Preserving affordability in changing neighborhoods

A presentation to the New City Project

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A fundamental potential conflict exists between neighborhood revitalization and inclusive growth.

Revitalization ➔ market change
Market change ➔ higher housing costs
Higher housing costs ➔ loss of affordable housing
Loss of affordable housing ➔ displacement

How can this conflict be resolved?

Three key principles for fostering inclusive growth:
- Adopt clear goals
- Start early – anticipate change
- Pursue multiple strategies

Goals of inclusive growth:
- Minimize displacement – allow residents to leave if and when they want to leave
- Enable current residents to benefit from market appreciation
- Preserve or create enough affordable housing to maintain long-term economic diversity
- Accept turnover and change as a reality – learn how to manage it
Preserving affordability in changing neighborhoods

- **Start early**
  - Understand neighborhood market dynamics
  - Market change moves **FAST** – too fast for public/nonprofit sector to play catch-up
  - Anticipate success – don’t assume that weak market conditions are a permanent condition
  - Track the market – use indicators to monitor change

Three basic strategies to foster inclusive growth:

- Produce more affordable housing
- Preserve existing affordable housing
- Build resident assets and earning power

As market change progresses, each strategy is likely to become more difficult and less productive.

### Strategies for affordable housing preservation

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<th>Strategy</th>
<th>Stage of market change</th>
<th>Infeasible</th>
<th>Feasible</th>
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<td>Affordable housing production</td>
<td>Early</td>
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<td>Asset-building</td>
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### Strategies for affordable housing production

- Social ownership – community land trusts, limited-equity cooperatives
- Incentives to property owners to maintain buildings as affordable housing
- Rent control/rent stabilization
- Rent receivership
- Homeowner assistance
- Property tax *‘circuit-breakers’*
- Tenant right of first refusal
- Subsidized home ownership
- Retention of expiring use subsidized housing

### Asset-building strategies

- Individual development accounts (IDAs)
- Job training/education
- Local hiring (first source) and contracting
- Living wage
- Job access/transit improvements

### Feasible and Effective Strategies

- Affordable Housing Development
- Inclusionary Development
- Retain Private Market Units
- Retain Only Subsidized Properties
- Feasible Development
- Effective Development
- Feasible Effective Development
- Less Effective Development

Adapted from Levy et al. *In the Face of Gentrification: Urban Institute (2006)*
Preserving affordability in changing neighborhoods

- Financial resources are critical to all strategies
  - State and federal funds
  - Local housing trust funds
  - Linkage and in-lieu fees
  - Tax increment financing

- Three factors are critical:
  - The ability to gain control of land and buildings in the neighborhood
  - The political will and commitment of local government
  - The engagement of the community and community-based organizations

Inclusive growth requires sustained intervention and collaboration by the public and nonprofit/civic sectors to manage change and redirect investment – it does not just happen.

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