Multifamily TRENDS®

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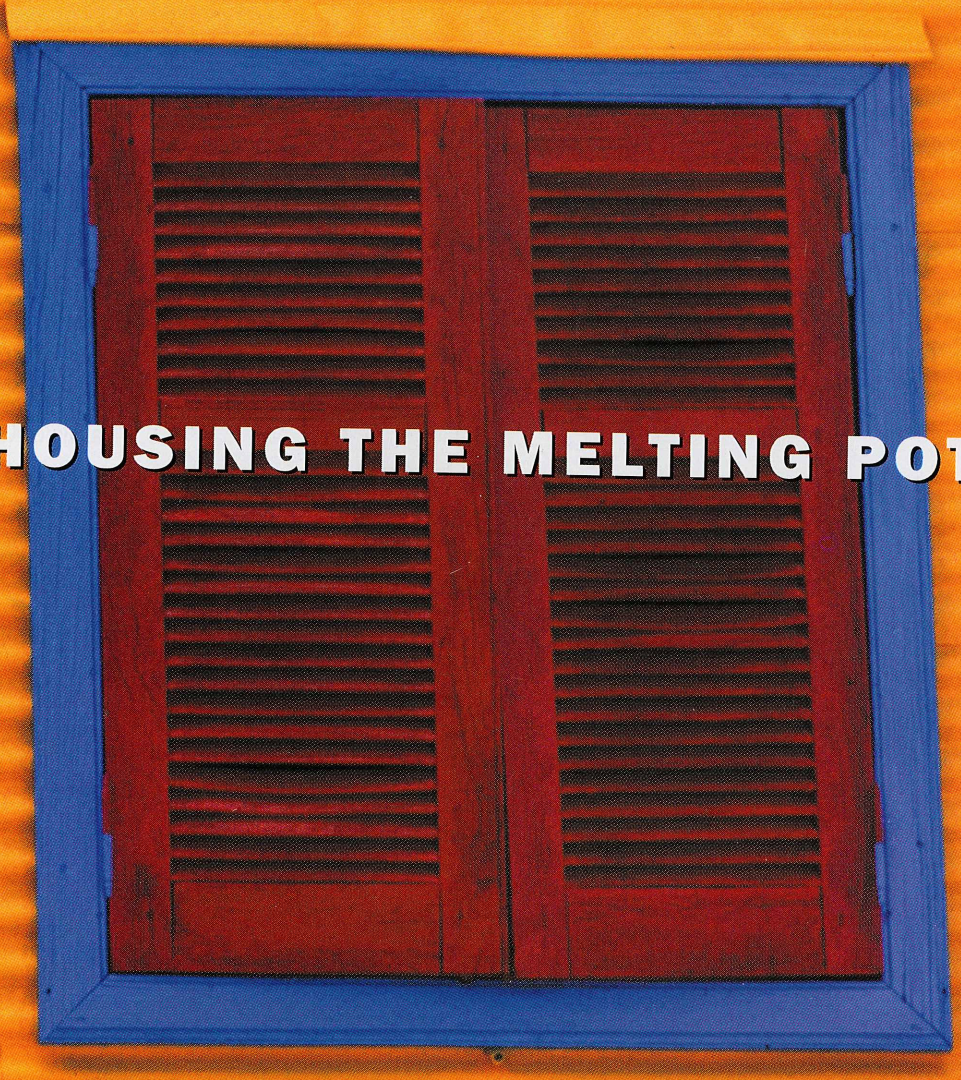

HOUSING THE MELTING POT

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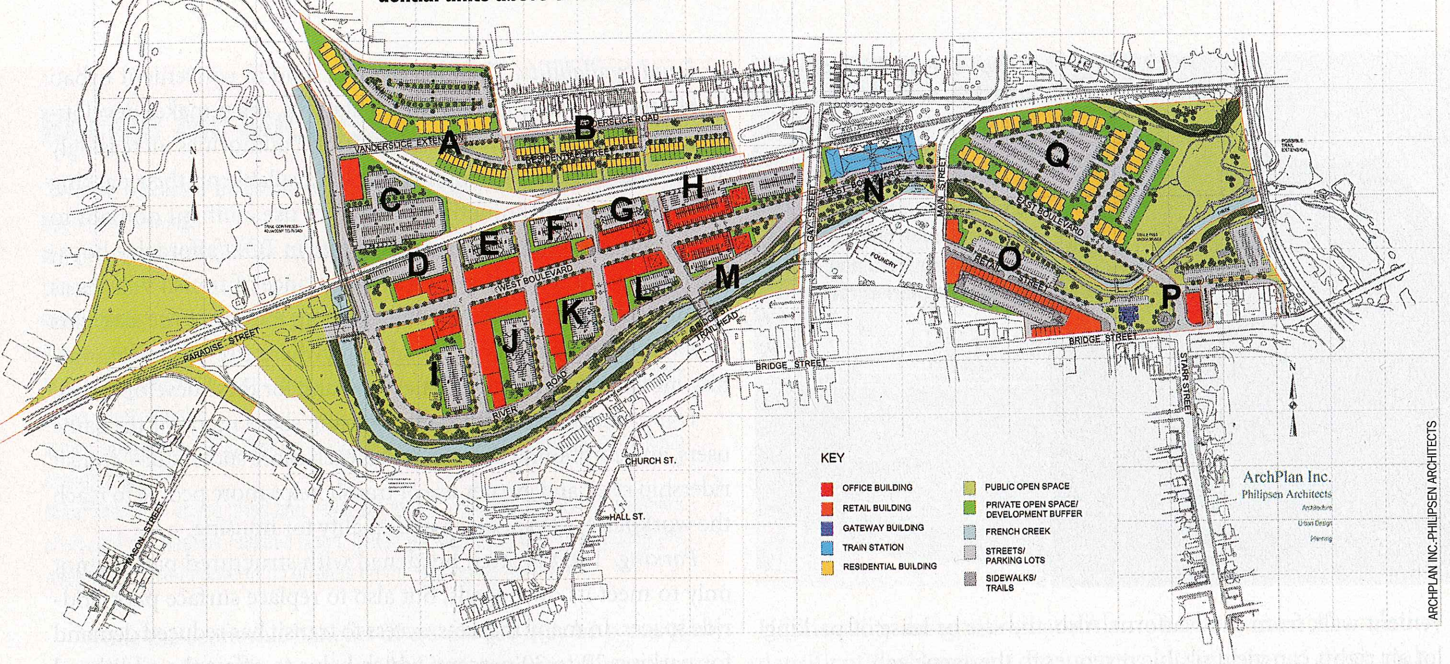
AFFORDABLE HOUSING ■ FLORIDA ETHNIC TRENDS ■ MIXED-INCOME FINANCING

The master plan for French Creek Center in Phoenixville, Pennsylvania, includes a variety of multifamily products. Townhouses and apartments are located in the northeast section of the development (sections A and B) and extended stay suites are on the west of the plan (section Q). In addition, the plan includes a retail street (section O) with residential units above the stores.



Public/private partnerships. Both TOD and affordable housing generally need public investment in the form of tax credits, enterprise funds, special districts, tax increment financing, tax forgiveness, public infrastructure, or other incentives and methods of contribution. The negotiations are often easier when the public sector sees the many associated benefits, including an infusion of affordable housing, an activated public space, enhanced transportation access, and a new revenue source for the city.

Recent Projects

Despite the challenges, many combined affordable housing/TOD projects are being built across the country.

MacArthur Station, Oakland, California. A particularly unusual joint venture characterizes this ten-acre project still in the planning stages and located in the heart of this built-out city east of San Francisco Bay. After several fits and starts, Bay Area Rapid Transit (BART) issued a request for proposals for redevelopment of the site in late 2003. The selection came down to two teams, Shea Properties (sister company of Shea Homes) and its financial partner Aegis, or Bridge Housing Corporation (California's largest nonprofit developer of affordable and mixed-income housing) and its financial partner CalPERS. BART and the city of Oakland were torn in their decision, and finally asked the two teams if they could form a joint venture. The developers agreed to try, and after 30 days came back with a workable structure among Shea, Aegis, and Bridge. The project expects to make 20 percent of the housing—400 to 600 units—affordable to residents earning 50 to 80 percent of the area median income. These units likely will be built at densities of 100 to 125 units per acre on four stories of wood frame above parking and retail space. The other 80 percent of the residential units will be a combination of for-sale condominiums and market-rate apartments.

Hollywood/Western Metro Red Line Station, Los Angeles, California. McCormack Baron Salazar, a developer specializing in revitalizing urban neighborhoods, recently completed the final phase of development on one of the first southern California transit villages targeting low-income households. The project is located above the Red Line station in Hollywood where trains operate on four-minute headways during peak periods, and connect with seven different bus lines. The initial phase of the project, built on a 1.68-acre parcel owned by the Los Angeles County Metropolitan Transportation Authority, opened in 2000 and included 60 affordable housing units with one secure off-street parking spot per unit in a below-grade facility, plus shared guest parking. The recent phase added 60 more affordable housing units, 9,100 square feet of retail space, and a daycare center. The Hollywood Community Housing Corporation assisted with financing.

Parsons Place, East St. Louis, Illinois. McCormack Baron Salazar is also working on the second phase of a mixed-income project located in the East St. Louis Emerson Park neighborhood. Parsons Place is the first privately developed rental housing project in East St. Louis in 30 years. Before the project's creation, the Illinois Public Housing Authority had been the largest landlord in the area. In a partnership with Emerson Park Development Corp., a local community development corporation, McCormack Baron redeveloped 30 acres of abandoned land. The new neighborhood is anchored by a swimming pool, a large park and community center, the Jackie Joyner-Kersee Boys and Girls Club, and a MetroLink station to the south.

Phase I of the project includes 171 units of one-, two-, and three-bedroom apartments of which 75 percent were leased under the low-income housing tax credit program, and 25 percent are market rate. Phase II will include another 102 units allocated similarly. The development authority provided the first mortgage for the project and awarded the low-income housing tax credits, which were

Tools and Programs to Help Create Affordable Housing/TOD Developments

Recognizing the challenge of creating transit villages with mixed-income components, communities around the country are providing a variety of tools and incentive programs to encourage this type of development. Among them are the following:

- Fannie Mae rolled out its Location Efficient Mortgage (LEM) program in 2000 to assist qualifying households in Chicago, Seattle, Los Angeles, and the San Francisco Bay area. The program allows people looking to buy homes in location-efficient communities—within a half mile of a transit station—to borrow more money because they are likely to spend less than average on transportation. This has the effect of lowering the minimum annual income needed to purchase a home by as much as $5,000, and can increase credit availability by $36,000 to $48,000 for a first-time homebuyer with a household income of $50,000.
- The Housing Incentive Program (HIP) in the San Francisco Bay area, sponsored by the San Francisco Bay Metropolitan Transportation Commission, provides transportation dollars as an incentive to local governments that locate developments near transit, with an additional bonus provided for affordable housing units.
- Also in California, the Transportation for Livable Communities (TLC) program funds transportation projects in local jurisdictions that are locating compact housing near transit.
- Maryland's Live Near Your Work (LNYW) program offers $3,000 toward closing costs for employees who buy a home within five miles of their workplace. One-third of the money comes from the state, one-third from the local government, and one-third from the employer. Demand for the program in Baltimore has been so strong that it surpassed the state's funding, which the city has decided to cover.
- In Denver, the Metro Mayors Caucus has created a pool of tax-exempt private activity bonding authority to provide financing to transit-oriented, affordable multifamily rental housing.
- Both Loyola University in Chicago and the University of Cincinnati make low-interest loans for home purchase or improvement available to employees living within a certain distance of campus.
- First Community Housing in San Jose, California, a nonprofit developer of affordable housing, has secured an agreement with the city to build 10 percent fewer parking spaces at transit-proximate projects, and also buys Eco Passes for its tenants to encourage transit ridership.

purchased by US Bancorp, an equity partner in the project. The city of East St. Louis provided $2 million of tax increment financing, much of which was used for public improvements such as streets and lighting.

French Creek Center, Phoenixville, Pennsylvania. Particularly ambitious is the redevelopment of the 123-acre Phoenix Steel site in Phoenixville. A master plan for French Creek Center was put together in 1999 by Phoenix Property Group after the community rejected previous plans presented in the 1990s. Chester County 2020, a local nonprofit trust dedicated to addressing growth and sprawl in Chester County, brought in designer Klaus Philipsen of Baltimore, Maryland–based ArchPlan, Inc.–Philipsen Architects to help redesign the proposal to adhere more closely to the community vision. The resulting plans were well received and form the basis of the development today. Central to the project are a station for the proposed Schuylkill Valley Metro commuter rail, projected to open in 2008, 39 acres of parkland, connections to downtown, and a newly restored Phoenix Iron Works Foundry building.

Regardless of whether the commuter rail is constructed, the project is pedestrian friendly and transit oriented. Mixed use in character—anticipating 800,000 square feet of commercial development producing 5,000 jobs, more than 500 units of corporate apartments and townhouses, and 50,000 square feet of retail space—no part of the project will be more than a half mile from the proposed transit station.

When the affordable townhouses came on the market in March 2004 as the first phase of the project, hundreds of people camped out in near-freezing temperatures for an opportunity to purchase the units with prices starting at $169,900.

Funding for this public/private venture has come from a wide variety of sources, including the Department of Community and Economic Development, which is helping with environmental remediation of the site; the Pennsylvania Department of Transportation's Growing Greener Fund, part of its Transportation Improvement Fund; and a $2 million grant and a $4 million low-interest loan from the U.S. Department of Housing and Urban Development's Brownfields Economic Development Initiative.

Ampere Station, Newark, New Jersey. Ampere Station was an unused stop on the Newark-Bloomfield rail line, situated in one of New Jersey's most economically depressed neighborhoods. The old Ward Bakery had closed its doors in 1979 amid a host of financial and environmental difficulties. Finally, RPM Development Group, based in Montclair, New Jersey, specialists in urban revitalization projects, saw an opportunity for safe and inexpensive apartments and in 1994 purchased the property for $100,000.

The city initially resisted the proposed transformation to affordable housing, instead favoring commercial occupancy. But the location and condition of the building frustrated any retail attempts,

See **THE MATCH GAME,** *page 53*