchase a home with convenient access to public transportation. Chicago was among the first regions in the United States to have access to location-efficient mortgages (LEM,) an initiative to encourage homeownership by linking the region's housing and public transportation resources. The LEM is aimed at buyers who purchase a home in a densely populated community with efficient public transportation and allows a portion of that potential saving to be used as additional borrower income in qualifying for a mortgage. In Chicago, the LEM is helping working families buy homes even during a time of escalating prices, thanks to the additional purchasing power it provides. For example, in the city's Edgewater neighborhood, near Berwyn Avenue and Sheridan Road, a household of two people and an annual income of \$60,000 and one car would be credited with a location value of \$359 per month, or \$4,308 per year. On this basis, the household could qualify for a home selling for \$212,218 as compared to qualifying for a home selling for \$158,364 under traditional mortgage underwriting guidelines - an increase in home purchasing power of \$53,854.

The LEM has no income limit and offers more flexibility than standard mortgage financing, including low down payment requirements. Chicago's Department of Housing agreed

to include the LEM as part of its highly successful City Mortgage initiative, which offers a low interest rate, low down payment, and flexible mortgage product that includes a forgivable loan. In 1999, Fannie Mae committed more than \$21 million to finance below-market interest rate loans for more than 21,000 low- and moderate-income Chicago homebuyers through the City Mortgage initiative.

As a special incentive for the LEM and for urban homeownership, Chicago's Department of Environment has created an Energy Star appliance offer as part of the city's push to improve air quality and energy efficiency. The first 100 LEM borrowers who close on the purchase of a home will receive a voucher worth \$900 toward the purchase of an approved Energy Star refrigerator or washer/dryer combination.

Potential homebuyers can match homes available for sale with the unique capabilities of the LEM through a first-of-its-kind Web site, www.locationefficiency.com. Through this site, area maps, home listings, and detailed information about specific properties are available and indicate the potential savings to the borrower. The Center for Neighborhood Technology, the Surface Transportation Policy Project, and the Natural Resources Defense Council developed the LEM, with support from Fannie Mae.

Contact: Fannie Mae, Consumer Resource Center, (800) 732-6643, or Countrywide Home Loans, (800) 747-1871, <http://www.locationefficiency.com>

Provided by Fannie Mae

access to more cost-effective public transit, pedestrian, and bike alternatives. The LEM formula allows low-income (and other) households to qualify for larger mortgages, thereby making them more competitive with other homebuyers for housing stock and effectively increasing the supply available to them for purchase. Work-related initiatives create links between the affordability levels of workers at all income levels and the supply of housing in the vicinity of the workplace. In so doing, they provide a solution to the affordability crisis that persists in high-cost, high-salary, high-growth, or resort communities that fail to consider the housing needs of the service workers and other low-wage earners on whom these economies rely.

Issues to Consider: Each of these approaches will be most effective when incorporated into a broader strategy for creating communities as well as housing. Without viable services such as grocery stores, schools, and green space, transit-oriented development constitutes a real estate-driven initiative more than a community initiative and is limited in its appeal. Additionally, transit, bike, and pedestrian alternatives are most effective when linked with other transportation options that accommodate the range of needs of households. Nevertheless, any effort that explicitly considers the transportation costs stemming from the location of housing will help to better represent the overall cost of housing.

Regional Fair-Share Housing Allocation

Under regional fair-share housing allocation plans, regions within a metropolitan area agree on a comprehensive, regionwide plan for the distribution of affordable housing units. Implementation of the plan may require localities to change zoning standards or create incentives for private development where the market is not able to generate an appropriate range of options on its own. Central to the agreement is the recognition that a range of housing is necessary, particularly affordable housing near jobs, including those of service workers, schoolteachers, and public safety officials. Inclusionary zoning - which requires that all new housing developments incorporate a portion of affordable units - is one tool that can be used to implement this plan but can also be applied absent a regional agreement. As a regulatory program, penalties are put in place for localities that fail to comply with the regional agreement.⁵²

Smart Growth Impacts Ensuring this balance of jobs and housing on a regional scale can achieve important smart growth objectives. It reduces the likelihood of long commute times, mitigates traffic congestion, and creates more opportunities for alternative means of travel, including walking, biking, bus travel, etc. Additionally, it ensures that a range of housing choices exists throughout the region in a pattern determined by local residents themselves. Implementation of the allocation plan may require that new approaches to housing are considered - including multifamily housing, attached single-family housing, and accessory units - in every locality, thereby gradually increasing density and using infrastructure more efficiently. Finally, the gradual incorporation of a range of affordability levels throughout the region helps to achieve mixed-income housing patterns that are better equipped to serve the long-range housing needs of all communities.

52 The Montgomery County, Maryland, Moderately-Priced Dwelling Unit program is often cited as the premiere example of inclusionary zoning. The program requires that for all developments of 50 units or more, between 12.5 and 15 percent of them must be affordable for below-median-income house-

holds. For a thorough discussion of this program and other issues associated with inclusionary zoning, refer to Robert W. Burchell, "Inclusionary Zoning: A Viable Solution to the Affordable Housing Crisis?" *New Century Housing* 1.2 (October 2000).

CASE STUDY: New Jersey's Mt. Laurel Decision

In 1975, in response to exclusionary zoning in the township of Mt. Laurel, New Jersey's supreme court decreed that every municipality must provide a realistic opportunity for the provision of fair-share housing for those making less than 80 percent of the median income. In 1983, in the face of slow progress toward that goal, the state passed a Fair Housing Act, which created a quasi-judicial administrative agency, the Council on Affordable Housing (COAH), to help meet it. If municipalities have an affordable housing plan approved by COAH, that municipality is protected from the type of developer lawsuits that were brought under the Mt. Laurel decision and enjoys other funding benefits. According to COAH, its work has created 26,800 new affordable units and rehabilitated 10,400 units largely without direct public subsidy, as well as imposed less restrictive zoning on 14,600 units.

Although the court decision applies to all municipalities, entering into the COAH process is voluntary. At this time, 260 of New Jersey's 566 municipalities are participating; making participation mandatory would significantly increase the program's effect. Progress toward the fair-share goal is also limited by a political compromise that allows municipalities to pay another location to build their "fair share." While these regional contribution agreements have created a new source of funding for affordable housing, they clearly undermine the idea of a regional fair share by allowing wealthier towns to buy their way out of providing affordable housing.

Contact: State of New Jersey,
<http://www.state.nj.us/dca/coah/>

Provided by the National Housing Institute

Affordable Housing Impacts: Regional allocation plans are among the strongest commitments that communities can make to affordable housing. The distribution of housing throughout the region is greatly enhanced, thereby enabling households to locate where total household costs, including transportation costs to jobs, can be minimized. It serves to disperse low-income housing and create diverse opportunities for the use of Section 8 vouchers, placing these households in greater proximity to well-funded community amenities, such as schools and parks. In some cases, localities or developers may have the option of paying into a regional housing trust fund rather than constructing affordable units, thereby generating a significant resource for new housing assistance.

Issues to Consider: The creation and enforcement of an affordable housing allocation plan is largely a matter of political will and requires local officials to buck the current trend toward "fiscal zoning," where localities zone for more expensive housing in an attempt to pay for the services to support it.⁵³ Studies abound demonstrating that quality affordable housing often has little or no impact on surrounding home values and can help inform area residents who may object to the incorporation of affordable housing into neighborhoods based on these perceived negative economic consequences.⁵⁴ While the option for developers and localities to contribute to a housing trust fund in lieu of compliance does create more flexibility, it also serves to undermine the important distributive effects of the program and may result in further concentrating affordable housing in the few (often lower-income) communities where it is accepted. Use of the inclusionary zoning approach for implementing regional planning works most effectively when paired with density bonuses to compensate builders for the foregone profit on affordable set asides. Finally, states and regions are challenged to determine an effective means of responding to localities that fail to comply with their affordable housing commitment to the region.

Incentives through the Zoning Process

Local governments can provide incentives for targeted types of development through their approval processes. Developers who seek to create projects that advance smart growth and create a wider range of housing choices are often hampered by time-consuming processes for securing waivers and variances.

53 An illustrative example of this is described in Stephen Ginsberg, "Are They Worth It?" Washington Post, March 2, 2001, which examines the case of a number of counties trying to curb the construction of affordable townhouses based on the fiscal drain they represent for county coffers. Charles County in Maryland has declared a moratorium on townhouse construction, and Prince

George's County (also in Maryland) has more than doubled its fees on townhouses in an effort to dissuade builders or increase the price (and therefore the assessed value) of the units.

54 One such study is Family Housing Fund, Affordable Family Rental Housing and Home Values.

Changes to existing zoning processes, such as more flexible zone designations, streamlined approval processes, and reduced permitting fees, would enable developers to implement smart growth housing projects in advance of a comprehensive statewide or local enabling legislation overhaul.

Furthermore, the targeted use of these modifications can help change developers' perceptions of the zoning process from an obstacle that hampers private initiative to a tool for achieving shared goals.

Smart Growth Impacts The zoning process and zoning mechanisms provide a range of opportunities to create smart growth. Overlay zones can be used effectively in existing low-density, single-use areas (for example, along a targeted street or intersection) to encourage mixed-use or higher-density developments and pave the way for more rapid development of and more innovation in housing and other private sector projects. Process incentives - such as streamlined approvals or waived or reduced permitting fees - can encourage developers to take on smart growth projects, such as residential-retail mixes or transit-oriented development. These process incentives may be triggered by rating proposed projects against a set of desired criteria, such as access to public transportation or percentage of open space preserved, through the use of a smart growth "scorecard." In so doing, the process also serves to achieve the smart growth goal of making the development process predictable, fair, and cost-effective.

Affordable Housing Impacts In addition to creating an incentive for developers to take on projects that they might not otherwise, the increased efficiency of the zoning process for targeted development translates into improved affordability of the end product. By reducing pre-development costs through time saved in securing zoning approval and through money saved from reduced permitting fees, the cost of developing housing is lowered, thereby creating savings that can be passed on to subsequent owners. Overlay zones that allow multifamily or higher-density housing also create opportunities for the construction of more units on less land, thus lowering prices caused by inadequate supply.

CASE STUDY: SMART Housing in Austin, Texas

Austin, Texas, has established complementary smart growth and affordable housing initiatives, recognizing that policies and incentives designed to accomplish the former do not always promote the latter. Improving the quality of life for all income groups depends upon economic vitality as well as environmental quality factors. To that end, the city has designated a Drinking Water Protection Zone, areas of steep slopes and shallow soils where building is prohibited or carefully controlled, and encouraged growth in Desired Development Zones, areas in which a range of incentives are offered to developers. Builders can calculate their ability to earn incentives by using the city's Smart Growth Matrix, which measures how well a project meets a range of city goals. Depending on how they score, projects can benefit from a streamlined review process, reduced or waived fees, and public investment in new or improved infrastructure, such as water and sewer lines, streets and streetscape improvements, or similar facilities.

While most of these and other smart growth incentives apply only within designated development zones and neighborhoods with approved plans, its SMART Housing program applies



*SMART Projects in Austin, Texas.
Photo provided by City of Austin.*

anywhere within the city limits. SMART-Safe, Mixed-Income,

Accessible, Reasonably-Priced, Transit-Oriented Housing - projects that will provide affordable units can qualify for development fee waivers and expedited reviews for permits. Since the program's inception in April 2000, the city has certified projects involving 5,310 housing units that qualify for these incentives. Approximately 40 percent of the units meet the city's definition for reasonably priced housing in that they are affordable by households making 80 percent or less of the area's median family income. As of mid-2001, building permits had been issued for 85 single-family homes and 638 units in multifamily projects. Developers with another 5,825 units of housing in the pipeline are considering submitting their projects for certification as well.



Contacts: Austin Planning, Environmental and Conservation Services Department, (512) 499-3500, <http://www.ci.austin.tx.us/planning/>, or Stuart Hersh, Neighborhood Housing and Community Development Department, (512) 499-3154, stuart.hersh@ci.austin.tx.us.

Provided by the American Planning Association



*SMART Projects in Austin, Texas.
Photo provided by City of Austin.*

Issues to Consider: Some approaches to managing land use decision making have included the creation of "one-stop" centers for permits and development approvals and the incorporation of performance zoning, which permit development based on its potential impact rather than its conformity to prescribed uses. Despite the delays that the zoning process can cause, it is an appropriate action for local governments to engage in. Benefits derivable from enhancements to the system can then be used as incentives for targeted development. In all cases, the cost savings represent an opportunity to increase profits for developers and make housing more affordable for residents. It is the political will on the part of the local government and the sense of social responsibility on the part of the developers that will determine who benefits from zoning process changes.

Reuse of Vacant Properties and Land

Concerted community efforts to reuse vacant properties and land play a vital role in expanding the housing stock available to community members.⁵⁵ The acquisition and disposal of vacant property and land for development through FHA foreclosure purchases, vacant property disposal programs, brownfield remediation, and land banking by the local government can add value to infill locations and facilitate the redevelopment process in existing neighborhoods. These efforts complement those undertaken by communities to preserve land value by making available for redevelopment those properties that have been identified as abandoned or vacant.

Smart Growth Impacts Creating opportunities for reinvestment in existing neighborhoods is a cornerstone of smart growth. By targeting development to communities in which infrastructure already exists, the need for new construction and infrastructure investment on the urban fringe is reduced. Developing in existing neighborhoods can be more difficult than greenfield development, however, because of possible community opposition, the lengthy process of land assembly, and functional barriers to construction, such as street widths and traffic concerns. Making available land and property for new construction and redevelopment can begin to level this uneven greenfield/infill playing field. Land banking can be an effective means for local governments to stimulate and manage development in existing neighborhoods by providing land to developers that has already been assembled for desired purposes. Land banking also allows the locality to acquire and preserve land to accommodate future growth or open space. Brownfield programs can help clean up properties and provide liability protection for future owners to address perceived or real environmental barriers to the redevelopment of properties for new uses, including housing. The occupation of vacant units - or, at a minimum, the proper boarding of properties subject to escalating penalties over time - makes more efficient use of resources, creates new housing stock with no new land consumption, promotes infill, and preserves value in existing neighborhoods. The reuse of vacant properties, either FHA foreclosures or privately- or city-owned foreclosures, helps to stem further signs of distress in existing neighborhoods, contributes to an appearance of reinvestment rather than blight, and provides housing for the population concentration necessary to support commerce and security.

Affordable Housing Impacts The reuse of vacant houses and property has been a cornerstone of the community-based approach to providing affordable housing for years. By making available to residents suitable vacant units for occupation, communities are able to directly increase the supply of affordable

55 For more information on the use of vacant land in urban revitalization, see Michael Pagano and Ann O'M. Bowman, "Vacant Land in Cities: An Urban

Resource," Brookings Institution Online, January 2001, <http://www.brookings.edu/es/urban/pagano/paganoexsum.htm>.

housing and preserve and rehabilitate existing housing. When properties can be acquired for only the cost of tax arrears and liens, as may be the case with foreclosures, a significant cost savings is generated that can be passed on to the new purchaser. This is also true of land assembly carried out by the local government for units offered for private development, which generally reduces the cost of pre-development for the builder and therefore the total cost of housing production. Land banking by local governments can contribute to the supply of affordable housing by facilitating the purchase of land in areas where new public investments such as transit, roads, or infrastructure will be made before values have appreciated. When the need exists, the land can then be made available to for-profit or nonprofit developers for housing or mixed-use development that includes some or all affordable units.

Issues to Consider: Carrying out these approaches requires not only the political will necessary to make public investments in land and buildings for affordable housing purchases, but also the organizational capacity to facilitate acquisitions, sales, and title transfers in an efficient and transparent way. When identifying buildings available for reuse, there may be debate about whether to demolish or rehabilitate, particularly in cases where historic properties are involved. Communities faced with these challenges need to address the legal and economic issues of both options, as well as the larger community values related to the preservation of such structures. Other related efforts that localities have undertaken to advance



Neighborhoods in Bloom Program in Richmond, VA. Photo provided by City of Richmond

CASE STUDY: Neighborhoods in Bloom in Richmond, Virginia

Vacant properties and abandoned buildings often represent an untapped resource for infill development and affordable housing. Recycling these sites, many of which are located within the urban core and inner-ring suburbs, provides opportunities for achieving Smart Growth's broader policy objective of compact development. Recent efforts by Richmond, Virginia, illustrate the benefits of taking such an integrated approach to the revitalization of vacant properties.

Faced with a serious decline in the housing stock and concerns about safety and neighborhood quality of life, in 1997 the city manager guided the City Council and community through a strategic priority-setting process. The City Council decided to target the six most troubled neighborhoods through its Neighborhoods in Bloom revitalization initiative. Program administrators and planners selected a total of 900 impact areas, that is, properties where improvements would be most apparent. Of these, almost half were vacant, and two-thirds had code violations.

Neighborhoods in Bloom establishes stronger links between Richmond's code enforcement and nuisance abatement approaches and the city's housing rehabilitation and redevelopment programs. Working with community groups in these six neighborhoods, the city's code enforcement department identifies abandoned and substandard buildings and then encourages or persuades the owners to rehabilitate their properties. The City

Manager's Office also streamlined and coordinated an array of federal and state housing rehabilitation resources. Richmond has creatively used its CDBG and HUD's HOME funds to focus redevelopment efforts, target neighborhoods, and leverage private funding.

A recent report to the City Council highlighted the preliminary successes of Neighborhoods in Bloom's first two years, which included the following: 1,152 inspections, 856 violations cited, and 498 violations resolved; 130 home repair grants or loans to NIB homeowners to resolve violations; 23 properties with major rehabilitations completed, 102 initiated rehabs, and 144 planned rehabs; 44 new units built, 133 in progress, and 117 units planned; \$14 million in CDBG and HOME funds allocated, \$12.9 million spent or committed to programs; a 3.9 percent increase in aggregate assessed property values in NIB areas for 1999-2000 (a rate higher than the rest of the city); and a reduction in violent crime by 37 percent and property crimes by 19 percent after the first year of the program. Given these early accomplishments, the Richmond City Council reauthorized Neighborhoods in Bloom by directing the city manager to continue working in the six selected neighborhoods for the next two years (2001-2003).

Contact: City of Richmond,
http://www.ci.richmond.va.us/citizen/neighborhoods/cmxxs_neiindex.asp

Provided by the International City/County Management Association



Neighborhoods in Bloom Program in Richmond, VA. Photo provided by City of Richmond

many of these same objectives include urban homesteading programs, "clean and lien" programs, the employment of vacant property coordinators, allocation of the right of eminent domain to local community development corporations (CDCs), and partnerships between receiverships and community-based CDCs. Keeping preserved or rehabilitated units affordable over time can also be an issue in neighborhoods undergoing gentrification.

Environmental Issues

Housing that is constructed with or contains hazardous materials poses a serious health risk to residents regardless of income. Below-median-income households, however, which have fewer housing choices and financial resources to mitigate environmental threats, are more often at risk for exposure to environmental hazards than are higher-income households. Enforcement of rules to prevent lead and asbestos contamination, for example, can help ensure that affordable housing remains healthy housing, as well, for its residents.

Smart Growth Impacts Protecting the physical environment in which people reside is as important to smart growth as protecting the natural environment. Policies put in place to assist households in the remediation of asbestos or lead contamination will allow households to remain in place, thereby reducing the need for new construction and protecting against disinvestment.

Affordable Housing Impacts Housing that reduces costs by compromising building and health standards is, of course, an inappropriate approach to providing affordable housing. Loans or grants made available to assist with remediation of hazardous materials can be an effective way of ensuring that a healthy stock of housing remains available for renters and that investments and equity are retained for property owners.

CASE STUDY: Addressing Lead Hazards in Rhode Island

Rhode Island has created a program that addresses a common lead hazard in distressed housing - badly deteriorated old windows. The Rhode Island Window Replacement Program uses Medicaid funds to pay for replacing or refurbishing windows in the homes of lead-poisoned children, who are most likely to be living in deteriorating housing in distressed communities. Window replacement or refurbishing is projected to save long-term expenditures by lowering the prevalence of severely elevated blood lead levels among children in the most hazardous dwellings.

The Rhode Island Department of Human Services administers the program and requires that it be combined with com-

prehensive, non-medical follow-up care for lead-poisoned children. The funds expended in the program - Rhode Island has estimated that it will spend an average of \$1,830 per unit in 100 to 200 units - are projected to save health care costs by lowering treatment and hospitalization costs for poisoned children. By targeting distressed housing in urban neighborhoods with known lead hazards, the program also helps to ensure that the existing affordable housing stock in those neighborhoods remains safe and secure for residents.

Contact: Rhode Island Department of Human Services, 600 New London Avenue, Cranston, RI 02920, (401) 462-3392

Provided by the Environmental Law Institute and the Alliance to End Childhood Lead Poisoning

TAX-BASED STRATEGIES

State and Local Tax Incentives for Housing

The targeted use of tax resources can encourage new development and rehabilitation and provide financial assistance to households that may otherwise be displaced by revitalization efforts. These incentives and applications include the use of tax-increment financing (TIFs) for housing construction; establishment of regional housing trust funds supported by property tax revenues, tax abatements or deferrals for long-time low-income homeowners in revitalizing areas, use of Neighborhood Assistance Programs (NAPs) to encourage corporate investment in neighborhood revitalization through tax credits, and the use of "linked deposit" programs to provide state tax revenue for reduced-interest loans for rehabilitation or renovation.

Smart Growth Impacts Community smart growth goals are advanced by these approaches because they provide funds to rehabilitate or improve existing housing, thereby reducing the need for new housing construction. The use of tax abatements, tax deferrals, or homestead exemptions for existing property owners provides a means for communities to pursue revitalization and protect against displacement of renters and homeowners. By tying housing support to tax-generated sources, an important link is made between the place of low-wage employees in local and regional economic growth and their housing needs.

Affordable Housing Impacts Tax revenues can provide a sizable pool of funds for new construction and renovation of housing, thereby increasing the supply of viable units available to households of all income types. By targeting these resources to below-median-income households directly, or to ownership structures such as limited-equity multifamily housing and cooperatives that ensure long-term affordability, a still greater impact can be made on households that are at higher risk of displacement or poor housing conditions.

Issues to Consider: Public responses to taxation during recent years have been instructive in gauging Americans' opinion of the generation and use of tax resources. For example, Proposition 13 in California was a landmark effort to stem the ever-growing property tax burden borne by homeowners there, and it passed successfully, thereby limiting the amount of property tax revenue that localities could collect. As a result, however, local governments have been forced to seek high sales, tax-generating businesses, such as

CASE STUDY: Linked Deposits for Housing Rehabilitation in Cuyahoga County

Cuyahoga County, Ohio, has employed a widely available, yet underused, strategy-linked deposits - to assist inner-suburb homeowners rehabilitate their homes using county tax proceeds. As authorized by law, the county treasurer invests up to 10 percent of total tax revenues in participating banks at below-market rates (not to exceed a 3 percent differential). In exchange, the banks must commit to passing on the savings to borrowers in the form of low-interest loans for housing rehabilitation and renovation. It is estimated that county treasurers in as many as two-thirds of all states have this authority, making it a potentially enormous untapped resource for revitalizing neighborhoods and improving housing quality.

The county's Housing Enhancement Loan Program is available to any homeowner - regardless of income - residing in an

inner suburb in which housing values have appreciated at less than 2 percent annually over the last 15 years. By foregoing between \$1.2 and \$2 million in interest, it is estimated that the county will make available roughly \$40 million to upgrade 4,000 homes over the course of two years. As a result, residents of existing neighborhoods are able to adapt and upgrade their homes to changing needs, thereby creating less demand for new housing construction on the urban fringe. In addition, new capital flows into existing neighborhoods whose housing stock would otherwise appreciate slowly or not at all. The county wins, too - property tax assessments are expected to increase by \$400,000 a year as a result of the improvements.

Contact: Cuyahoga County,
<http://www.cuyahoga.oh.us/treasurer>

Provided by the U.S. Environmental Protection Agency

big box retailers, auto dealerships, shopping malls, etc., to offset the lost tax revenue, which challenges smart growth efforts to develop mixed-use projects and street-scale retail. Naturally, the enormous financial resources generated by the taxes collected are in demand for a range of special uses. Strong political will is required to apply these critical resources toward advancing the community goals of smart growth and affordable housing.

Low-Income Housing Tax Credit

The low-income housing tax credit (LIHTC) program provides for the distribution of federal tax credits for the production of affordable housing. The credits are allocated to states based on population for distribution to for-profit and nonprofit developers of affordable housing. States determine the distribution and priority uses of their credits through qualified allocation plans (QAPs), which set requirements for the use of tax credits beyond those set by the federal government.

Smart Growth Impacts A provision approved in December 2000 by Congress has the potential to strengthen the use of the LIHTC to achieve smart growth impacts. All states are now required to give priority to the use of tax credits for housing proposed in conjunction with concerted community revitalization efforts. This will help direct this important resource toward existing, distressed neighborhoods targeted for broader revitalization activities. A second federal provision allows for the use of tax credits for a portion of the cost of building community facilities for child care, workforce development, and health care, thereby encouraging a mix of uses in new developments and greater proximity of residents to services. At the state level, many QAPs require compliance with the local or state consolidated plan to encourage better future planning for growth and housing needs. In addition, state QAPs may give priority to preservation projects, thereby providing a means to rehabilitate existing structures and leverage investment in existing neighborhoods.

Affordable Housing Impacts Few programs have been as successful as the LIHTC at using private equity investments for the construction of affordable rental housing. The LIHTC has produced roughly 1 million units since its authorization in 1986, serving families that have an average income

CASE STUDY: Roseland Ridge Apartments, Chicago

This \$5.9 million development used low-income housing tax credits to fund 40 units of affordable family housing in four newly constructed buildings in the Roseland neighborhood of Chicago's South Side. The predominantly African American neighborhood began deteriorating in the 1960s, as residents and businesses left the area, leading to commercial stagnation. By the late 1990s, it was in dire need of safe, decent, affordable housing, as 65 percent of the existing stock was dilapidated or vacant.

In 1998, Chicago identified the neighborhood as the Roseland Michigan Avenue Redevelopment Area, with the

goals of removing substandard buildings, investing in infrastructure improvements, and promoting public and private investment in the neighborhood. The project was financed with \$3.3 million in equity from the National Equity Fund, Inc., and additional funding from Bank of America, the city of Chicago, and the Illinois Department of Commerce and Community Affairs. The Roseland Ridge Apartments project, in recognizing that meeting housing needs is a critical part of a larger smart growth strategy, demonstrates the critical role of new investment in affordable housing in revitalization efforts.

Contact: Local Initiatives Support Corporation,
<http://www.liscnet.org>

Provided by the Local Initiatives Support Corporation

56 National Low Income Housing Coalition, "Advocates Guide to Housing and Community Development Policy," May 14, 2001, <http://www.nlihc.org/advocates/36.htm>.

ates/36.htm.

of \$12,000, or 37 percent of the median income.⁵⁶ The program is flexible in its application, and as the efficiency of tax credit distributions has increased, states have leveraged increasingly significant amounts for tax credit allocations. The program helps increase the supply of multifamily housing in a market that is more inclined naturally toward single-family production and may be used as a means to acquire expiring Section 8 project-based units. Finally, despite the fact that it is already a dominant source of affordable housing funding in rural areas, recent changes in the LIHTC program promise to expand its use by making more rural census tracts eligible for larger tax credits.

Issues to Consider: It is as yet unclear how the requirement to prioritize the use of tax credits for community revitalization will be interpreted and defined at state levels. The process of doing so, however, should provide an important opportunity for local housing producers and advocates, planners, and smart growth advocates to influence state policy making. Additional flexibility at the state level may provide still greater opportunities for the use of tax credits for more explicit smart growth-friendly applications such as transit-oriented or mixed-use developments.⁵⁷ Finally, there is growing concern about the expiration of a number of tax credit projects authorized in the late 1980s, which are expected to convert to market-rate housing after the 15-year program period. The loss of these projects from the affordable real estate market will put an additional strain on communities to provide for growing needs.

COMMUNITY STRATEGIES

Design Innovations

Innovations in housing design, construction, and production can result in significant cost savings and more vibrant communities.⁵⁸ When permitted by local zoning and building codes, alternatives to the standard stick-built single-family detached home cannot only be chosen to expand the range of housing choices, but also to lower costs for developers and consumers. Innovations include the use of party walls to build duplexes or rowhouses, the use of pre-fabricated building components, such as roof trusses, designs for multifamily housing that ensure privacy and mitigate noise, the construction of small homes for starter households (particularly when paired with nearby access to open space), adherence to traditional neighborhood design (TND) standards in building facades and orientation to encourage better relationships of housing to the street, and the use of high-quality manufactured housing for new construction or additions.



Ngji Gardens in Seattle, WA. Photo provided by Manufactured Housing Institute.

Smart Growth Impacts Many of these innovations represent important aspects of smart growth. The construction of smaller homes on smaller lots permits builders to economize on infrastructure costs and helps create denser developments without sacrificing many households' appetite for single-family detached homes. When a clustered approach is used in siting buildings, as is the case in planned unit developments (PUDs), open space can be preserved and dispersed throughout communities. Multifamily

57 Texas, for example, allocates points for project proximity to transit and commercial activities, as well as for mixed-income housing.

58 HUD has created a CD-ROM and design-focused workbook to guide communities in better incorporating innovative design principles into affordable housing projects. The guide encourages users to incorporate housing in the vernacular and architectural style of the existing neighborhood, orient build-

ings to the street by placing parking at the side or rear, and support non-motorized means of transportation with dedicated walking and bike paths, and employ traffic calming techniques. U.S. Department of Housing and Urban Development, Affordable Housing Design Advisor: Bringing the Power of Design to Affordable Housing (Washington, D.C.: HUD, 2001).



CASE STUDY: Noji Gardens, Seattle

The use of an innovative manufactured home product enabled HomeSight, a non-profit developer, to produce affordable homeownership opportunities for moderate-income households on an infill site just south of Seattle. The 75-unit development features two- and four-section two-story zero-lot-line single-family homes, 54 of which are manufactured homes. With Seattle's strong economy and high land, construction, and regulatory costs, it had become increasingly difficult for HomeSight to produce high-quality homes at affordable prices. Manufactured housing, however, presented a viable, affordable alternative to stick-built homes. Manufactured homes can be small, making possible higher density developments. These homes are less expensive to construct because they can be produced quickly and efficiently in the controlled environment of a factory, which is protected from weather damage and delays, employs a skilled and consistent workforce, and generates continuous, high-volume production. HomeSight's construction team can "crane," or build, four boxes of manufactured housing, the equivalent of two units, in two hours. The short construction time translates into lower financing costs. In addition, the performance-based HUD code that regulates manufactured housing enables innovation in materials and methods of construction. These cost savings means lower home prices.

The past success of the King County Housing Authority in developing manufactured home communities and new state-level growth management requirements for affordable housing gave rise to HomeSight's use of manufactured homes in the Noji Gardens neighborhood. Comprised largely of two-story homes, Noji Gardens is within Seattle's city limits and is close to schools, playgrounds, community centers, public transportation, and the Columbia City commercial core.

The 6.5-acre site was divided into 2,400 to 4,000 square foot lots. The first eight homes in Noji Gardens feature two basic models of manufactured homes, each with a number of variations available. Both are two-story Craftsman-style homes with front porches, lap siding, and steep roofs. One model consists of four manufactured modules, two downstairs and two upstairs. Together they create a 1,400-square-foot single-family home on a footprint of 24' x 30'4". This model can be adjusted for three or four bedrooms. The other model is constructed with two sections stacked one above the other. Each section is 15'10"x 39', creating a 617-square-foot, two-bedroom, two-and-a-half bath home, including a front porch on the first floor. All the homes have vinyl siding, which HomeSight installs on-site. Interiors include solid oak cabinets, energy-efficient windows, and name-brand appliances.

The project's zero-lot-line configurations were the first in the county. The stick-built housing consists primarily of fourplexes that look like townhomes and are all of the same design. There are also some stick-built components to the manufactured homes. For example, there are single-family homes that have modular first floors with stick-built wraparound porches and second floors constructed of a mixture of modular and stick building.

HomeSight's goal in pricing the development was to keep prices low enough so that people in the neighboring area could afford to live there. As required by the conditions of the CDBG loan used to construct the manufactured homes, 51 percent of the homes are reserved for households with incomes of 80 percent or less of the area median family income, \$43,000 a year for a family of three. Forty-nine percent of the homes are sold at market rate.

Contact: *Urban Land Institute,*
<http://www.uli.org>

Provided by the Urban Land Institute



housing is an important component in creating dense, walkable neighborhoods, and a critical housing choice for many households. Furthermore, well-designed multifamily structures, including those that provide a range of amenities for residents, can satisfy the density needed to support expanded commercial services or transit facilities. Design standards - such as TND codes and ordinances that require buildings to provide "eyes on the street" - are critical tools in creating character of place and ensuring safe pedestrian corridors. When done well, innovative and appealing design reaps community benefits and attracts new residents to higher-density neighborhoods who might otherwise prefer a lower density alternative.

Affordable Housing Impacts Many design innovations serve to reduce costs for property owners, making housing more affordable for owner occupants and renters. Unit designs to facilitate shared walls and pre-assembled building components reduce construction costs and create savings for buyers. Housing units constructed in clustered or transit-oriented developments that favor on-street parking reduce builders' costs for constructing parking spaces. Smaller homes can be a viable, affordable option for smaller households, particularly those that opt not to pay for large private yards or custom construction. Finally, design standards that encourage safe pedestrian corridors can further reduce total household expenses by increasing the viability of walking, biking, and transit access, thus providing alternatives to individual auto transportation.

Issues to Consider: It is important for communities to ensure that the incorporation of design innovations does not come at the expense of quality housing. For example, party walls should be well constructed to mitigate noise from adjacent units. Additionally, while smaller units may present a viable alternative for some households if the supply exists, they will not be appropriate for all low-income households, particularly those that are large or multigenerational. Most important, community involvement in the design process of new housing can help ensure that the project responds to the needs and wishes of the neighborhood and is therefore more successful.

Monitoring to Preserve Land Value

Developing a process for the real-time monitoring of land markets can help local governments and nonprofits identify threats to neighborhood stability and opportunities for new development. Real-time monitoring - in which local and state governments readily make available public information on landowner tax arrears, outstanding property liens, and other indicators of potential disinvestment and blight - can help stem the decline of existing neighborhoods that would otherwise speed the outmigration of households and businesses to the urban fringe. Not only does the public nature of the information act as an incentive for landowners to remain current on payments, but the monitoring of land can also help potential investors identify properties that can be acquired for new construction or rehabilitation. Such efforts to prevent disinvestment in existing neighborhoods help retain population and services and preserve value in the housing and building stock. They also promote investment by streamlining the process of parcel identification and assembly for new development or rehabilitation.

Smart Growth Impacts Identifying available infill locations that are well-suited for redevelopment is a critical component in achieving smart growth.⁵⁹ Current development patterns exist, in part, because of the relative ease of development on the urban fringe. When the process of development in existing neighborhoods is simplified through prior identification of lots and community buy-in, they become more attractive to investors and more likely to become candidates for quality development in the future. When the process of monitoring land and buildings is paired with assistance by the local jurisdiction in the transfer of title to new owners, the development process can proceed even more efficiently. This strategy provides a means for local governments to encourage the full use of land and infrastructure in existing neighborhoods, which is particularly critical in communities where growth management policies are in place.

Affordable Housing Impacts Monitoring land and buildings in existing neighborhoods is important for affordable housing in two ways. First, the ability to prevent long-term disinvestment by property owners from homes and buildings in existing neighborhoods protects the property values of owner occupants and attracts new investment. When disinvestment occurs, residents of the neighborhood not only lose equity in their owner occupied properties, but they also suffer from declining services and lower prospects for future investment. Second, structures that are characterized by neglect or blight are investment opportunities for nonprofit or for-profit developers to convert into affordable housing. Lower upfront costs for land or building acquisition when the purchase price is the assumption of liens or taxes owed can be converted into savings for below-median-income dwellers.

59 The Urban Land Institute has developed a useful resource on infill housing that goes into great detail about the preconceptions and realities of this devel-

opment approach. For more information, see Urban Land Institute, "Urban Infill Housing: Myth and Fact," 2001, <http://www.uli.org>.

CASE STUDY: Neighborhood Early Warning System

The Center for Neighborhood Technology (CNT) in Chicago has pioneered a system for connecting community groups with information to help them fight neighborhood deterioration. The Neighborhood Early Warning System (NEWS) is an online inventory of real property in Chicago that synthesizes and eases access to information that may otherwise be difficult and time-consuming to obtain. NEWS provides information to alert community groups and city and county agencies to the danger signs of disinvestment and abandonment. Citizens can find out about code violations, housing court cases, water bill arrears, property tax delinquencies, and fire records, as well as information on real estate sales, buyers, and tax assessments. NEWS makes data available on upcoming

housing auctions and opportunities for property acquisition by individuals or community groups.

Since its inception in 1984, NEWS has grown from a simple in-house system with data distributed via floppy disk to nonprofit housing developers to a sophisticated Internet-based community information system. More important, it has helped communities throughout Chicago acquire and renovate housing units and has provided a model for other U.S. cities to follow in developing similar resources in their communities. NEWS has played an important part in helping community groups implement smart growth in their backyards by preserving the investments already made in existing neighborhoods and leveraging new ones.

Contact: Center for Neighborhood Technology,
www.cnt.org/news

Provided by the U.S. Environmental Protection Agency and the Center for Neighborhood Technology

Issues to Consider: It is important to note that real-time monitoring of land can be expensive, depending on the approach. Nevertheless, it can be an important tool in helping nonprofit and for-profit development partners identify viable sites to carry out desired housing and revitalization projects. To further enable the achievement of housing goals, monitoring efforts should be integrated with planning for housing, with streamlined benefits and approval processes for developers who want to improve targeted sites. Furthermore, it is useful to distinguish land market monitoring - in which trends in land and housing prices and their effects on sprawl, affordability, gentrification, and the like are tracked - from land supply monitoring - in which the amount of land available for development and at what zoned densities is determined. New guidance from the American Planning Association recommends that states require the latter in regions that have adopted an urban growth boundary. In those without growth boundaries, it is nevertheless recommended.

Community Land Trusts

Community land trusts (CLTs) are a mechanism by which nonprofit organizations own land and low-income homeowners own the improvements on it, which reduces the cost of purchase for targeted homeowners. The homeowner has access to a long-term lease on the land, which is owned by the land trust in perpetuity. When housing subsidies to assist low-income homeowners are channeled through CLTs to acquire or rehabilitate properties, the subsidy can be retained over the long-term through the CLT's share of the property, thereby creating a permanent source of affordable housing. Depending on the conditions of the CLT, homeowners may be able to capture a share of the appreciation of the house, although the total cost of purchase will be retained at a below-market level to ensure that it remains affordable for future homebuyers.

Smart Growth Impacts From a smart growth perspective, CLTs provide an important means for nonprofit groups to acquire, redevelop, and resell buildings in existing neighborhoods. The long-term lease made available to the homeowner by the CLT (and the equity limitations associated with it) act as tools for communities that seek to protect low-income residents from displacement in gentrifying neighborhoods. The partnership between the CLT and the homeowner to acquire and maintain the home helps preserve existing housing stock, enhance community character, and contribute to a sense of place.

CASE STUDY: Portland Community Land Trust

Founded in 2000, the Portland (Oregon) Community Land Trust (PCLT) is a city-wide program dedicated to helping residents of gentrifying neighborhoods become homeowners in their community. In the 1990s Portland experienced rapidly rising real estate prices. A study conducted by the city revealed that homeownership was virtually out of reach for households earning 80 percent of the area median income (AMI) and below.

PCLT is using two strategies to accomplish its goal. The first approach is to partner with nonprofit affordable housing developers to build new homes on PCLT-owned land, which has been donated or purchased from the city or county. The homes are sold to homebuyers under the CLT model. In 2001, 13 new construction homes will come into trust. Eleven of these homes will be part of Rosemont Commons, a mixed-income community in the heart of the Piedmont neighborhood, and five homes will be targeted to households at 35 to 65 percent of AMI.

Affordable Housing Impacts: CLTs hold a great deal of promise for ensuring the long-term affordability of housing. By reducing the overall cost of entry for new homebuyers, and tying the subsidy for housing to the unit rather than the resident, this mechanism is able to ensure affordable housing in a way that few, if any, other programs do. Long-term value is leveraged from what are often modest initial public subsidies for as long as the CLT retains ownership of the land.

Issues to Consider: Communities seeking to utilize this tool for affordable housing should consider that, as an organization, CLTs require resources for overhead to manage changes in ownership as well as new acquisitions and rehabilitations. While the lease payments made by the homeowner may slightly offset these costs, they often fail to provide a significant source of revenue for CLTs. Far more significant are funds earned by the CLT through development fees for building rehabilitation and new construction. Nevertheless, keeping CLT costs in check are a critical determinant of long-term viability. Finally, the CLT structure can utilize savings from "sweat equity" programs, where partial in-kind contributions by homebuyers are made in the form of labor for renovation or rehabilitation to make housing even more affordable for new buyers.

Increase Affordability by Reducing Energy Costs

The total cost of housing is represented not only in direct rent or mortgage payments and indirect transportation costs, but also in the expense of utilities to light, heat, and cool. Programs that take into account the impact of utilities as a component of housing cost can fold long-term energy savings into the financing, design, and construction of homes. Resource-efficient mortgages, for example, consider utility cost savings in energy-efficient homes in the calculation of homeowner affordability. Weatherization (in which buildings are retrofitted for better insulation, natural lighting, and reduced electricity, gas, and water consumption) and "green" building techniques (which include energy-efficient design, materials, and construction technologies) ensure that the cost of utilities are lower than for conventional homes - a value that can amount to significant savings over time.

Smart Growth Impacts While smart growth speaks primarily to the conservation of natural resources in the siting and layout of developments, it is also concerned with the impact of escalating energy consumption on critical environmental resources. In this respect, housing construction techniques such as

The second approach is a buyer-initiated plan whereby qualified homebuyers are given a subsidy through PCLT to purchase an existing house. PCLT owns the land and the homeowner owns the house plus a 99-year inheritable lease for the underlying land. PCLT recently began the buyer-initiated program with a \$400,000 grant from the city as part of an anti-displacement program in a new urban renewal district encompassing 10 neighborhoods in north and northeast Portland.

One of the homebuyer participants turned to PCLT after searching unsuccessfully for years for an affordable home for his family. He says, "The reason I liked [PCLT] . . . is because a lot of people talk about how their program is affordable; this actually is affordable. . . . Other programs bring some subsidy to the table, but not enough to bring the price down where I can afford it."

Contact: Portland Community Land Trust, (503) 493-0293
Provided by the National Neighborhood Coalition and the Portland Community Land Trust

CASE STUDY: E-Star in Colorado

Through a program dubbed E-Star, the Colorado Housing and Finance Authority (CHFA) works with the Governor's Office of Energy Conservation and a coalition of utility partners to provide below-market-rate energy mortgages. E-Star uses a uniform and comparative rating system to measure home energy performance and assigns participating homes a score. Colorado's network of E-Star lenders offers a variety of energy mortgages and other energy-related financing products tied to these ratings. Fannie Mae, Freddie Mac, the Federal Housing Administration, Veterans' Administration, and CHFA all endorse E-Star ratings and have issued energy mortgage guidelines for Colorado.

Described by CHFA as the equivalent of a residential "miles-per-gallon" sticker, E-Star ratings entail a thorough, on-site evaluation of a home's energy features, including more than 200 inputs, such as insulation and window R-values, space and water heating system delivery efficiencies, and house tightness. For homes with high E-Star ratings, homebuyers can qualify more easily for below-market-rate Energy Efficient Mortgages (EEM) than for conventional mortgages. The EEM premise is simple: energy-efficient homes are less expensive to operate, allowing more of the homeowner's income to go toward mortgage payments.

For homes with a low E-Star rating, homebuyers can qualify for an Energy Improvement Mortgage (EIM) to finance recommended upgrades. The rating provides suggestions for energy-efficient improvements and a cost-benefit analysis over time for each one. The EIM allows buyers to add the full amount of cost-effective improvements to their loan at the time of purchase. E-Star ratings also can be used to roll the costs of recommended improvements into refinancing or obtain energy equity lines of credit or loans.

From October 2000 to March 2001, four affordable housing groups in Colorado constructed more than 70 housing units that were, on average, 15 percent more energy efficient than the model energy code standard; some were as high as 35 percent more efficient. In light of the fact that most homes constructed today fail to meet the model standard, these homes represent an improvement in energy-efficiency of roughly 25 percent over the conventional housing products offered, and significant cost savings for residents as a result.

Contact: Energy Rated Homes of Colorado, 1981 Blake St., Denver, CO 80202, (800) 877-8450, <http://www.e-star.com>, e-mail comments@e-star.com

Provided by the Northeast-Midwest Institute

energy-efficient building materials and designs that lower the energy demands of housing - and therefore the demands on natural resources associated with energy production - are an important component of a broad smart growth strategy. The location of development plays an important role in energy consumption as well: energy consumption by residents in high-density areas is significantly lower than that of residents in low-density areas on the fringe.⁶⁰

Affordable Housing Impacts Adjustments in energy consumption can amount to significant cost savings over time, making housing more affordable for owner occupants and renters. Enhancements for making housing more energy efficient can be costly in the construction phase, however. When the cost of the more expensive technologies can be subsidized by public funds during construction, residents will realize an immediate and ongoing savings through lower utility costs. When these applications are not subsidized, tools such as the resource-efficient mortgage can be a means for amortizing those costs over the period of the mortgage and still yield affordability benefits (in terms of higher qualifying levels) for prospective homebuyers.

Issues to Consider: As construction technologies advance, alternative materials - like haybale or strawbale construction, which yield high insulation values⁶¹ - and building techniques become more viable and affordable. Nevertheless, there is still a need for incentives for developers to undertake these non-tradi-

60 Households in high-density areas - 48 and 96 units per acre - consume roughly 340 and 310 MMBtu per year, respectively, in contrast to households at a density of 3 units per acre, which consume 440 MMBtu per year. The savings associated with these differences amount to approximately \$900 and \$1100 per year, respectively, and a reduction in CO₂ emissions of between 10 and 15 percent. Center of Excellence for Sustainable Development, "The Energy Yardstick: Using Place3s to Create More Sustainable Communities," August 1996.

61 A 1995 report by the Department of Energy states that not only are construction costs for hay bale (or straw bale) houses cheaper than traditional "stick-built" housing, but that energy costs are roughly half that of traditional homes over the life of the structure - a significant saving for residents over time. Department of Energy, "House of Straw-Straw Bale Construction Comes of Age," April 1995. <http://www.eren.doe.gov/buildings/documents/strawbale.html>.

tional approaches to construction and siting. The financial world is beginning to recognize the market potential associated with linking energy savings to housing finance: Fannie Mae, Freddie Mac, and FHA all currently offer some version of the resource-efficient mortgage.

Preserve Existing Housing Stock

One of the most fundamental approaches to ensuring that adequate affordable housing exists is to maintain and preserve the quality and quantity of the housing stock that already exists. Tools for achieving this include rehabilitation and renovation loans to community groups and property owners, replacement ordinances for low-income housing, efforts to preserve affordability in expiring project-based Section 8 and other low-cost properties, and incentives to preserve and enhance historic properties. Resources that permit residents to make repairs or modify their homes based on changing household needs reduce the need for relocation and retain the social and economic capital already in the community. As a result, the value of prior investments in housing and its related infrastructure is preserved and leveraged for future use.

Smart Growth Impacts Complementing the strategy to reuse vacant buildings, efforts to preserve the existing affordable housing stock can prevent decline and disinvestment in older, existing neighborhoods before they begin, thereby retaining their attractiveness to current and new residents and investors. For households already in place, rehabilitation loans facilitate the preservation of equity in the existing housing stock and, by extension, the neighborhood. Loans for rehabilitation also allow households to remain in place as their needs change, lowering demand for new housing and mitigating the need for housing construction on the urban fringe. Maintaining existing housing ensures that previous capital investments in infrastructure continue to provide benefits for citizens. Efforts to preserve historic properties help strengthen the sense of place and encourage more distinctive communities. Furthermore, historic preservation tax credits can be used for commercial development, thereby providing employment opportunities in core urban areas. Finally, these tools can be used to protect renters or homeowners by ensuring that a sufficient range of housing choice remains, through replacement or rehabilitation, after investment in the community.

Affordable Housing Impacts Affordability can be a crisis for owner occupants faced with expensive rehabilitation needs, as well as for renters who occupy units that were at one time publicly subsidized and therefore

CASE STUDY: Northside Coalition for Fair Housing, Pittsburgh

The Northside Coalition for Fair Housing (NCFH) was formed in the summer of 1998 in response to the potential eviction of more than 300 residents from Section 8 properties on the north side of Pittsburgh. Northside Associates owned and operated 333 scattered-site assisted units. As the first of their long-term Section 8 contracts began to expire in 1998, the company was faced with a reduction in their Section 8 subsidy. Rather than settling for less income, the company announced that it would vacate the units and board them up until all low-income use restrictions expired in 2003.

NCFH was born from this crisis. Its primary members are residents of the Northside Associates properties, and most of them are single mothers, low income, African American, and employed. They banded together and joined with other stakeholders in the community to prevent the loss of their housing and to plan for its long-term preservation as assisted housing. They first managed to convince HUD to continue the Section

8 subsidy at the then current level, so that Northside Associates would agree to stay in the program. Northside also indicated its willingness to sell the properties, and HUD affirmed that the Section 8 contract could be transferred.

NCFH is now working to purchase and manage the Northside Associates properties and much more. NCFH is partnering with a constellation of local and national organizations to become a force in its community. Its agenda includes additional affordable housing development, as well as a range of community-building and direct-service activities. The coalition has completed a socioeconomic study of the neighborhood and is developing a women's homeownership program. It has become an active advocate for housing resources, capturing the attention of elected officials.

Contact: Ronell Guy, Northside Coalition for Fair Housing, through the Pennsylvania Low-Income Housing Coalition, (412) 441-3080 or pahacwpa@nb.net

Provided by the National Low Income Housing Coalition

subject to term expirations. The above tools provide direct support to those for whom maintaining their residence as affordable housing is an issue. Low-cost loans to assist property owners in repairing, modifying, or rehabilitating their units provide a means of maintaining the quality in the units that residents are able to afford. For existing homeowners, financial support to modify their residences allow them to remain in place in revitalizing neighborhoods and reap the equity gains that are likely to result. It can also help residents avoid the high cost of moving to new housing to accommodate changing needs. Conversion of publicly subsidized units into market-rate units creates potential opportunities for the renters to remain in place as owners. Through mutual housing associations and limited-equity cooperatives, residents cannot only retain their housing unit, but can also obtain the security and equity-growth potential of homeownership. When conversion from rental units to ownership is not possible, ordinances that require a one-to-one replacement of affordable housing units can, at a minimum, ensure that the stock is not depleted and that residents will be provided with equivalent opportunities elsewhere in the region.

Issues to Consider: In the face of growing affordability crises, the needs of current residents and owners of affordable units are often overlooked in favor of new households in demand of housing. Nevertheless, addressing the need to preserve affordability in existing units through these tools, as well as through a range of tax incentives noted elsewhere in this report, serves a critical role in managing a region's housing approach. This may be particularly crucial in housing markets in poor neighborhoods where the market demand does not adequately cover the cost of needed repairs and rehabilitation. Homebuyers are not exempt from critical housing needs,⁶² and low-income homebuyers who have underestimated the amount and cost of repairs required are at the most serious risk. The loss of existing subsidized Section 8 units will affect hundreds of thousands of current units of affordable housing.

Community Reinvestment Act

The Community Reinvestment Act (CRA) was passed in 1977 as a way to ensure that lending institutions sufficiently meet the needs of residents and businesses in the communities in which they are located. Federal oversight

CASE STUDY: Massachusetts Affordable Housing Alliance

In 1989, a study by the Federal Reserve Bank of Boston found racial bias in mortgage lending practices in Boston and that the number of mortgage loans in the predominantly African American neighborhoods of Roxbury and Mattapan would have been more than twice as great if race had not been a factor.⁶³ In response, the Massachusetts Affordable Housing Alliance (MAHA), a statewide nonprofit coalition attempting to increase public and private sector investment in affordable housing, worked with city and state officials to negotiate an agreement with three banks - the Bank of Boston, BayBanks, and Shawmut Bank - to launch Boston's Soft Second Mortgage Program with \$12 million in loans.

Through the program, a homebuyer receives a first mortgage for 75 percent of the purchase price and a second mortgage for 20 percent. A down payment of 5 percent is required. The second mortgage is "soft" for the first 10 years because payments are interest only - no principle is repaid dur-

ing this period - and payments may be reduced for qualifying homebuyers through public subsidies. Since the program's first loan in 1990, MAHA has negotiated CRA agreements with 14 banks for more than \$500 million in below-market lending. In Boston, 2,116 buyers have benefited. Of these new homeowners, 74 percent are persons of color and more than two-thirds earn less than \$35,000 a year. Half of all the loans made during the first 10 years of the program went to homebuyers at less than 50 percent of the median family income; many minority buyers have been able to move out of predominantly minority neighborhoods into primarily white, middle-income neighborhoods.⁶⁴ The program is also helping residents of lower-income neighborhoods and communities of color buy homes and sustain homeownership in the face of gentrification.

Contact: Tom Callahan, Massachusetts Affordable Housing Alliance, (617) 822-9100, or <http://www.mahahome.org/>

Provided by the National Neighborhood Coalition

62 More than 51 percent of households that face critical housing needs are homeowners. Stegman, "Housing Crunch."

63 James T. Campen, "Boston's Soft Second Program: Reaching Low Income and Minority Homebuyers in a Changing Financial Services Environment"

(paper presented at "Changing Financial Markets and Community Development," the Federal Reserve System's Second Community Affairs Research Conference, April 5-6, 2001, <http://www.mahahome.org/>).

64 Campen, "Boston's Soft Second Program."

agencies evaluate bank performance in providing credit to communities and can use their findings to determine whether to approve bank applications for new charters, mergers, and branch openings. Often as a result of disputes between community groups and banks about lending records, negotiated settlements are agreed to that constitute lending commitments by the bank to serve future community needs, such as small business loans, grants for revitalization, rehab loans, mortgage Finance etc.

Smart Growth Impacts Access to capital for financing new investment in existing neighborhoods is a key aspect to the success of smart growth. The ability of existing communities to grow economically and achieve balanced regional development is determined in large part by the ability of homeowners, small businesses, and community groups to access capital for construction, job creation, and new commerce. Strong enforcement of CRA can and does play a critical role in ensuring that this takes place.

Affordable Housing Impacts Without access to capital for rehabilitation loans, construction loans, and mortgages, nonprofit and for-profit housing developers are unable to provide the needed units for their community. CRA encourages lenders to provide capital for individual mortgage loans for area residents as well. In some cases, community groups have been able to secure more favorable lending terms for low- and moderate-income borrowers, increasing the affordability of homeownership as a result. Without these resources, community demands for affordable housing would be more likely to remain unmet.⁶⁵

Fair Housing/Fair Lending

Originally legislated in the Civil Rights Act of 1968, fair-housing laws as modified and strengthened in 1988 prohibit discrimination on the basis of race, color, religion, gender, family composition, or national origin in connection with the sale or rental of residential housing. Where once these practices were codified in covenants, today they persist in less formalized and more insidious forms, such as the groundless denial of rental property, the directing by realtors and lenders of minority homebuyers to primarily minority neighborhoods, and the use of exclusionary zoning tactics to exclude minority and low-income households. Efforts to put into place fair-lending practices have recently resurfaced as continuing differential patterns in lending to low-income or minority households have become apparent. The growing incidence of predatory lending - in which sub-prime loans with extremely high interest rates are offered to predominantly low-income, elderly, and minority households that have few or no other credit options - has led to calls for greater monitoring of and accountability by these fringe lenders. Finally, zoning practices that encourage the inclusion of a range of housing types, and therefore households, are beginning to combat the polarization and regional inequities of exclusionary zoning.⁶⁶

Smart Growth Impacts The location of households of all income levels proximate to job growth centers is a critical part of creating mixed-income housing distribution and ensuring a balance of jobs and housing through a smart growth strategy. The dispersal of low-income households - providing that fair-housing opportunities exist elsewhere in the region - can be an important means of generating investment in existing neighborhoods that have been overlooked by investors because of a real or perceived lack of demand for new housing and services. At the same time, preserving the stability of homeownership in low-income neighborhoods is equally important. Predatory lending threatens this stability when loan

65 The National Low Income Housing Coalition has assembled a useful and thoughtful analysis of CRA as a part of its "Advocates Guide to Housing and Community Development Policy."

66 Many of these inclusionary zoning practices are discussed here in the sections "Regional Fair-Share Housing Allocation" and "Flexibility in Land Use Regulations."

CASE STUDY: Florida's Fair Housing Act

An amendment to Florida's Fair Housing Act has effectively made low-income persons a protected class for purposes of land use decisions. Approved in July 2000, Section 760.26 FS states, "It is unlawful to discriminate in land use decisions or in the permitting of development based on race, color, national origin, sex, disability, familial status, religion, or, except as otherwise provided by law, the source of financing of a development or proposed development."

The genesis for this change to the Florida Fair Housing Act was the proposed building of Pueblo Bonito, a community for farmworkers (mostly of Hispanic origin) in Lee County. In 1995, flooding in Bonita Springs left 1,200 people in need of emergency shelter; many of them farmworkers living in substandard housing. The Federal Emergency Management Agency (FEMA) sent 100 trailers for the workers, but met with so much resistance from local trailer parks that the families were forced to stay in church and school gymnasiums for more than 10 weeks.

A nonprofit developer, Partnership in Housing, stepped in with a proposal for new housing for the farmworkers. The site, now Pueblo Bonito, was zoned for mobile homes, so it was necessary to have the property rezoned in order to develop 150 units of multifamily rental housing in the form of 75 duplexes. Neighboring mobile home park residents and developers

opposed the project, leading rallies and letter-writing campaigns and hiring lawyers to fight the rezoning. Nonetheless, at a September 1995 zoning hearing, the examiner recommended that the site be rezoned for multifamily housing. The Lee County Board of Commissioners, however, rejected the recommendation and denied rezoning. The Farmworker Association of Florida, Florida Legal Services, and several individuals filed a fair-housing complaint with HUD on behalf of the farmworkers. At the same time, Partnership in Housing filed an appeal under a Florida land use law that provides relief to landowners from regulatory burdens that they believe are onerous to the sale or development of their property. Under pressure from the fair-housing complaint and the appeal, the Lee County Board of Commissioners decided to work with Partnership in Housing to revise the project proposal. Another rezoning hearing was held, and the project was approved. The project ultimately resulted in the building of 40 duplexes (80 units) of rental housing for low-income workers, completed in June 1999. Partnership for Housing is now applying for funding for an additional 20 units.

Contacts: 1000 Friends of Florida,
<http://www.1000friendsofflorida.org>, (850) 222-6277, or
Gerry Franck, Harvest Time Ministries, (941) 947-6016
**Provided by National Neighborhood Coalition and
1000 Friends of Florida**

terms are not sustainable over the long run, thereby putting the borrowers at risk of default and foreclosure. Fair housing and fair lending seek to mitigate the concentration of poverty and victimization of the poor by ensuring that the widest possible range of housing choices are available to all - regardless of income, gender, or race - throughout communities.

Affordable Housing Impacts Many prospective renters and homeowners are unable to overcome the barriers raised by unfair lending, zoning, and housing practices, which exacerbate the affordable housing crisis. Elimination of these barriers will help increase the supply, distribution, and quality of attainable, affordable housing by ensuring access to the full range of housing types and locations.

SUBSIDIES FOR AFFORDABLE HOUSING

HOPE VI

HUD's HOPE VI revitalization program provides funds to public housing authorities for the redevelopment of severely distressed structures as mixed-income developments. In many cases, this has meant the demolition of high-rise public housing towers and the construction of neighborhood-scale housing developments that integrate households of different income levels.

Smart Growth Impacts In urban areas that have been stigmatized by blighted structures and a concentration of poverty, HOPE VI plays a critical role in reshaping neighborhoods. It provides an opportunity to promote income diversity among residents, which then provides the economic base needed to support services and transportation. The outer manifestations of the HOPE VI program - rehabilitated housing-signals reinvestment, which can pave the way for other investment in existing neighborhoods, thereby mitigating the need for construction on the urban fringe. Finally, through its commitment to incorporat-

CASE STUDY: Posadas Sentinel, Tucson

The Connie Chambers Public Housing project in Tucson, Arizona, was like the public housing found in many U.S. cities: architecturally incompatible with the surrounding community, partially vacant, dilapidated, and an eyesore in a community already suffering from disinvestment. Using a \$14.6 million HUD HOPE VI Grant, the Tucson Department of Community Services razed the site so it could build 160 units of mixed-income housing and, in the process, leveraged an additional \$45 million in funds to reclaim and revitalize Barrio Santa Rosa, a historic neighborhood in south Tucson.

Renamed Posadas Sentinel, half of the 120 new units are homes to families earning up to 60 percent of the area median income and half are public housing. The new homes are built in the Sonoran architectural style of the adjacent neighborhoods and are designed to use natural shading to be more energy efficient. To match existing land patterns and encourage greater integration into the larger neighborhood, the surrounding street grid was extended through Posadas Sentinel, and a pedestrian walkway was built to extend through the entire neighborhood and connect to adjacent community parks. A neighboring community center complex provides

child care, a learning center with computer lab, office space for rotating social services, nonprofit healthcare

facilities, and a recreation center. Additionally, part of the overall HOPE VI project includes the creation of a retail center in adjacent blocks to give residents easier access to shopping. No residents were displaced by the project.

This HOPE VI endeavor builds on Tucson's comprehensive plan to revitalize Barrio Santa Rosa. Prior projects have included building a new school on vacant public housing property across from this revitalized residential area. By recapturing and rebuilding land set aside for public housing, Tucson is sparking investment in the surrounding community.

Contact: Michelle Pierson, HOPE VI Project Manager, Department of Community Services, City of Tucson, (520) 791-4042

Provided by the Enterprise Foundation



ing new urbanist principles, HOPE VI holds the promise of demonstrating the social benefits of a well-designed, high-quality physical environment in the way that its predecessors demonstrated the opposite.

Affordable Housing Impacts From the standpoint of affordable housing, HOPE VI achieves the dual goals of creating higher-quality housing for low-income families and better integrating public housing recipients and public housing itself into the broader community. With the income diversity of new projects, proximity to services and jobs can be increased as new investment is attracted to the area. Despite a waning national interest in public housing, HOPE VI remains one of the most important resources for constructing public housing in the United States today.

Issues to Consider: HOPE VI, despite its prospects for success, is a contentious program. Housing advocates decry its partial replacement of the housing structures destroyed and therefore the displacement of residents during the redevelopment process; it has also been criticized for failing to involve residents in planning. Others claim that the program's administration does little to track displaced residents and creates an added burden for local housing markets when these families are forced to seek units that accept temporary vouchers during redevelopment, thus leading to further concentrations of poverty. Finally, on a per unit basis, the cost of the program is considered high when compared to others. Nevertheless, HOPE VI creates an important opportunity to construct higher quality public housing and mixed-income residential properties and potentially mixed-use properties when blended with state economic development funds to help communities achieve their development goals.



Posadas Sentinel in Tucson, AZ. Photo provided by city of Tucson.



Famer proposed site for prison in Bayview, VA. Photo provided by Virginia Coast Reserve.

USDA's Rural Housing Service Programs

Rural housing needs are often overlooked in development planning, yet they can be among the most difficult to address. Several factors combine to make rural affordable housing an ongoing challenge: low average incomes, few lending institutions to provide capital, expense involved in the provision of basic infrastructure, and a tradition of single-family detached housing construction (rather than less-expensive multifamily homes). The Rural Housing Service (RHS) within the U.S. Department of Agriculture fulfills many of the functions formerly carried out by the Farmers Home Administration, including provisioning direct loans and loan guarantees for addressing rural housing needs. Among the two most significant programs are the Section 502 direct loan program, which provides mortgages for the acquisition and rehabilitation of homes, and the Section 515 rental housing program, which provides development loans for rental housing and basic infrastructure in rural areas. Both programs target very low and low-income households.

Smart Growth Impacts Preserving the viability of communities in rural areas is as important in a smart growth strategy as it is in urban and inner-suburban area strategies. All these areas are subject to disinvestment, from public and private sources, and decline when development inordinately favors fringe areas. Rural areas are particularly at risk when fringe development encroaches upon towns and villages, exacerbating the housing needs of residents and threatening fragile economies. The Section 502 and Section 515 programs advance smart growth by providing resources to strengthen and preserve homeownership and rental housing in rural communities. The programs seek to protect sensitive environmental areas by requiring the construction of housing without adverse impacts on wetlands or other critical environmental areas. Finally, the Section 515 program requires the clustering of homes by stipulating that projects have two or more units per building, thereby reducing the need for land consumption and increasing the range of housing choices available to rural residents.⁶⁷

CASE STUDY: Virginia's Bayview Citizens for Social Justice

In 1994, Virginia proposed to build a maximum-security prison on a field in the middle of Bayview without informing or consulting its residents. The battle against the prison brought increased political and media visibility to Bayview, a rural, African American community on the eastern shore of the Chesapeake Bay whose 51 families lived in dilapidated houses with no running water. During this process, through volunteer work at the Northampton Alliance Against Trash and the Northampton Economic Forum, community leader Alice Coles met Steve Parker, director of economic programs for the Nature Conservancy's Virginia Coast Reserve. The conservancy saw that a prison - along with its attendant traffic, lights, and sewage system - would be a disaster to the delicate ecology of the nearby barrier islands. Consequently, the conservancy joined the Bayview Citizens for Social Justice (BCSJ) in successfully blocking the prison and served as a conduit for assistance grants for Bayview.

As a result, BCSJ has since successfully negotiated \$5.5 million in federal and state grants and loans to rebuild their historic African American village and to expand their community garden into a commercial farm. The Bayview Redevelopment Plan calls for construction of 41 rental or lease-purchase units, 6 owner-occupied units, 4 small shops with apartments, and a community center on a traditional village cluster of 30 acres. The remaining 130 acres will be protected by a conservation easement and dedicated to farming, with a community garden, subscription farm business, and commercial greenhouse. A state-of-the-art sewer system will ensure that the redevelopment does not affect nearby coastal waters.

The U.S. Department of Agriculture has provided the most funding, contributing a \$2 million project-based Section 515 grant to build the rental units and \$500,000 in water and wastewater infrastructure funds. The second largest allocation is a \$1.2 million grant from the HUD HOME program.⁶⁸

Contact: Bola Ajayi, Deputy Director, Bayview Citizens for Social Justice, (757) 331-1840.

Provided by the Housing Assistance Council

67 Useful summaries of these and other RHS programs can be found at the Housing Assistance Council's Web site, <http://www.ruralhome.org/pubs/infoshts/index.htm>.

68 See The Virginia Coast Reserve, "Bayview Secures \$5.5 Million," *The Islands*, Spring/Summer 2000.

Affordable Housing Impacts Clearly these USDA programs have a significant, positive effect in terms of affordable housing. By targeting households at 50 percent of the median income or below, and matching monthly payments to households' adjusted gross income, opportunities for securing safe, healthy, affordable housing are put within reach of many poor rural residents. Favorable loan terms under the Section 502 program, with amortization terms of 33 to 38 years, make homeownership viable for households that would otherwise certainly be unable to afford a home. Finally, the subsidy for new housing construction for below-median-income households provides a cost-effective means of creating modest housing stock in rural areas.

Issues to Consider: These programs are most effective in achieving smart growth and affordable housing when administered in concert with regional comprehensive development plans that target growth areas and make investments in infrastructure to support them. A range of other RHS programs exist that provide varying levels of support for rural housing needs, including the related Section 502 guaranteed loan program, which has been somewhat less effective in reaching very low income rural residents, but nevertheless appears to have a strong financial future.

Block Grants for Housing and Community Development

One of the most significant resources for housing and community development continues to be HUD's Community Development Block Grant (CDBG) program and its Home Investment Partnership (HOME) program. Together these programs provided funding of roughly \$6.5 billion in fiscal year 2001 and were a critical source for local governments attempting to improve housing, infrastructure, and social services. The CDBG and HOME programs provide flexible block grant funding to states and localities for community revitalization, construction or renovation of community facilities, housing construction, rehabilitation loans, homebuyer assistance, housing counseling, and rental support for housing primarily in existing neighborhoods. In fiscal year 2001, approximately 35 percent of CDBG funds were used to create housing. Just more than half of HOME funds were used to support rental housing (roughly distributed evenly between new construction and rehab/renovation), with the remainder allocated as homeowner and homebuyer assistance.⁶⁹ Both programs require a matching contribution by participating jurisdictions and guarantee that the housing created will be affordable to households earning 80 percent of the median income or less for a period of five to twenty years. Furthermore, plans for use of CDBG and HOME



Alice Coles of Bayview Citizens for Social Justice in Bayview, VA. Photo provided by Virginia Coast Reserve.

CASE STUDY: CDBG in Denver

At the core of HUD's community development activity is the CDBG program, which provides local communities with flexible funding to help them attract private investment, maintain a high-quality housing stock, rebuild infrastructure and community facilities, provide critical community services, and create high-paying jobs.

Denver is one example of a city using CDBG funding for downtown, housing, and neighborhood revitalization projects to bring people downtown to work, live, and play. Focusing on the downtown area's strengths became a priority, as did creating housing to promote an "around-the-clock" atmosphere. Two strategies led to the success of the project. The first was the

construction of Coors Field stadium and the Denver Convention Center. The second was a strategy - including zoning changes, historic preservation, and financing - to encourage downtown housing. The Lower Downtown, LoDo, area has reemerged as a vibrant entertainment and residential district. A regional, six-county tax district helps fund arts and science museums that, along with Denver's light-rail system, have helped to invigorate the downtown area.

Contact: U.S. Department of Housing and Urban Development, <http://www.hud.gov>

Provided by the U.S. Department of Housing and Urban Development

69 Millennial Housing Commission, presentation, May 24, 2001.

funds must correspond to the area's consolidated plan, which provides a framework for local governments to determine and address their long-term housing needs.

Smart Growth Impacts The CDBG and HOME programs' connection to planning for growth and development (in this case, focused on affordable housing needs) is only one way they facilitate smart growth. They also direct investment resources into neighborhoods already served by infrastructure. The qualification formula for the HOME program, for example, requires that funds are used in areas suffering from inadequate housing stock, poverty, and distress, conditions more likely to be found in existing cities and inner suburbs than in fringe developments. Program funds can be used for the removal of existing units (if unsalvageable) for site preparation, new construction of units, rehabilitation of existing units, or rental support through other redevelopment efforts targeted at improving existing neighborhoods. CDBG's ability to fund broad aspects of community development (including public facilities and public services) creates an opportunity and an incentive for localities to leverage these funds with additional investments in existing neighborhoods.

Affordable Housing Impacts Given that the HOME program alone has helped acquire, build, or rehabilitate more than 580,000 units since 1990, the importance of the CDBG and HOME programs to increases in affordable housing would appear obvious. The construction of new homes and rehabilitation of existing housing contribute to the supply and improved quality of housing reserved for below-median-income households. Additionally, program requirements state that affected units must remain affordable over the long-term - between five and twenty years, depending on the level of the HOME subsidy. The direct rental assistance made available by HOME can provide an additional source of funding support for renters. Finally, in combination with the Self-Help Ownership (SHOP) program, HOME has been particularly successful in addressing the housing needs of rural families.

Issues to Consider: Despite its broad mandate and utility to localities addressing larger infrastructure needs, CDBG rehabilitates more than two times the number of units (rehab and new construction) affected by HOME. CDBG also covers more than twice the number of jurisdictions than HOME.⁷⁰ Not to be outdone, however, the HOME program leverages three dollars for every one dollar of federal money to create more than 100,000 affordable housing units annually. One risk of both programs, however, is that depending on how the resources are used, they may contribute to the concentration of the poor by focusing development of affordable housing in already distressed communities rather than dispersing it equitably throughout a region. Finally, while both programs require conformance to a consolidated plan, many local governments and housing advocates acknowledge that this requirement represents more of a "pro forma" process than it does a true regional planning approach. This potential weakness can be mitigated through better coordination of the consolidated plan process with other regional planning (e.g., transportation) processes.

70 For more information, see FY 02 HUD Budget; HUD web page <http://www.hud.gov>; and National Association of Housing and

Redevelopment Officials. "More than Bricks and Mortar: The CDBG Program." 2000.

Section IV: Conclusion

The development demands faced by communities are myriad: economic growth, downtown revitalization, open-space preservation, natural resource protection, transportation improvements, fiscal soundness, and community development, among others. Critical to the viability of all of these elements is an approach to affordable housing that not only adequately ensures the appropriate quantity, quality, and distribution of affordable housing for community members but is also integrally linked to a comprehensive growth strategy. Smart growth, through its emphasis on development that serves the economy, the community, and the environment, provides a valuable opportunity for communities to better respond to affordable housing needs than have traditional approaches to development.

A wide range of policies and approaches is accessible to members of the public and private and nonprofit communities for achieving smart growth and increasing available affordable housing. Contrary to the assertion that these two issues are inherently at odds, these approaches - supported by the experiences of communities who have implemented them - demonstrate not only that affordable housing and smart growth are closely linked, but that clearly articulating this link creates critical development opportunities. By identifying the effects of development decisions and highlighting the importance of housing in the context of development, these policies and approaches can assist advocates of smart growth and affordable housing in leveraging their interests into successful strategies for development that benefits all community members.



Neighborhoods in Bloom Program in Richmond, VA. Photo provided by City of Richmond

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Appendix B

Following are a range of additional policies and approaches which may help communities achieve smart growth and improved affordable housing

Federal Government Policies

- ✍ Federal Housing Administration (FHA)
- ✍ Building Homes in America's Cities Initiative (Million Homes Initiative)
- ✍ RHS's 514/516 Farm Labor Housing and Native American Housing and Self-Determination Act Programs
- ✍ Government Sponsored Enterprises
- ✍ Enterprise Zones/ Enterprise Communities
- ✍ New Markets Initiative
- ✍ Community Development Financial Institutions
- ✍ Section 8
- ✍ Federal Tax Policies (including mortgage interest deduction)
- ✍ HUD's Self-Help Homeownership Opportunity (SHOP) Program
- ✍ EPA's Clean Air Act
- ✍ TEA-21 (Transportation Equity Act for the Twenty-first Century)
- ✍ Historic Tax Credits

State and Local Government Policies

- ✍ State Housing Assistance Funds/Housing Trust Funds
- ✍ Dedicated Bond Issues
- ✍ Split-Share Property Tax
- ✍ Regional Tax Sharing
- ✍ Density Bonuses
- ✍ Real Cost of Infrastructure Assessments
- ✍ Brownfields Programs
- ✍ Commissioned Market Studies to Facilitate Investment
- ✍ Land Grants
- ✍ Title Assistance
- ✍ Use of Eminent Domain
- ✍ Gap Financing for Construction
- ✍ Developer Self-Certification for Preapproved Home Designs
- ✍ State/Local Historic Preservation Tax Credits

Private Sector Approaches

- ✍ Infill Development
- ✍ Transfer of Development Rights

Nonprofit Sector Approaches

- ✍ Direct Financial Assistance for Acquisition and Rehab
- ✍ Nonprofit Housing Development and Management
- ✍ Homebuyer Education Programs
- ✍ Financial Management Programs

Appendix C

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Appendix D

NNC Neighborhood Principles for Smart Growth

Smart Growth promises new forms of growth and development that redirect investment into existing communities and combine greater fiscal and environmental responsibility with more livable communities. In order to be truly smart, growth strategies require regional alliances and coordination and must incorporate an equitable, neighborhood-focused approach that links low-income neighborhoods to regional economies and brings the benefits of growth to all communities. To this end, the National Neighborhood Coalition has developed a set of Neighborhood Principles for Smart Growth. These principles promote just and equitable growth across urban, suburban and rural communities and regions, with a strong role for low-income neighborhoods and communities of color. They should be a foundation of any smart growth policy or strategy.

1. All neighborhoods and communities should have a fair share of the benefits as well as responsibilities of growth.
2. Growth should meet the economic, environmental, and social needs of low-income and other communities.
3. Low-income neighborhoods and communities of color should have a strong voice in decisions about growth.
4. Growth should not displace low-income residents or people of color in urban or rural areas from their homes, livelihoods, or communities.
5. Growth strategies should promote racial, economic and ethnic integration.
6. Growth strategies should make use of the human, economic and physical assets within communities.

These principles have been endorsed by the National Neighborhood Coalition's Board of Directors. The board encourages their wide use and adoption, but also seeks input on how they can be improved and further developed as a tool for building healthy neighborhoods. To share your comments, ideas, and suggestions on the principles, please visit www.neighborhoodcoalition.org or contact the National Neighborhood Coalition at nncnnc@erols.com or (202) 408-8553. These principles are intended to complement the Smart Growth Network's principles for smart growth.

