

Accessed 8/4/2014



Getting Started

Learn About Affordable Housing – Whether You are New or Just Need a Refresher

What can state and local governments do?

Through the efforts of innovative states and localities, we've learned quite a lot about what can be done and what works when it comes to increasing the supply of affordable homes for working families. The options are many, and the goal of HousingPolicy.org is to help you sort through and identify those that are best for your community.

After a detailed review of state and local housing policies, we've identified six broad roles that state and local governments can play to make housing more affordable. Because housing problems are complex, most communities with housing challenges will want to consider a comprehensive approach that includes policies within all or nearly all of these categories. Click on each category to go to the corresponding section of the policy Toolbox:

- **Expand Development Opportunities** -- This includes making publicly-owned land and tax-delinquent properties available for development of affordable homes and changing the zoning rules to allow more affordable homes to be built. Communities facing disinvestment due to a rise in mortgage foreclosures can benefit from these policies to ensure that foreclosed homes are reestablished as affordable, productive properties to help stabilize neighborhoods.
- **Reduce Red Tape** -- Expediting the approval process and re-thinking overly restrictive fees and regulations can create more affordable homes by reducing the time, risk, and cost of new development. These techniques can also be employed to encourage the rehabilitation and redevelopment of foreclosed homes and properties. Vacant homes have a destabilizing effect on established neighborhoods and anything that speeds the return of occupants to the homes helps stabilize the neighborhood.
- **Capitalize on Market Activity** -- During times of strong housing markets, communities can tap the increased tax revenue associated with rising property values or provide incentives or requirements to include a modest number of affordable homes within new developments. Communities can ride the tide of a strong market to expand the supply of affordable homes. During times of weaker housing markets, communities can capitalize on market activity they generate through tax incentives. During these times, communities can use the policies in this section to ensure that affordable homes will continue to be a part of the local housing landscape when market-rate development resumes.
- **Generate Capital** -- Promising approaches include leveraging federal funds through the Low-Income Housing Tax Credit program, which is administered by state housing finance agencies. Tax credits include a noncompetitive 4 percent credit and a competitive 9 percent credit. Other

tools include issuing general obligation bonds for housing, and leveraging the support of area employers. The tools to generate capital may be impacted by an economic downturn. Programs like the LIHTC have been adjusted to account for the limited market for tax credits by allowing state agencies to convert some credits to cash. Other programs have seen funding decline because their funding is often tied to real estate activity, but these programs will likely remain valuable to incentivize or provide financing to help spur affordable housing production when the economy improves.

- **Preserve and Recycle Resources** -- By recycling downpayment assistance (rather than providing grants), and using shared equity homeownership strategies, communities can help preserve the buying power of government subsidies and maintain long-term affordability. This category also includes efforts to preserve affordable rental housing -- a key policy that helps ensure housing remains affordable to working families.
- **Help Residents Succeed** -- Investing in homeowner education and counseling and help families manage their credit, navigate the private mortgage market, and hold on to their homes when economic circumstances change. Tenant protection laws can be established to protect renters in the case of foreclosure and help them stay in their homes. An expanding set of tax incentives and building standards are being adopted at the state and local level to promote energy savings at home through building techniques and land-use changes that encourage energy and locational efficiency, thus reducing household utility and energy costs.

