

*A Homes for Working Families Research Report*

# **Solving America's Shortage of Homes Working Families Can Afford: Fifteen Success Stories**



**Homes  
for  
Working  
Families**

**Fannie Mae  
Foundation**

**Urban Land  
Institute**

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**Fannie Mae  
Foundation**



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## About This Report

This research report was sponsored and financed by the Fannie Mae Foundation and is the first publication in a series to be published by Homes for Working Families, a newly created 501c3 organization with the mission of demonstrating that the affordable housing crisis facing America is solvable and that solutions are available to concerned and committed communities.

*Solving America's Shortage of Homes Working Families Can Afford: Fifteen Success Stories* looks at four programs and 11 projects that demonstrate creative solutions to the affordable housing crisis. The principles and best practices are drawn from an analysis of the programs and projects.

The Urban Land Institute is proud once again to have partnered with the Fannie Mae Foundation on this important effort and wishes Homes for Working Families success in its important mission of demonstrating that the affordable housing crisis in America is a problem that can be solved. Through this report and continuing research, we hope to support that mission by highlighting affordable housing success stories.

Richard M. Rosan  
*President*

## About Homes for Working Families

Homes for Working Families seeks to increase the availability of high-quality homes within reach of America's working families by changing public opinion and public policy. We are working to create a consensus that moves the public to care, moves the issue of homes for working families to the forefront of our nation's domestic policy priorities, and moves policy makers to act. Our effort focuses on working families—the families of teachers, firefighters, retail clerks, librarians, and others who struggle to find homes they can buy or rent in the communities they serve.

Together with a diverse coalition of partners, we communicate the severe shortage of homes within reach of working families and the effect this problem has on everyone, spotlight policies and programs that help meet this need, and promote the understanding that these homes add vitality to local economies, improve the quality of life in communities, and bring stability to families.

Beverly L. Barnes  
*Executive Director*

## About the Fannie Mae Foundation

The Fannie Mae Foundation creates affordable homeownership and housing opportunities through innovative partnerships and initiatives that build healthy, vibrant communities across the United States. The foundation is specially committed to improving the quality of life for the people of its hometown, Washington, D.C., and to enhancing the livability of the city's neighborhoods.

Stacey D. Stewart  
*President and CEO*

## About ULI—the Urban Land Institute

ULI—the Urban Land Institute is a nonprofit education and research institute that is supported by its members. Its mission is to provide responsible leadership in the use of land to enhance the total environment. ULI sponsors education programs and forums to encourage an open, international exchange of ideas and sharing of experiences; initiates research that anticipates emerging land use trends and issues and proposes creative solutions based on that research; documents best practices; provides advisory services; and publishes a wide variety of materials to disseminate information on land use and development. Established in 1936, ULI has more than 29,000 members in 80 countries representing the entire spectrum of the land use and development disciplines.

Richard M. Rosan  
*President*

# Contents

- Executive Summary ..... 2
- Matrix of Programs and Developments ..... 6
- Introduction ..... 9
- Case Studies: Successful Programs .....16
  - S.M.A.R.T. Housing Initiative: Austin, Texas .....16
  - The Housing Trust of Santa Clara County: Santa Clara County, California .....21
  - Moderately Priced Dwelling Unit (MPDU) Program: Montgomery County, Maryland .....27
  - Chapter 40B—the Comprehensive Permit Law: Commonwealth of Massachusetts .....32
- Case Studies: Successful Developments .....37
  - Stapleton: Denver, Colorado .....37
  - Casa del Maestro: Santa Clara, California .....42
  - Edgemoore at Carrington: McLean, Virginia .....46
  - Noji Gardens: Seattle, Washington .....52
  - Ohlone-Chynoweth Commons: San Jose, California .....56
  - Marshall Parkway: Marshall, Minnesota .....62
  - University Glen at California State University–Channel Islands: Camarillo, California .....66
  - Murphy Park: St. Louis, Missouri .....71
  - First Ward Place: Charlotte, North Carolina .....76
  - New Pennley Place: Pittsburgh, Pennsylvania .....80
  - Cabrini-Green Homes/Near North Redevelopment Initiative: Chicago, Illinois .....84
- Endnotes .....92

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# **Solving America's Shortage of Homes Working Families Can Afford: Fifteen Success Stories**



## University Glen at California State University–Channel Islands: Camarillo, California

Through an innovative development and financing strategy, California State University and UniDev LLC have created affordable for-sale housing for faculty and staff by using surplus land to construct single-family residences, townhomes, apartments, and retail space. The market-rate apartments, retail, and other programs assist with making the development self-funding.

### UNIVERSITY GLEN FACTS

**Land Use:** A total of 414 housing units will be constructed on site. Ninety-eight will be affordable for-sale houses—36 single-family homes and 62 townhouses. There will be 316 market-rate rental units (namely, 60 rental townhouses and 256 apartments), 58 of which will be constructed over the commercial space.

**Affordability:** University Glen provides affordable for-sale housing to faculty and staff of California State University's Channel Islands campus as well as market-rate rental housing. Priority is given to faculty and staff for the purchase of the for-sale housing. Houses are sold for roughly 65 percent of market value. Annual home price appreciation is capped at the Consumer Price Index (CPI) and the land is leased from the California State University–Channel Islands Site Authority.

### FUNDING/PROGRAMS

**Funding:** Tax-exempt bonds, Citibank FSB construction loans, Fannie Mae low-interest loans.

**Programs:** Mello-Roos Community Facility District, land leases, home price appreciation caps.

**Developer:** UniDev LLC, Bethesda, Maryland.

**Architects:** Lim Chang Rohling & Associates (Pasadena, California); McLarand Vasquez Emsiek & Partners, Inc. (Irvine, California); WFA Architecture and Planning, Inc. (Laguna Beach, California); William Hezmalhalch Architects, Inc. (Santa Ana, California); the Withee Malcolm Partnership, Architects (Torrance, California).

### General Description

Skyrocketing housing values in California have made recruitment and retention of faculty and staff difficult at many state universities. With the median price of a home in the state fast approaching \$500,000, less than 20 percent of households there can afford a median priced home. California State University–Channel Islands in Camarillo, California, is the 23rd campus of California State University and will eventually serve 15,000 full-time students. Being the newest campus in the state university system meant extensive recruiting for the entire academic staff. Despite the natural beauty of the area and the competitive salaries offered, university planners found that even the higher-paid university professors were deterred by California's expensive housing market. Realizing it had a recruitment and retention problem, the university responded with an innovative method of providing affordable for-sale housing for faculty and staff and market-rate rental apartments.

Located in Camarillo in Ventura County, the university is roughly 50 miles northwest of Los Angeles, 40 miles southeast of Santa Barbara, and about 15 minutes from the Pacific Ocean. The university is located on the site of the former Camarillo State Mental Hospital, which opened in 1936 and closed in 1997. At its peak, the hospital housed close to 15,000 patients and staff. Due to its proximity to Los Angeles, it had several high-profile patients including jazz great Charlie Parker, who wrote "Relaxin' at Camarillo" about his time at the hospital. The university has renovated and converted some of the historic buildings for campus use. New campus structures and parking are being constructed with an eye toward compatibility with the style of the historic hospital. Long-range plans call for complete campus buildout in 2030.

The California State University–Channel Islands Site Authority was created in 1998 with the specific mission of transitioning the hospital to use as a university with additional compatible uses. A seven-person board comprising four representatives from the trustees of California State University and three members from Ventura County gov-

erns the site authority. They are responsible for managing the purchase and sale of government bonds to fund construction of the university, overseeing the aesthetic integrity of University Glen, and establishing policies that control residents' use of the area. A nonprofit corporation, the University Glen Corporation, was established to handle the day-to-day operations of the residential community and to ensure the continuing affordability of the units.

**Development Process**

The university property features 204 acres divided into two sectors: the West Campus and the East Campus. The West Campus comprises 42 developed acres, including the old hospital site, and is being developed for academic uses. The East Campus contains 162 acres of developable land on which the housing and commercial development are being built. Construction on the East Campus began in October 2000 and is scheduled for completion in 2006.

The site authority initially turned to San Francisco-based Catellus Development Corporation for development of the housing component. The firm proposed developing all market-rate housing on the site with a financial return to the university. Market-rate housing in California, however, was not likely to be affordable to the faculty and staff of the university. The authority then turned to Bethesda, Maryland-based UniDev LLC, a company with extensive experience with development of both university and af-

fordable housing. In 2000, they were brought on as the owner's representative to manage the planning, design, financing, and implementation of the redevelopment of the East Campus.

UniDev proposed having the site authority lease the land to the homeowners, ensuring a continuing income stream. In addition, incorporating market-rate apartments open to the public would provide an income stream to fund campus construction and renovation as



(Above) California State University at Channel Islands is nestled in rolling hills with no direct neighbors and no community opposition to the proposed development of the new community.



(Left) The market-rate rental apartments at University Glen create an ongoing income stream that helps subsidize the affordable housing units.

well as the continuation of the affordable homeownership program. In all, a total of 414 residences were proposed. A total of 256 apartments were to be constructed, with 58 to be built over 30,000 square feet of retail space. A total of 98 for-sale homes were proposed: 36 single-family homes and 62 townhouses. In addition, 60 rental townhomes were proposed.

UniDev worked extensively with faculty and staff and the site authority to craft a plan that would serve everyone's needs. The faculty and staff of the university needed affordable housing. The site authority needed a dedicated and consistent revenue stream to fund campus expansion and renovation needs, as well as maintain the affordability of the on-campus housing. UniDev proposed developing the site in phases to stagger the move-in dates and create cash flow to fund the affordable units.



(Above) The architectural style of the community is Spanish colonial and Monterrey, reflecting the style of the renovated historic structures on campus. Shown here are rental townhomes.

### University Workforce Housing

Faced with recruitment and retention problems, partly based on the inability of faculty and staff to find acceptable affordable housing, many universities are seeking creative ways to provide affordable housing to their faculty and staff.

### California Universities

While the problem of housing costs affecting the recruitment and retention of university staff and faculty is a nationwide problem, it is most severe on both coasts, with California being the most severely affected state. Several in the University of California (UC) and California State University (CSU) system have been addressing this problem for years. UC-Irvine was probably a pioneer with the concept of providing faculty housing on land that is leased to faculty on a 99-year lease. This lowers costs for faculty homeowners while generating cash flow to finance continuing affordable housing efforts. Other California universities using or planning to use this technique are UC-Santa Barbara, CSU-Fullerton, and CSU-Monterey Bay. Most accompany the lease with home price appreciation caps. A variety of other programs including low-interest loans, shared appreciation mortgages, housing allowances, and down-payment assistance are offered at many California universities, including Stanford, helping faculty and staff find acceptable affordable housing.



(Right) The single-family detached homes in University Glen are located on leased land, which helps maintain the affordability of the units.

The development site is nestled in a valley between rolling hills with no adjacent neighbors except for the university. Because of the relative isolation of the site, there was no significant community opposition to this project. Some stream restoration and wetland mitigation were required and groundhog tunneling was a recurring problem. Because of the financing sources for the project, “prevailing wage” requirements were applicable to all construction.

## **Financing and Programs**

Tax-exempt bonds and a 100 percent loan-to-value loan from Fannie Mae and Citibank were used to finance the project. In addition, the Mello-Roos Community Facilities District Act was used to fund site improvements. Spearheaded by California state senator Henry Mello and assemblyman Mike Roos, the legislation was passed by the California legislature in 1982. The act passed in response to Proposition 13, which limited the ability of local governments and developers to finance new projects.

Mello-Roos permits any county, city, special district, or school district or joint powers authority to establish a Mello-Roos Community Facilities District (CFD). This allows for financing of streets, sewer systems, and other basic infrastructure along with providing police and fire protection, ambulance service, schools, parks, libraries, etc. A two-thirds majority of the residents located within the boundaries of the proposed district must agree to the establishment of the district. Once established, a special tax lien is placed against all property in the district. If bonds were issued by the CFD, the taxes are assessed annually until the bond is paid off.

## **Planning and Design**

The Spanish colonial and Monterey architectural style of the renovated historic buildings of the Camarillo State Mental Hospital that were converted to campus uses set the design theme for the new residential construction at University Glen. Stucco walls and red tile roofing enclose modern conveniences, including category 5 wiring for high-bandwidth applications in all bedrooms and family and living areas. The site for the homes is quite spectacular. Located adjacent to the uni-

versity in a secluded area surrounded by rolling hills and colorful orchards, the relatively dense development has pedestrian access to the university while maintaining its peaceful residential character. Since most residents will be able to walk to it, the construction of 30,000 square feet of retail space will add to the pedestrian-friendly nature of the housing on site.

The market-rate rental apartments range in size from 680 square feet for a one-bedroom, one-bathroom apartment to almost 1,800 square feet for the three-bedroom with a den, 2.5 bathrooms, a fireplace, and a two-car garage.

The townhouses are available in several configurations and two basic styles: the Arroyo and the Monterey. The Arroyo townhouse comes in three floor plans ranging from 1,300 to 1,600 square feet. The two-story, two-bedroom, 2.5-bathroom townhouses are constructed in groups of two to four units per building. At 1,460 to 1,800 square feet, the Monterey townhouses are larger and available in three different floor plans as well. They are two stories tall, but have three bedrooms with 2.5 bathrooms and are constructed in groups of two to six units per building.

The single-family homes are available in four floor plans ranging from 1,700 to 2,300 square feet. The two-story residences will all have three bedrooms with a choice of 2.5 or 3.5 bathrooms. All units have an attached two-car garage.

## **Affordability and Management/Marketing**

Though offered to the general public, the market-rate apartments are popular with CSU staff because of their proximity to the school. The apartments have been mostly fully leased since opening. At the time of publication, rents ranged from \$1,200 to \$2,200 per month, about 10 percent below current market rate.

Although the for-sale housing is offered to the general public as well, priority is given to faculty and staff of the university. Demand is such that all units were sold to CSU faculty and staff. Keeping the units technically available to the general public keeps the sales in good stead with the Fair Housing Act of 1968 while providing much-needed

## Affordable Faculty/Staff Housing at Dartmouth

Dartmouth College in Hanover, New Hampshire, developed the 55-unit Grasse Road single-family home development to make homes available for sale to full-time employees of the college. Homes at Grasse Road are offered at below-market prices. The college retains an option to repurchase the property in the future at a predetermined price, enabling them to continue to offer the homes at affordable prices to future generations of college employees. All full-time employees of Dartmouth College are eligible to purchase homes at Grasse Road, with preference given to employees who do not currently own a home and to those with the longest employment tenure at the college.

shelter for faculty and staff who otherwise would be unable to afford for-sale residences in the expensive Camarillo housing market. There is currently a waiting list to purchase the for-sale units in the development.

For-sale townhouses and single-family homes are sold at roughly 65 percent of market value to qualified buyers. The first phase of for-sale residences sold out quickly. Sale prices for the single-family homes ranged from \$225,000 to \$307,000. Townhouse prices started at \$166,000. Since the land is leased, the homeowner owns only the house and its appreciation is capped at annual increases equal to the Consumer Price Index (CPI). Values can be adjusted for home improvements made to the house. A nonprofit corporation has been created to function as a homeowners association with the additional responsibility of addressing future affordability issues. Upon sale of the house, the seller pays 1 percent of the sale price into a fund controlled by the nonprofit that ensures future affordability of the units. The buyer pays an additional 5 percent into this fund. The nonprofit also can establish new home values upon resale of the unit. Units are required to remain affordable, but there is discretion regarding reestablishing new sales cost.

Land lease payments and rent from the market-rate apartments are expected to generate \$800 million to the site authority over a 45-year period. The revenue generated will go toward bond repayment (\$300 million) and will fund university programs and additional campus construction and renovation.

## Lessons Learned

- Including market-rate rental units can generate the cash flow needed to support the development of affordable for-sale housing for faculty and staff.
- Leasing the land rather than selling it with the for-sale housing also creates additional cash flow that can ensure that the for-sale units remain affordable.
- Capping the appreciation of the for-sale units allows owners to make money on their investment while maintaining future affordability because home price appreciation in most markets far exceeds the CPI.
- Providing a mix of housing product types permits the developer to respond to a broad variety of households with a wide range of incomes.
- A large phasing plan can create stress and complications with a large number of people moving in at the same time.
- Know the parking requirements of your market. Most markets in California are particularly auto dependent, with most households having at least two cars. Additional parking was added to the original plan as the required 1.7 parking ratio turned out to be inadequate.