Case Study: Workforce Housing

Workforce Housing Defined

Workforce housing has varying definitions in terms of the area median income (AMI) restrictions, but in its simplest form it "refers to housing that is affordable to working households that do not qualify for publicly subsidized housing, yet cannot afford appropriate market-rate housing in their community."[1]

The U.S. Department of Housing and Urban Development (HUD) defines workforce housing as housing that is affordable to households earning between 80 and 120 percent of AMI. The Nashville Downtown Partnership's Workforce Housing Task Force defines workforce housing as affordable housing designated to households earning between 80 and 150 percent of AMI.

A report published by the Nashville Downtown Partnership in July of 2008 found that the city's workforce housing stock is inadequate, despite the influx of affordable housing created by Tax Incremental Financing (TIF) which the Metropolitan Development and Housing Agency (MDHA) offered to developers of new residential developments that designated 20 percent of their project's units to households earning at or below 80 percent of AMI.[2] According to the report, developers achieved affordability by reducing the price of average-sized units and offering smaller units.[2]

In 2009, 80 percent of AMI in Davidson County is $36,350 for a one-person household, $41,500 for a two-person household, and $51,900 for a four-person household.[3]

In "Developing Housing for the Workforce: A Toolkit," the Urban Land Institute defines workforce housing as affordable housing for households earning between 60 and 150 percent of their Metropolitan Statistical Area's (MSA) AMI.[1] "The rationale for using 60 percent of AMI as the lower limit is that many affordable housing programs, including the Low-Income Housing Tax Credit (LIHTC), do not offer public subsidies for households with incomes above this level."[1]

Having outlined the *housing* component of workforce housing, it is critical to address the meaning of the *workforce* for which the housing is built:

"Although arguments in support of workforce housing often center around public employees--the teachers, police officers, firefighters, and others who are integral to a community, yet who often cannot afford to live in the communities they serve--the market for workforce housing is actually much broader: it includes young professionals, workers in the construction trades, retail salespeople, office workers, and service workers. These people also play a crucial role in the economic success of a regions.[1]

A Unique Formula for Workforce Housing

The Urban Land Institute recommends that each city construct it's own definition of workforce housing by taking inventory of the respective city's home prices, construction costs, land constraints, income levels and regulatory environment.[1]

"Depending on the characteristics of the local market, a community may choose a different definition of workforce housing. One option, for example, is to set the upper income cap by calculating the annual income required to afford a median-priced home in the community. In a number of metropolitan areas, this income level, when compared with actual area incomes, will reveal a housing market seriously out of balance. For example, the California Association of Realtors reported that in 2005, the median price of a home in the state was $548,400. Assuming a mortgage interest rate of 6.26 percent and a 20 percent downpayment, the annual income required to purchase that home is $133,390. But the 2005 median income in California was $64,113; thus, to afford a median-priced home in the state, a household would have to earn 208 percent of the state median income. So California may wish to define workforce housing as housing that is affordable to households earning between 60 and 200 percent of the state median income."[1]

Utilizing this formula, it is possible to solidify AMI limitations that are appropriate for workforce housing in Nashville MSA. According to housingtracker.net, the median price of listed single-family homes and condo inventory in Nashville is $217,990.[4] Assuming a 20 percent downpayment and a mortgage interest rate of 6.26 percent, the purchaser would need to earn $54,515 annually. The 2000 Census was the last official reporting of median household income (MHI) for Nashville and

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[1] Urban Land Institute. (2007). *Developing housing for the workforce: A toolkit.* Washington, DC: Author.

[2] Nashville Downtown Partnership. (2008, July). *Residential report: July 2008, downtown Nashville*. Retrieved from http://www.nashvilledowntown.com/live/pdf/Residential_Report_2008.pdf

[3] U.S. Department of Housing and Urban Development. Office of Policy Development and Research. (2009). *FY 2009 income limits documentation system*. Retrieved from http://tinyurl.com/ldnrj2

[4] Exisiting home listing statistics for Nashville, Tennessee. (2009). Retrieved July 9, 2009 from http://www.housingtracker.net/asking-prices/nashville-tennessee

thus the figure, $39,232, is drawn from this source.[5] In consideration of this formula, the AMI cap for workforce housing in Nashville should be no lower than 140 percent.

The Need in Nashville

In the *Residential Report: July 2008,* the Nashville Downtown Partnership cited their survey of downtown businesses which found that in 2007, there were 47,617 employees working in downtown Nashville and that 39 percent, or 18,447, earned between 80 and 150 percent of AMI.[1] At that time, there were no downtown "homeownership opportunities for those making between $35,400 and $43,125, one unit on the market for those making $51,750 and thirteen available for those making $64,687."[1]

According to the results of a survey of 384 downtown homeowners and renters conducted by the Downtown Partnership in 2008, 87 percent of the downtown residents had an annual household income of at least $40,000, with nearly a quarter earning between $100,000 and $149,999.[6]

The Urban Land Institute envisions workforce housing as both rental and for-sale housing. They recommend that "Any effort to determine the appropriate proportions of rental and for-sale housing should be based on an assessment of community needs and the existing composition of the housing supply."[1]

The National Low-Income Housing Coalition's annual report *Out of Reach* identifies affordability of rental housing across the country. The 2009 report found that:

"In Nashville-Davidson--Murfreesboro--Franklin MSA, the Fair Market Rent (FMR) for a two-bedroom apartment is $761. In order to afford this level of rent and utilities, without paying more than 30% of income on housing, a household must earn $2,537 monthly or $30,440 annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into a Housing Wage of $14.63.

In Nashville-Davidson--Murfreesboro--Franklin MSA, a minimum wage worker earns an hourly wage of $6.55. In order to afford the FMR for a two-bedroom apartment, a minimum wage earner must work 89 hours per week, 52 weeks per year. Or, a household must include 2.2 minimum wage earner(s) working 40 hours per week year-round in order to make the two bedroom FMR affordable.

In Nashville-Davidson--Murfreesboro--Franklin MSA, the estimated mean (average) wage for a renter is $14.29 an hour. In order to afford the FMR for a two-bedroom apartment at this wage, a renter must work 41 hours per week, 52 weeks per year. Or, working 40 hours per week year-round, a household must include 1.0 worker(s) earning the mean renter wage in order to make the two-bedroom FMR affordable."[7]

Through the use of TIF funding, Nashville developers have created housing that is affordable to households earning at or below 80 percent of AMI in the following residential developments in or near downtown: Ambrose Lofts, Art Avenue Lofts, Church Street Lofts, The Encore, The Exchange, 5th and Main, ICON, Kress Lofts, Ireland 28, Rolling Mill Hill, Row 8.9, The Stahlman, Velocity and the Viridian. Additionally, Station Lofts offers rent-controlled apartments. Laurel House provides apartments for households earning at or below 60 percent AMI and "Nance Place," a 109-unit workforce housing development with studio, one-, two- and, three-bedroom apartments in Rolling Mill Hill, will target the same demographic in 2010.[8]

Tools for Workforce Housing

Workforce housing creates a more sustainable local economy in which workers live in affordable housing (which ideally costs 30 percent of their income) near their place of employment. There are a number of tools that can be utilized to develop the multi-faceted strategy necessary to establish workforce housing in Nashville. According to the Urban Land Institute,[1] the following should be considered in the preliminary planning stages of workforce housing:

First, the city would need to initiate an inventory of its housing supply to assess the value, affordability and condition of the current housing stock. In the interest of expanding opportune locations to develop workforce housing, an inventory of publicly owned surplus lands, public lands and structures, and privately owned vacant or abandoned properties should be initiated.

A critical but difficult step involves assessing the demand for workforce housing among high-skilled workers, less-skilled workers, young professionals, households of varying sizes and non-traditional households. Additionally, workforce housing is often not received well on a community level initially and thus an education campaign about the truths and benefits of workforce housing is an appropriate tool for garnering support.

In terms of financial tools, the city would need to draw from many resources including Community Development Block Grants (CDBGs), HOME monies, LIHTCs, TIF funds and Historic Preservation Tax Credits to develop diversified financing options for workforce housing.

The greatest tool for workforce housing is that which preserves affordability. To keep affordability sustainable, rental units could be rent-controlled and homeownership units could draw from shared equity models (deed restrictions, limited equity cooperatives and community land trusts). Mortgage controls can be used to ensure affordability by strategically outlining resale formulas, for example.

The following examples of workforce housing throughout the country provide further information on affordability measures.

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[5] U.S. Census Bureau (2000). *Census 2000 demographic profile highlights: Nashville-Davidson (balance), Tennessee*. Retrieved from http://tinyurl.com/lmro92

[6] Nashville Downtown Partnership. (2008, July). *Residential survey results: Downtown Nashville*. Retrieved from www.nashvilledowntown.com/.../residential_survey_results_2008final.pdf

[7] National Low Income Housing Coalition. (2009). *Out of reach 2009: Nashville-Davidson–Murfreesboro–Franklin MSA*. Retrieved from http://www.nlihc.org/oor/oor2009/data.cfm?getmsa=on&msa=2231&state=TN

[8] Swenson, K. (2009, July 14). MDHA awards contract for Rolling Mill Hill development. *The City Paper*. Retrieved from http://tiny.cc/YrT2K

The Bookmark Apartments at the Hollywood Library

City:	Portland, OR
Building Type:	Mixed-use infill with public library and 815 square feet of retail space on ground floor and 47 apartments on three upper floors
Cost of Devt.:	$10,850,000
Affordability:	19 of the 47 units are affordable to 60% AMI, remaining affordable to 80-120% AMI
Rent:	$576 for studio, $613 for a one bedroom, $795-$1,295 for market rate units which range from one bedrooms to two-story lofts
Time Line:	Site purchased in November of 1998, planning began in November of 1999, construction started in April of 2001, leasing started and project completed in April 2002
Features:	Transit oriented development (TOD) community, sustainable features and construction, convenient to public schools and social services, near local attractions, public/private partnership, design competition, community-based planning, landmark, private terraces and a public courtyard, certified by Portland General Electric's Earth Advantage Program which has standards that cut energy costs by 20-40% and protect watersheds, pedestrian and bike friendly
Ownership:	One LLC holds 1% ownership of housing and retail and one limited investment partner purchased LIHTCs and owns 99% of apartments during 10 year tax abatement period,
Financing:	U.S. Bank provided 18-month construction financing at floating rate, permanent financing through tax-exempt bonds issued by Portland and placed by U.S. Bank at 5.99% interest with 30-year amortization and a 20-year term, $1.25 million loan from the Portland Development Commission (PDC), federal LIHTCs and TOD tax exemption granted by the PDC

Fall Creek Place

City:	Indianapolis, IN
Building Type:	Mixed-income residential neighborhood with 261 new, single-family homes and 55 restored historic houses, 35,000 sq. ft. of retail space, 5,000 sq. ft. of office space, and 4 acres of parks
Cost of Devt.:	$13,500,000
Soft Costs:	$4,985,000
Affordability:	51% of the homes are affordable to at or below 80% AMI and the rest are market-rate
Price:	Affordable residential units range from $101,000 to $167,000
Time Line:	Property acquired and plan initiated in fall of 1998, home rehabilitation started in fall of 1999, master plan and implementation plan completed fall of 2000, Phase I of new home construction Fall 2001-Spring 2002, Phase II Summer 2002-Fall 2003, Phase III Summer2003-Fall 2004, project completed Spring 2005
Features:	Public/private partnership, revitalized neighborhood, year-long urban design and master planning process, downpayment assistance, below-market-rate mortgages, property tax abatements
Financing:	$4 million Homeownership Zone (HOZ) grant from HUD, CDBGs, HOME funds, $10 million to improve the area's infrastructure funded by a bond approved by city council

Portland Place

City:	Minneapolis, MN
Building Type:	Mixed-income, medium-density housing development with 46 units
Cost of Devt.:	$11,671,439
Affordability:	Six of the units were built by Habitat for Humanity for families earning less than 30% MHI, 13 are set aside for households earning less than 80% MHI, and the remaining 27 to households earning less than 115% of MHI
Price:	Range from $90,900-$135,00 for single-family detached homes and $70,000-$130,000 for single-family attached homes
Time line:	Site purchased in 1996, planning initiated in spring of 1996, Phase I began in September of 1998, Phase I completed in winter of 1999, project completed in spring of 2001
Features:	Partnership comprised of local employers, Community Development Corporations (CDCs) and public sector, citizens' advisory group, a diverse neighborhood in terms of ethnicity and household type
Financing:	Honeywell contributed land, a $1,983,440 grant, $1,100,000 in TIF funding and donated $146,000 to reduce homeowners' association fees for Habitat for Humanity residents, the Minneapolis-based Family Housing Fund contributed a $400,000 grant, the Fannie Mae Foundation gave a $75,000 grant, the Minneapolis Community Development Agency contributed a $2,280,000 grant, the Minnesota Housing Fiance Agency Community Revitalization fund gave a $400,000 grant, the Metropolitan Council gave a $250,000 grant, and HUD provided a $300,00 Economic Development Initiative grant and a $460,000 Section 8 Loan
Issues:	The only units with guaranteed affordability are the six Habitat for Humanity units, now all the rest are considered market-rate

Rollins Square

City:	Boston, MA
Building type:	Mixed-income urban infill community with 147 condominiums, 37 rental apartments and 6,000 sq. ft. of retail space on ground floor
Cost of Devt.:	$63,151,252
Affordability:	37 affordable rental units ($354-1022/month) for residents earning 30-60% AMI, affordable condos ($140,000-$260,000) for 25 units at or below 80% AMI & 58 units 81-120% AMI, and 64 market-rate units ($210,00-$260,000)
Time Line:	Rollins Square site was awarded to the Arch diocese's Planning Office for Urban Affairs in the mid-1970s, planning started in November 1999 , project completed in June2003
Features:	Housing for working families rather than single-family households, lottery system for subsidized units, long-term affordability of workforce housing units ensured by deed restrictions, pedestrian-friendly, open space, integration of housing for all income levels dispersed throughout the development, public/private partnership
Financing:	$1 million from the Commonwealth of Massachusetts Brownfields Fund for environmental remediation due to the site's status as a brownfield, LIHTCs and Section 8 vouchers for the rental units, sales tax exemption for building materials because of developer's nonprofit status, a $28 million bridge loan from the AFL-CIO Housing Investment Trust, $1.17 million in state-administered HOME funds, $2 million in Massachusetts Affordable Housing Trust Funds, $2.9 million in permanent financing from MassHousing, $1.17 million in Leading the Way Funds, $2.5 million from Boston's Neighborhood Housing Trust, subsidization of affordable units from market-rate condos net revenue, $52 million construction loan from from FleetBoston bank

The Stapleton Project

City:	Stapleton, CO
Building Type:	Largest infill redevelopment project in the country (as of 2003); a mixed-use, sustainable community that will encompass 4,700 acres with 8,000 for-sale homes (800 of which will be workforce housing units), 4,000 rental units (800 of which will be workforce housing units), 10 million sq. ft. of office space, and 3 million sq. ft. of retail space
Cost of Devt.:	$6,055,000,000 for total project
Affordability:	All the units at Roslyn Court are for households that earn at or below 80% AMI, all of the rental units are for households at or below 60% AMI
Price/Rent:	In the 80-unit Roslyn Court, units are priced between $120,000s and $175,000, one-bedrooms are 600 square feet and three-bedroom units are 1100 sq. ft. At Syracuse Village, prices start at $150,000 and the unit size ranges from one bedroom with 788 sq. ft. to three bedrooms with 1,155 sq. ft. Rental units are $650 for a one-bedroom and $750 for a two-bedroom
Time Line:	Site purchased in February of 2000, construction started in May of 2001, projected completion in 2020
Features:	Workforce housing is constructed in mixed-income areas, minimum-square-footage guide lines are enforced, 15 percent of the work force units are required to have 3 bedrooms or more, long-term affordability is ensured by a resale formula with 30 year restrictions, after 30 years the governing nonprofit can renew the affordability measures or sell as market-rate, public/private partnership
Financing:	The affordable housing has been financed through tax-exempt bonds, LIHTCs, the Fannie Mae Foundation's American Communities Fund and discounted land made available by the Forest City

The Boulevard in Anaheim

City:	Anaheim, CA
Building Type:	Overlay mixed-income community with 36 attached town-homes (workforce units) and 20 single family homes (market-rate) built on a former truck transfer station in downtown Anaheim
Cost of Devt.:	$19,240,000
Affordability:	36 workforce units for households earning 80-120% AMI
Price:	$275,000-$341,000
Time Line:	Site acquired in July of 2003, project began March of 2004, development opened September of 2004, projected completed July of 2005
Features:	Sustainable, walkable community near transit and major employers in the area, Energy Star units, reuse of brownfield site, use of overlay zoning in an industrial site, long-term affordability ensured by resale formula that includes 45 year term for targeted income levels, two-day required home ownership workshop held by the city, 30-year fixed rate mortgages,winner of the Terwilliger Center for Workforce Housing *Models of Excellence Awards* in 2008
Financing:	The City of Anaheim Redevelopment Agency assisted the developer with land acquisition and site clean-up

Mueller

City: Austin, TX

Building Type: New mixed-use, mixed-income community that will intersperse 1,150 affordable houses, condos and apartments (25% of the total new housing stock) with the market-rate units on the former site of Austin's Robert Mueller Municipal Airport

Affordability: Homes for households earning at or below 80% MFI and apartments for those earning at or below 60% MFI

Price: $120,000-$170,000 for affordable homes

Time Line: Mueller site became available in 1999 after the airport relocated, Phase I began in September of 2007 and was completed in Spring of 2008, Phase II began in 2008 and was completed in 2009

Features: Sustainable community complies with Austin's award-winning S.M.A.R.T. housing program, interconnected parks and trails, three star Austin Energy Green Building, long-term affordability ensured by a shared appreciation program, homebuyer education and credit counseling for qualified homeowners and those that want to work toward homeownership, finalist for the Terwilliger Center for Workforce Housing *Models of Excellence Awards* in 2008

TWELVE Centennial Park

City: Atlanta, GA

Building Type: New mixed-use project with two 39-story residential highrise towers (with 1,024 condo units) and a mid-rise hotel (with 102 rooms), 20,000 sq. ft. of retail space, and 5,000 sq. ft. of restaurant space

Affordability: 104 affordable condos are for households that do not earn more than $56,950

Price: Subsidized for households that earn at or below 80% AMI; one-bedroom units offered for $144,000, subsidized two-bedroom units offered for $155,000

Time Line: Project broke ground in October of 2005, Phase I completed in 2007

Features: Finalist for the Terwilliger Center for Workforce Housing *Models of Excellence Awards* in 2008

Financing: Eastside Tax Allocation District allowed affordability, the rest of the market-value for the subsidized units (up to $250,000) is covered by a soft second mortgage from the City of Atlanta that does not have to be paid back until the property is sold