

# Affordable Housing: How to Reach This Important Market

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# Affordable Housing

- ▶ Is a home affordable if it...
  - Has higher operating and maintenance costs?
  - Increases default risk under homeownership?
  - Doesn't provide a comfortable indoor environment?
  - Doesn't maintain future value?

# Affordable Housing

- ▶ Owner utility costs are 25-40% of operating costs; maintenance costs are another third
- ▶ As utility rates rise ...
  - Owners are pinched between debt service payments and rising utility costs
  - Utility allowances are adjusted after rate increases, leaving tenants paying higher costs until allowances catch up

# Affordable Housing

## ▶ Define Affordable

### ■ By housing cost

- ▶ Rent plus utilities do not exceeding 30% of gross adjusted income

### ■ By household income

- ▶ Incomes less than 80% of Area Median Income (AMI)

# Affordable Housing

- ▶ Driven by a specific housing need
  - Low income families
  - Seniors
  - Veterans
  - Homeless families and veterans
  - Physical or mentally disabled

# Segmentation Factors

## ► Decision Makers

- Local governments – municipal and county
- State governments – Governor's office and various Departments including Housing & Community Development
- Quasi-government agencies
- Federal government – field offices and headquarters

# Segmentation Factors

## ▶ Housing Characteristics

- New versus existing housing
- Single family versus multifamily
  - ▶ Low rise – single family detached, town/row, and walk-up/garden style
  - ▶ Mid- and high rise, elevator structures, senior facilities
  - ▶ Mixed use and special use such as single room occupancy

# Segmentation Factors

## ▶ Housing Demographics

- Owner occupied versus rental units
- Income criteria
  - ▶ Very low income households, < 20% AMI
  - ▶ Low income, < 40% AMI
  - ▶ Moderate income, 40-80% AMI
- Special needs – seniors, disabled, homeless, single head of household
- Rural versus urban
- Working versus non-working families
- Rental assistance and set asides

# Segmentation & Targeting

- ▶ Types of funding
  - Competitive grants
  - Formula grants
  - Direct loans
  - Mortgage guarantees
  - Tax credits
  - Tax exempt interest rates
  - Discounted interest rates
  - Rental subsidies

# Segmentation & Targeting

- ▶ Customer targets
  - Policy makers
  - Developers
  - Owners
  - Property managers
  - Tenants

# Segmentation & Targeting

## ▶ Customer channels

- Government agencies
- Associations
- Trade groups

# Key Funding Sources

- ▶ U.S. Department of Housing & Urban Development
- ▶ U.S. Department of Agriculture
- ▶ State Housing Finance Agencies
- ▶ Federal Home Loan Banks
- ▶ Veterans Administration

# U.S. Department of Housing

- ▶ Office Public & Indian Housing
  - Public Housing Program (\$6.6 billion)
  - Housing Choice Voucher Program (\$13.4 billion)
  - Native American Housing Program (\$0.65 billion)

# U.S. Department of Housing

## ► Office of Housing

- Section 202 & 811 Programs (\$0.585 billion)
- Project Based Section 8 Program (\$5.3 billion)
- FHA Section 221(d) and 203 (b) Single and Multifamily Mortgage Insurance (\$3+ billion)

# U.S. Department of Housing

- ▶ Office of Community Planning & Development
  - HOME Grants (\$1.8 billion)
  - Community Development Block Grant (CDBG) (\$4.1 billion)
  - Housing for Persons with Aids (HOPWA) (\$0.285 billion)
  - Homeless Programs – Continuum of Care (\$1.0 billion)

# U.S. Department of Agriculture

- ▶ Section 515 Rental Housing Direct Loans (\$0.099 billion)
- ▶ Section 502 & 504 Homeownership and Home Repair Loans/Grants (\$4.5 billion)
- ▶ Section 514 & 516 Farm Housing Loans/Grants (\$0.054 billion)

# State Housing Finance Agencies

- ▶ Low Income Housing Tax Credits (\$0.56 billion)
- ▶ Tax Exempt MF Bonds (\$2.9 billion)
- ▶ HUD formula grants such as HOME and CDBG

# Federal Home Loan Banks

- ▶ Affordable Housing Program (AHP) (\$0.23 billion)

# Veterans Administration

- ▶ Single Family Loan Guarantee Program (\$46.2 billion)
- ▶ Multifamily Transitional Housing for Homeless Veterans (\$0.10 billion)
- ▶ VA Direct Home Loans (up to \$9 million)

# Approach

- ▶ Identify a market segment
- ▶ Collaborate with decision makers & stakeholders for that segment
- ▶ Tailor program offerings to that segment
  - Rebates, technical assistance, loan funds, implementation services

# Example

## ▶ New Jersey HFA

- Collaborated with the state's Green Building office
- Developed pilot concepts for submittal to the PUC
- Developed developer materials to bridge the traditional low-rise residential with C/I programs for mid- and high-rise residential

## ► Comments/Questions:

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