



# Affordable Housing Analysis and Development Recommendations

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## Introduction

The State Street project partners’ vision is for State Street to become a multi-modal transportation corridor, where high-quality bus rapid transit, pedestrian, bicycle, and auto facilities serve a series of mixed-use, transit-oriented development nodes.

Transit-oriented development (TOD) reflects an intentional and specific approach to development that maximizes the amount of residential, commercial, employment and recreational space within walking distance of affordable public transportation. This type of guided development approach builds neighborhoods. Housing is a key element that informs the type of commercial business development, recreational space design, and other elements of TOD. One aspect of the State Street TOD vision is housing that is affordable to residents at a diverse range of price points and is attainable for the area’s workforce (entry-level and above), seniors, students, and other middle- and lower-income households.

**Purpose.** The purpose of this memorandum is to evaluate opportunities to include diverse housing options at a range of price points along the State Street corridor and within designated TOD nodes. This memorandum has been completed as a part of the State Street TOD project ([www.statestreettod.com](http://www.statestreettod.com)). Readers are encouraged to read the State Street TOD Market Analysis, a companion document, and other documents that can be accessed on the project web site.

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## TOD and Affordable Housing

**Transit Oriented Development** is a specific type of public infrastructure investment approach that tends to leverage public investment and spur private development and investment. Initial private development projects are often seen as development catalysts to drive future development to expand housing, retail services and employment in strategic locations. These catalyst projects may require a blend of public and private investment when traditional market rate development debt, equity, and return ratios alone are unlikely to yield acceptable returns.

This is often the case for below-market rental or ownership housing projects attempting to attract a broader market that includes diverse income levels. Broadly termed “affordable housing”, such projects are intended to reach households at or below 80% of Area Median Income (AMI) or lower. The U.S. Department of Housing and Urban Development (HUD) issues guideline definitions for affordable housing based prevailing household incomes, household sizes and housing costs (no more than 30% of household gross income). HUD has recently begun developing refined affordability criteria taking into account proximity to public transportation.

From a development standpoint, affordable housing is simply an *alternative strategy* to reach that part of the housing market that cannot affordably access the current market rate rental or ownership options – by proactively leveraging one or more forms of public investment.

Depending on the strength of a specific market in terms of supply and demand, those left out or market for housing priced at prevailing rates may not necessarily be poor or indigent. In fact, Boise is among the growing list of metro areas nationally in which average working families often qualify. In Boise, a family of four earning \$56,000 would meet HUD guidelines as “low income” at the 80% AMI level. Minimum wage in Idaho is \$7.25 and there is a bill to raise it to \$8.75. A family of four with two incomes at minimum wage (\$8.75) is \$36,400 which is slightly above the 50% AMI threshold for “very low income”. The HUD Fair Market Rent (FMR) for a two-bedroom apartment for a family of four is \$866 (or \$10,392 annually) or approximately 30% of gross income.

So, a working family could pay HUD FMR, but the developer may not be able to build new apartments at this rent and achieve a return in this rising and volatile construction market without favorable funding/incentives. Affordable housing funding/development tools could allow a developer to do a mixed income project with a blend of market rents and affordable rents to attract a broad market to TOD catalyst projects.

In the current financing and construction environment it is often challenging to acquire land at the right price and design a marketable product in a below-market catalyst project. This is where the art and science of strategic development comes in, to design and finance a project that revitalizes or expands a neighborhood that complements a new public infrastructure investment (improved transit options). Public transit infrastructure investment leverages private sector housing and retail investment; however, such development must be incented and coordinated to occur as part of the overall public private development/investment strategy.

## The State Street TOD Vision and Development Context

### Existing Development Challenges/Opportunities on the State Street Corridor

The State Street Corridor provides a mix of housing that is currently relatively affordable. This current affordability is due in part to the inconvenience of increased traffic and travel time along the Corridor between Eagle and Boise City. In addition, the development that has occurred has been opportunistic rather than intentionally planned within the current transportation connectivity to employment centers. Proposed BRT along the Corridor creates an opportunity to reimagine and incentivize new mixed income housing and commercial as part of the development mix at each major transit station.

The market analysis conducted for the State Street Corridor indicates an average family size of approximately 3.0 persons along the Corridor. The average median income across the Corridor is \$50,834. The Boise Area Median Income (AMI) for a family of 3 is \$57,940 with a family of 3 earning \$46,350 at 80% AMI or \$28,950 at 50% AMI which are many of the affordable housing limits. The percentage of owner occupied housing in the Corridor is 50% and the renter occupied housing is 42.6% with a vacancy rate of 7%.

Affordable housing development generally follows the same process of opportunity and market assessment and the same economic feasibility principles as a private sector development. Our recent conversations with experienced for-profit and nonprofit developers identified a number of issues and challenges confronting would-be affordable housing developers, including:

- Appropriately zoned, transit accessible and right-sized acreage for new development are limited.
  - Land assembly to get an economically feasible development scale is difficult and increases project costs.
  - Units per acre and parking requirements are development inhibitors (difficult to get to economic scale).
  - Traffic congestion along the Corridor and inadequate connector roads through the surrounding neighborhoods inhibits growth.
- Commercial amenities along the Corridor are aging and located on underutilized sites.
  - Commercial sites can be an opportunity for mixed-use and mixed income housing, but acquisition and cost of development not economically viable at present.
- Lack of comparable new housing developments over the past several years (comps) has led to lower appraised value of new multifamily development in older and historically affordable neighborhoods (e.g. Garden City area).
  - This appraisal disadvantage undermines debt capacity to cover the cost of construction and increases the need for equity (public or private).
- ACHD is proceeding with a pre-determined Corridor intersection expansion prior to completion of the BRT concept and station designs.

## Summary of Development Tools and Organizations

One relevant program that has goals that are consistent with TOD is **The Energize Our Neighborhoods (EON)** program, managed by the City of Boise. This is an extensive and collaborative framework that can support the transit and community development goals for the State Street Corridor that would improve the livability and access to services along the Corridor for families and businesses.

**Affordable housing development** within the Boise region and other metropolitan regions is often conducted by nonprofit Community Development Corporations (CDC) or a Housing Authority (PHA). It has long been recognized that affordable and accessible transit options are a key component of meeting the needs of lower income families.

### Affordable Housing Development/Preservation Tools

Historically affordable housing is a defined term most often to describe multifamily rental housing that serves low-income/very low-income people and is financed with a combination of public/private sources of funds. These financing programs are primarily from federal programs and administered by State and/or local agencies.

In Idaho, **Idaho Housing Finance Assn (IHFA)** that administers the 9% Low Income Housing Tax Credit (LIHTC) program as well as the State private activity/tax exempt bond and 4% LIHTC program. In addition, IHFA partners with banks and offers unique home mortgage loan products that include conventional loans, Rural Development (RD) loans in rural areas, Federal Housing Administration Loans (FHA), and Veterans Administration (VA) loans for Veterans.

The **City of Boise Housing and Community Development Department** administers the **federal HOME Investment Partnership Program (HOME)** and the **Community Development Block Grant (CDBG)** program. The HOME and CDBG programs are flexible and can fund affordable (80% AMI and below) homeownership projects as well. Housing Choice Section 8 vouchers are administered by local Housing Authorities (Boise/Ada County Housing Authority) serves the State Street Corridor. Project Based Section 8 vouchers are administered by IHFA.

A requirement of state and/or local jurisdictions to receive Federal HOME and CDBG funding is the creation of a Consolidated Plan that identifies the community needs and targets community partners and projects in an Annual Action Plan. Boise City/Ada County Housing Authority (BCACHA) administers the Housing Choice Vouchers (section 8) rental assistance to residents throughout Ada County. The waitlist for subsidized housing maintained by BCACHA indicates the shortfall in affordable housing for households in need. In addition, BCACHA works with Ada County Continuum of Care program to provide support to individuals/families that need supportive housing.

The Boise City Consolidated Plan 2016 – 2020 Housing Needs Assessment Report, the primary affordable housing planning document for the Boise metropolitan region, concludes the following:

- The Boise region is growing, with the potential to grow by nearly 25,000 people in the next 10 years.
  - This growth translates into a need for 9,500 additional housing units, or 950 per year to maintain current housing conditions.
- Housing costs are growing faster than wages.
- Almost 50% of renter households are already cost burdened, spending more than 30% of their income on housing.
  - Housing costs disproportionately affect special needs populations like the elderly, people and families experiencing homelessness, veterans, individuals with disabilities, and refugees.
- Price restricted rental housing units need to expand.
  - Using sources such as Low Income Housing Tax Credits (LIHTC) and HUD HOME funding may help
  - Homeless assistance is needed for additional rapid re-housing, permanent supportive housing, and long-term affordable rental housing.
  - Collaborative partnerships should be formed and strengthened to combine expertise and leverage funding with the goal of developing more affordable housing units.

The **Housing Needs Assessment of the Consolidated Plan** shows a gap in the rental housing inventory for households at 80% AMI or less. Currently, there are 84 subsidized rental units for every 1,000 low-income households. Renters at 60% AMI or less interested in purchasing a home will not be able to afford the median priced home in Boise, based on 2015 MLS sales data. The most affordable MLS area is West Boise and Garden City.

A list of all price restricted rental properties in Boise was compiled as part of the Consolidated Plan. These units serve families, seniors, persons with disabilities, and persons who would otherwise be experiencing homelessness. In total, there are 2,505 price restricted rental units in Boise. This includes scattered site public housing units. Restrictions are for households at income levels from 0–60% AMI, with almost all subsidized at 50% and 60% of the AMI. Many units owned by the Boise City/Ada County Housing Authority also offer project based rental assistance, which allows extremely low-income households to afford rents in the property. In Boise, 52% of all price restricted rental units are studios or one bedroom. Many persons in need of rental housing are single and need smaller units.

For families wanting larger units, there is a lack of affordable rental housing. Boise City has tried to fill the gap for larger units. Using CDBG and HOME funds to purchase single family homes with higher number of bedrooms that are then rented to low-income households. In other cities and/or counties Housing Authorities often acquire single family homes to be rented to very low income families in combination with Housing Choice Vouchers.

Habitat for Humanity (Habitat), Autumn Gold, and NeighborWorks Boise all build or purchase and rehabilitate affordable homes for households earning 60% or less of the AMI in Boise. Habitat provides a zero percent interest loan with affordable monthly payment to homeowners who

contribute up to 500 hours of “sweat equity” in the building of their home. AutumnGold uses HOME CHDO funds to purchase, rehabilitate, and sell units to households at 80% AMI or less. NeighborWorks Boise is developing new single family homes for sale to households; some for those who earn 80% AMI or less (some along the State Street Corridor).

## **Affordable Housing Developer Interviews**

The State Street TOD consultant team interviewed agencies that already own and/or operate restricted affordable housing properties within the Corridor boundaries. These experienced “affordable housing” developers demonstrated significant interest in exploring additional development opportunities along the Corridor. They were very supportive of the BRT concept recognizing that increased mass transit on the Corridor was most useful to moderate and lower-income individuals and families that they serve. These developers as well have experience with a continuum of affordable housing options including: multifamily rental, homeownership, work force, and/or special needs. Many expressed interest and/or willingness to explore partnership with each other or market rate developers to forward affordability and housing continuum goals along the Corridor.

## **Highlights of Affordable Housing Developer Interviews**

**Idaho Housing Finance Agency (IHFA):** Is the prime funder and developer of affordable housing and administration of programs to support less advantaged individuals and families.

- In its simplest form, IHFA’s mission is to provide funding for affordable housing opportunities in Idaho communities where they are most needed and when it is economically feasible.
- IHFA’s role requires the same skills and capabilities as those of traditional lenders and real estate professionals with the additional task of understanding complex affordable housing regulations.
- IHFA is a self-supporting corporation that must generate all revenue necessary to cover the cost of its operations.
  - It does this by earning fees for work performed and does not use any state-appropriated funds for its operations.
  - performs a wide variety of tasks associated with financing, developing or managing affordable housing.

**Boise City/Ada County Housing Authority:** Its mission is to enhance our community by providing safe and affordable housing and fostering self-sufficiency and stability for people in need.

- It is a quasi-governmental agency in every state as part of the National Housing Policy and to administer in Idaho the HUD public housing programs and Section 8 vouchers.
- The ED Deanna Watson has been with the agency for 20 years and the agency tends to serve the very lowest income individuals and families (the most vulnerable).

- They have a couple of small properties near the IDT site on Vine St.
- They have developed (rehab and/or new construction) projects
- They have an application into IHFA for LIHTC for a 50-unit new construction project (Whitewater).
- Always looking for land to develop but the projects recently developed were on sites that had been purchased many years earlier.
- Looking for new ways to develop and serve the lowest income people
- they are very willing to partner with other developers.
- Landlords are increasing rents significantly
  - voucher holders are paying the difference from the contract rents and the increases because they have no other housing options.
  - One voucher holder got approval to increase their portion to 48% of income to stay in the housing.

**NeighborWorks Boise:** Mission to lead in creating innovative housing solutions for underserved populations through strategic partnerships that contribute to building stronger communities.

- They are a resource for homeownership and provide programs to acquire/preserve (rehab) existing homes for lower income households
- They receive funding from the National NeighborWorks organization for their development and preservation (repair existing occupied homes) activities
- They are currently developing pocket neighborhoods for homeownership.
- Always looking for sites and experienced in developing these type of infill projects
- Very willing and anxious to partner with other developers
- Opportunity to integrate workforce with market rate.

**Collister Community Church:** The Church owns the land and building has since 1915 and currently has 65 parishioners. They are seeking to partner with a nearby Baptist church to use the building for Sunday School (don't know how many people) will add some maintenance/operating revenue to the Church

- ACHD is planning a major intersection at Collister Dr. which will affect access to the church on Sunday for the period of construction.
  - Church very concerned that neighbors will be inconvenienced when the Sunday parishioners are re-routed.
  - Church leaders seem to be unable to get their concerns heard and/or addressed by ACHD
- The completed intersection appears to isolate the Church further from the Assisted Living communities across State Street (Walkability)
- Adjacent to the Church is a "locally owned" lumber/hardware facility.
  - The Church quietly co-exists with the facility
- The Church site is about 2+ acres and when combined with the adjacent site would be a sizable tract of land for development

- Currently both sites are underutilized
- Church site could be a prime development site.
  - Suggested that the Church consider partnering with the lumber yard and other adjacent neighbors to coordinate their input to ACHD and BRT improvements.

**Bill Truax:** Mr. Truax is a private developer that has targeted to do mixed income projects (rental/homeownership) neighborhoods (Garden City).

- Currently doing a townhome project in Garden City and is having trouble getting the appraisal sufficient to attract the financing needed.
  - Up to 25 units per acre.
  - Understands the Parking issues and is trying to reduce them

**Northwest Real Estate Capital Corp:** participates in co-development consulting and joint ventures. Our primary goal is to fulfill our mission of preserving affordable housing in the northwest region.

- They don't use the word "Affordable" and are focused on "work-force housing" as the target population.
- Interested in the Corridor for development opportunities

## Catalyst Projects and Preliminary Recommendations

The State Street TOD consultant team is continuing to explore several key opportunity sites identified in the TOD Opportunity Sites Evaluation Matrix with the potential to serve as sites for the catalyst development of some housing affordable to households below 80% of AMI. To explore alternate housing finance strategies the consulting team working with the City/CCDC team to assess the top two opportunity sites for affordable housing development:

1. Collister station has opportunity sites:
  - a. There is a parcel aligning the Corridor on the north side that is owned by a church with a small and declining membership.
    - i. A large parking area and parsonage provide an opportunity to develop affordable housing on this under-utilized land.
  - b. Adjacent to the church owned parcel is a small family owned lumber yard that might be acquired to add to the church property.
  - c. Mike Brown, of *LocalConstruct* has developed housing to the east of the church site
  - d. ACHD owns some property on the south side of the Corridor that could be acquired/donated as a housing development site
2. The ITD Headquarters (a 40+ acre publicly-owned site) at the 30<sup>th</sup> Street Station Area is a significant redeveloped opportunity
  - a. The Project Partners should review and modify the site planning/master planning that has been done to date in order to refine concepts regarding:

- Transit station/corridor design for access
- Multi-family and/or single family housing types (rental/owner occupied)
- Identify target housing markets (incomes, family size, etc. to be served)
- Zoning/density and parking regulations
- Coordinate existing and proposed retail/service mix to serve new housing residents.

### **Preliminary Recommendations:**

- For both the Collister and 30<sup>th</sup> Street/ITD sites, Project Partners should develop mixed-income financing strategies to include:
  - acquisition of land at reduced or subsidized cost,
  - land assembly with development incentives,
  - target housing types and markets that are compatible with the site and surrounding neighborhood to minimize gentrification and encourage neighborliness
  - Efficient and sustainable construction methods and reduced parking are also required.
  - Private and public funding scenarios using appropriate/compatible affordable housing tools/incentives as leverage to generate some units at 80% rent affordability to achieve a mixed income and affordable development.
- Land acquisition development strategy: One relatively straightforward way to blend public and private funding is to initiate a land acquisition program, to create a strategic and discounted inventory for developers to evaluate.
  - This land acquisition approach could expedite the development process for such catalyst projects
  - Issue Requests for Proposals (RFP) to the development community to respond with development scenarios to develop this previously acquired land.
  - Expedite permitting and waive or discount any Systems Development Charges.
  - Using these types of incentives allow the City flexibility to establish a goal for below market affordable rents and income targets for developers to design and finance creatively to leverage and blend multiple financing options to achieve the comprehensive affordability goals.
- Sample project types
  - Based on our preliminary analysis is and conversations to date, we believe the following are two potential projects:
    - At Collister Station a mix of 30 owner-occupied (townhome units) and 100 multi-family units produced by an experience developer willing/incented to construct a mix of unit types at competitive/affordable price points.
    - Create a critical mass of residential to invite/stimulate upgraded commercial services to the neighborhood.

- The publicly owned ITD site provides the potential to master plan a complete neighborhood with multiple housing types and price points with strategically identified commercial/retail to support the new neighborhood. Such a master plan would likely provide a development standard and process that would be the gateway for the rest of the TOD development along the State Street Corridor.

Development of course is an opportunistic endeavor. Above are just some locally coordinated development strategies that could stimulate investment along the State Street Corridor to support the success and leverage the return on the BRT transit investment. A team of engaged developers (for-profit/nonprofit) and community development professionals should be convened to co-create a new and effective way to expedite the development of strategically located mixed income catalyst projects that are intended to revitalize the neighborhoods and communities along the State Street Corridor.

### **Critical Role of /Urban Renewal**

Despite the seemingly long list of governmental housing-related programs and incentives available to bridge the financial gap posed by prospective affordable housing developers, the reality is the State of Idaho is particularly weak in its array of available housing-supportive funding sources.

**Funding sources currently available at the local and federal level, alone, are unlikely to be sufficient to bridge the profitability gap for significant catalyst development activity involving affordable housing.**

While many of the other tools and approaches rely on project funding drawn from existing public sources, Tax Increment Financing (TIF) is a mechanism designed to use new (“incremental”) tax revenues generated by the project itself – specifically in cases where an urban area is determined to suffer from deterioration and/or faulty infrastructure. The idea is that incremental property and sales tax revenue growth is unlikely to occur without significant new infrastructure investment. TIF is one of the most common sources of funding for local redevelopment and TOD projects in the country.

TIF funds can be used by the implementing agency to help fund infrastructure and public realm improvements; site acquisition, assembly, and disposition; targeted grant and loan programs; parking; staffing; and other efforts that spur private investment. Importantly, in cases where planned projects are expected to generate reliable increases in taxable property value, that expected future incremental revenue stream may be used as a basis for issuing bonds to fund infrastructure spending. For several existing urban renewal districts in Boise, TIF generates a source of funds that can be used by Boise’s urban renewal authority, Capital City Development Corporation (CCDC) within each designated district.

CCDC has not formally decided whether or not to form an urban renewal district along State Street, but it has largely completed the first step of documenting the eligibility conditions for such a district in the corridor. The availability of TIF funding would have a significant impact on the ability of CCDC to take the type of actions included in this list, including encouraging affordable housing development.

To begin leveraging TIF revenue sources, Boise must complete current eligibility study (which now includes, potentially, the addition of some Garden City properties south of State Street) and then formally create the urban renewal/TIF district

With TIF revenue as a primary supporting funding source, it will be critical to create, as early as possible, a City of Boise-sponsored team that is responsible for the coordination of all development plans and funding to include public agencies (ACHD, CCDC, Compass, VRT) and private development activities along the State Street Corridor.