Affordable Housing: How to Reach This Important Market

Matt Pesce, P.E.
Facility Strategies Group, LLC
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?
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:

Matt Pesce, P.E.
Facilities Strategies Group, LLC
2222 Gold Hill Road, Suite 5
Fort Mill, SC 29708
(803) 548-3905
mpesce@fstrategies.com