



Market-Based Approaches to Housing Affordability

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Introduction



Waggoner Engineering

Steve Hohulin, AICP



Mr. Hohulin has more than 40 years of experience assisting communities, developers and homebuilders across the country develop unique and affordable housing opportunities for people. He has led the due diligence, land planning, entitlement, design and platting for over 500,000 single-family lots across the country.

His projects have ranged in size from a few acres to over 80,000 acres in size, for communities of less than 1,000 to metropolitan areas of over 4,000,000.

This work for both private and public sector clients, has given him a unique understanding not only of the economics of providing housing for people, but the roles the community, developer and local economy play in providing housing that fits the needs of the community and enhances the overall character of the area.

Pulte Group

Brad Garnto



Mr. Garnto has over 15 years of homebuilding experience in the southeastern part of the country. He has worked for major homebuilders like DR Horton, Tool Brothers, Beazer and Richmond American Homes, as well as major regional land development companies. His project background includes single-family, townhome, condominium and multi-family developments in multiple urban and suburban markets.

Brad is highly experienced in the entire development process from accessing the viability of the market, finding and entitling land for projects, all the way through actual project design and construction. This work has given him a deep understanding of the market forces that significantly impact housing prices, as well as unique opportunities that communities can utilize to allow market forces to help deliver quality affordable housing for their residents.

What Are We Talking About



Single-Family Residential



Affordable Housing

- Housing is affordable if it can be occupied by those with median household income or below.
- Housing is affordable if the household spends $< 30\%$ of gross monthly income towards housing.

Examples

Many whose work serves us or our children cannot afford to live near those workplaces.

- "Sandra" has three kids and earns \$41,000 per year as a teacher.
- Average rent, 3-br apartment where she teaches = \$1,395.
- To afford that rent, she'd need to make at least \$53,240.



Examples

There are thousands of working families like Sandra's across the country.

More than \$20,000 but less than \$35,000	More than \$35,000 but less than \$50,000	More than \$50,000 but less than \$65,000
School bus drivers	Most teachers	Fire fighters
Retail/sales	Construction laborers	Patrol officers
Child care workers	Bus drivers (transit)	City planners
Waiters/waitresses	Dental assistants	
Home health aids	Licensed nurses	
74% in this income bracket are cost-burdened.	51% in this income bracket are cost-burdened.	44% in this income bracket are cost-burdened.

Examples

Many other kinds of households lack affordable housing options.



First-time homebuyers/Millennials



Seniors



People with disabilities



Veterans



Municipal Example

Nashville, Tenn.

Median household income - **\$63,939**
30% = \$1,598/mo (taxes and insurance)

With 20% down (**\$60,000**) on a **\$300,000** home mortgage (30yr) would be **\$1,599/mo**

With 10% down (**\$25,000**) on a **\$250,000** home mortgage (30yr) would be **\$1,586/mo**

Median home price - **\$314,000**
Median rent (2 bedroom apartment) - **\$1,604/mo**

Homebuilder Myths



Homebuilders don't want to build affordable housing.



Homebuilders make lots of money and could sell homes for less.

Homebuilding Economics 101

Most homes/housing developments are built with borrowed money. Lending rules require homes to sell for about 5x the finished lot price.

Every \$1,000 increase in the finished lot cost equals a
\$5,000 increase in the home price

- BUT -

Every \$1,000 decrease in the finished lot cost equals a
\$5,000 decrease in the home price.

Finished Lot Price



Land cost/unit



Regulatory costs



Design/survey



Time/carrying cost



Grading



Infrastructure

water
wastewater
roads
sidewalks
power/cable/gas
street lights
parks
open spaces
stormwater/LID

Nationwide, development costs average \$25,000-\$50,000/lot plus land costs

Municipal Example

Archbold, Ohio

4,500 population with 8,000 jobs

Median household income - **\$53,106**
30% /mo = **\$1,327** (insurance and taxes)

With 20% down (\$48,000) on a **\$240,000** home mortgage (30 yr) would be **\$1,326/mo**

With 10% down (\$20,000) on a **\$200,000** home mortgage (30 yr) would be **\$1,316/mo**

Median home price - **\$123,200**
Median rent - **\$604/mo**
0% vacancy

What kinds of tools do local governments have to impact affordable housing?



Zoning



Accessory Dwelling Units



**Expedited permitting
(schedule)**



Fee waivers



Density bonus



Incentive-based ordinances

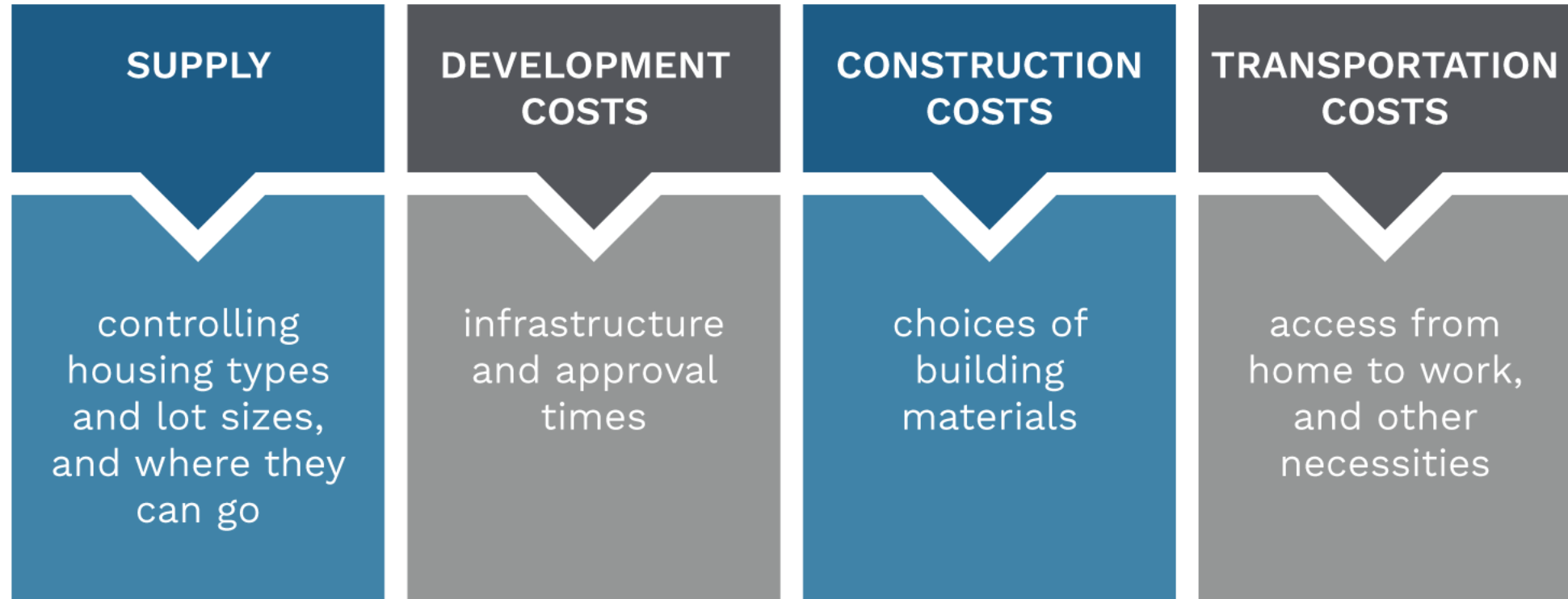


Manage public participation



**Educate the public on
"affordable" housing**

What aspects of housing affordability do local governments impact?



Municipal Example

Prescott Valley, Ariz.

Median household income - **\$45,684**
30% /mo = \$1,142 (insurance and taxes)

With 20% down (\$40,000) on a **\$200,000** home mortgage (30 yr) would be **\$1,144/mo**

With 10% down (\$17,000) on a **\$170,000** home mortgage (30 yr) would be **\$1,153/mo**

Median home price - **\$192,400**
Median rent - **\$1,467/mo**

Wrap Up



- Every community and the local economy is unique
- Partner with developers/homebuilders
- Be concerned with development success
- The public sector shouldn't pick winners and losers - but should try to make everyone winners
- Work to eliminate your impediments as they relate to the economics of housing and your local economics



Q&A

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