Normandy/Twinings project at City council

Gary Dmytryk <dmytryk@gmail.com>

Mon 4/27/2015 2:24 PM

City Clerk Agenda

To: City Council <CityCouncil@CambridgeMA.GOV>; Lopez, Donna <dlopez@cambridgema.gov>;

2 attachments (3 MB)

NormTwiningCityCouncil.pdf; ULI_PublicLandAffHousing.pdf;

I just sent this but forgot to write something in the Subject line of my email so it may have been misplaced. Apologies for any confusion.

Gary

On Mon, Apr 27, 2015 at 2:19 PM, Gary Dmytryk <dmytryk@gmail.com> wrote:

> April 27, 2015
>
> Dear Councillors,
>
> I am writing about the Normandy/Twinings project currently before the Council, in particular, about the affordable housing component of the project. During the K2C2 discussions, it was proposed that the City should consider building affordable housing on some of the public parking lots in Central Square. Other cities have successfully created affordable housing by selling public land at a steep discount (like one dollar) to developers in exchange for a commitment to construct affordable housing. There is City property adjoining the Normandy/Twinings parcel that would appear to be well suited for inclusion in the project under consideration. In order to maximize the production of affordable housing in this area, the Council ought to consider this opportunity.
>
> Although I myself do not have much knowledge about this subject, the exchange of public land for development rights seems to be proven method for creating more affordable housing, particularly in high-value, high-demand areas like Central Square, according to the report by the Urban Land Institute and the National Housing Congress which I have attached.
>
> > Offering public land at a steep discount can
> >
> > be a valuable form of support for affordable
> >
> > housing. (p 2)
> >
> > Many benefits accrue to both communities and
> >
> > developers when they form partnerships to
> >
> > provide affordable and mixed-income housing on
> >
> > discounted public land:

• Public land development opportunities can help facilitate affordable housing in high-amenity, highly accessible, and gentrifying neighborhoods through cross-subsidization of market-rate units.

• Discounted public land provides a valuable subsidy that can enable deeper levels of affordability in higher-cost development areas and in higher-cost building types than otherwise financially feasible.

• While the exact percentage of affordable housing that may be feasible on a given site depends on both the site's land value and the incomes served, land values on publicly owned sites are often high enough to enable localities to support a significant share of affordable housing by offering these sites at a low cost.

• Discounted public land is a more certain form of subsidy (i.e., involving less "subsidy risk") than direct financial assistance because it is less subject to budget cuts and delays in allocations. (p 36)

There has already been discussion during the K2C2 process about using the public parking lots in Central Square for affordable housing. I believe that now is the time to give this idea genuine and serious consideration for those lots contiguous to the proposed Normandy/Twinings project. I realize there are complications and challenges that will need to be addressed, and that it would be easy to use these challenges as an excuse for not considering this idea. At the same time, I believe that if the Council is indeed serious about maximizing the potential for affordable housing in this neighborhood, it would be remiss to let this opportunity pass without serious discussion.

Unfortunately, the Central Square C2 planning process stalled for about a year, and we now find ourselves in the position of zoning and building before we have planned what this district should look like. While the City Council is discussing the zoning of this parcel of land, it should also consider some of the goals and aims that were identified during the C2 process. The exchange of very valuable public land to a developer for additional affordable housing has been a successful strategy used by other cities to create much-needed affordable housing. While we are discussing the development of this parcel of land, we should include the City-owned parking lots in the project. This is an opportunity that could be too valuable to let pass, and I urge the Council to discuss such a partnership and land exchange with Normandy/Twinings.

Thank you for your consideration,

Gary Dmytryk

President,

Association of Cambridge Neighborhoods

Urban Land Institute Washington

NATIONAL HOUSING CONFERENCE

Public Land & Affordable Housing in the Washington DC Region:

BEST PRACTICES AND RECOMMENDATIONS

By Robert Hickey and Lisa Sturtevant, PhD
Center for Housing Policy and the National Housing Conference
Prepared for ULI Washington
February 2015

Executive Summary

A decent, safe, and affordable home is an important foundation for success for all families and individuals, and an important building block for a healthy regional economy. But in areas like the Washington, DC region, high land costs and limited development opportunities can make it challenging to create an adequate supply of homes for the local workforce, seniors, and other local residents. A policy of allocating public land for mixed-income or 100 percent affordable housing can be an especially valuable way to reduce development costs, increase development opportunities for affordable housing, and meet the housing needs of lower-income residents, with less need for direct public subsidy.

Through a review of development costs, local public land policies, and three recent public-land projects in the DC region—Arlington Mill Residences, The Bonifant at Silver Spring, and 1115 H Street in Washington, DC—this report provides recommendations to developers, advocates, and local governments for effectively using public land to expand affordable housing opportunities.

FINDINGS

Across the country and in the Washington, DC region, local jurisdictions have identified opportunities for using public land for affordable housing and other public goods on many different types of sites, exploring the potential of not just vacant publicly held lots but also under-utilized sites, parcels where existing public facilities are no longer needed, and as part of the development of new public facilities such as community centers, libraries, fire stations, and police stations.

Both communities and developers accrue multiple benefits when they form partnerships to provide affordable and mixed-income housing on public land. Discounted public land provides a valuable subsidy that can enable deeper levels of affordability in higher-

cover photo credit: Anice Hoachlander

cost development areas and in higher-cost building types than otherwise financially feasible. Public land development opportunities can also facilitate the development of affordable housing in transit-accessible, amenity-rich locations. And the joint development of public facilities and housing properties can lead to infrastructure cost savings, better design, and more accessible public services.

The strongest local public land policies are developed with significant community engagement and are crafted with an understanding of the relationship between total development costs, local housing needs, and neighborhood-level market dynamics. These policies seek to maximize opportunities for housing affordable to lower-income households but also recognize that while free or discounted public land can close some of the affordability gap, in many cases additional subsidies and investments will be needed, particularly if the public land is provided in exchange for community benefits beyond affordable housing.

RECOMMENDATIONS

1. IDENTIFY PUBLICLY OWNED SITES IN ACCESSIBLE, HIGH-VALUE AREAS. Discounting public land in highly accessible, high-value locations with few neighborhood dis-amenities or site limitations has the best potential for supporting mixed-income housing without the need for significant additional public subsidy. These sites offer the greatest potential for subsidizing more affordable homes through greater returns on the market-rate units.

2. BASE AFFORDABILITY EXPECTATIONS FOR INDIVIDUAL SITES IN AN UNDERSTANDING OF THE RELATIONSHIP BETWEEN LAND VALUES AND THE AFFORDABILITY GAP. When examining just how much affordable housing can be built with the support of free or discounted public land, it is important to understand the relationship between the value of discounting land at the chosen location and the difference between revenue and development costs for below-market-rate housing, as this relationship clarifies the potential for cross-subsidizing the affordable housing component.

3. INVEST PUBLIC RESOURCES IN PREPARING PUBLIC SITES FOR DEVELOPMENT. Public activities that reduce hard and soft development costs—such as clearance and decontamination of a site, infrastructure provision, or advanced completion of area land-use planning and entitlements—can further enable free or discounted public land to support a significant share of affordable housing. These activities reduce the hard costs of development as well as the risk and time involved in mixed-income or fully affordable development, which further reduces the need for additional public subsidy and can attract better development proposals.

4. ADOPT A POLICY THAT PROTECTS SUITABLE PUBLIC LAND SITES AND ENABLES THEIR DEVELOPMENT WITH AFFORDABLE HOUSING. A local public land policy should set minimum affordability expectations for residential development on public land, ensure that all capital improvement project proposals are reviewed for their potential to include housing, and permit the sale of public land for affordable housing at prices lower than appraised prices.

5. EMPOWER A LOCAL AGENCY TO LEAD A REGULAR, CROSS-AGENCY ASSESSMENT OF OPPORTUNITIES FOR DEVELOPING AFFORDABLE HOUSING ON PUBLIC LAND. It may be helpful also to authorize a single agency to consolidate public holdings to streamline the

process of both inventorying and disposing of public land. Without an express mandate or meaningful incentive to do so, many municipal agencies not focused on housing are unlikely to take a hard look at their property holdings to determine if some could be used to support the development of affordable homes.

6. LOOK FOR OPPORTUNITIES FOR CITIZEN EDUCATION AND ENGAGEMENT DURING THE PROCESS OF IDENTIFYING PUBLICLY OWNED SITES SUITED FOR AFFORDABLE HOUSING DEVELOPMENT, AND ESTABLISH CLEAR CRITERIA TO DRIVE THIS PROCESS. While it is important to limit site inventories and analyses to objective measures, it is also valuable to include community stakeholders in the early stage of site development so that community members are fully informed participants in subsequent planning processes. Key criteria for choosing suitable sites should include that the site is: clear of legal encumbrances (such as environmental- or historic-preservation restrictions); clean (free of environmental contamination); adequately sized and shaped so that multifamily housing can support a sufficient number of housing units to be managed and operated efficiently; and located in an accessible location near frequent transit, daily necessities, and economic and educational opportunities.

7. CO-LOCATE AFFORDABLE HOUSING DEVELOPMENTS WITH NEW PUBLIC FACILITIES. In addition to repurposing surplus sites and obsolete public buildings, localities should consider co-locating affordable housing with new public facilities such as libraries, fire stations, community centers, police stations, and parking garages. For sufficiently large sites, it may be advantageous to separate the housing property from the public facility and to develop the site as "horizontal mixed-use." This allows each property to move forward on its own timeline, independent of delays that can affect the other property, but does not necessarily preclude opportunities for sharing infrastructure.

8. LOOK FOR OPPORTUNITIES TO SHARE INFRASTRUCTURE, SUCH AS PARKING GARAGES OR COMMON UTILITIES, WHEN CO-LOCATING HOUSING WITH PUBLIC FACILITIES. When doing this, however, it is important that the public agency coordinate with the housing developer at the beginning of the process. This can ensure that the benefits outweigh the costs of coordinating the development of shared infrastructure, and that architects and contractors for both the residential property and public facility are not working at cross purposes.

Introduction

Reducing the land costs of a residential project can be a valuable way to foster housing affordability for lower-income residents in the Washington, DC metro area. Given the region's strong economy, growing population, and shortage of available land in desirable locations, the Washington, DC area is home to some of the highest land costs nationwide, making it difficult to build housing that is priced at levels affordable to low- and moderate-income households. By offering publicly owned land at reduced or no cost to developers, communities can reduce overall development costs significantly and make affordable housing possible with much lower direct public subsidy.

Many localities in the region are using publicly owned land to support mixed-income housing and increase the supply of housing affordable to lower-income households. Across the country and in the Washington, DC region, local jurisdictions are taking a broad view of public land development opportunities, exploring the potential for affordable housing on not just vacant publicly held sites but also under-utilized parking lots, sites where no-longer-needed public facilities are located, and—increasingly—as part of the development of new public facilities such as community centers, libraries, fire stations, and police stations.

Offering public land at a steep discount can be a valuable form of support for affordable housing, but it is just one piece of the subsidy needed to produce affordable housing in many parts of the region. In addition, to maximize public land's potential for supporting affordable housing, jurisdictions need to develop a comprehensive inventory of municipal land holdings and a plan to use public land more strategically. The lessons from recent public land deals can help inform local jurisdictions, developers, advocates, and others on effective ways to reduce the costs of using public land for affordable housing and to maximize the potential for successful partnerships.

Offering public land at a steep discount can be a valuable form of support for affordable housing, but it is just one piece of the subsidy needed to produce affordable housing in many parts of the region.

The term "affordable housing" is used broadly in this report to refer to rental or for-sale housing that is reserved and priced affordably for households earning less than 80 percent of area median income (AMI). Eighty percent of the FY2014 AMI in the Washington, DC region was defined as $68,500 for a family of four.

This report is divided into four sections:

1. ANALYSIS OF LAND COSTS. This section examines the contribution of land costs to the total costs of production of affordable and mixed-income housing projects. It discusses the key drivers of land values, provides local estimates of the ratio of land costs to total development costs, and assesses the ability of free or discounted public land to provide sufficient subsidy to support affordable housing under different scenarios.

2. CASE STUDIES OF PUBLIC LAND PROJECTS IN THE WASHINGTON, DC REGION. This section provides case studies of three affordable housing developments recently built on publicly owned land, analyzing the benefits and challenges of building affordable housing on public land and discussing important lessons for future public land projects.

3. PROMISING LOCAL PUBLIC LAND POLICIES. Drawing on a review of experiences from around the region and across the country, this section describes various types of public land development opportunities, ways that local jurisdictions have inventoried their public land, and how localities have approached setting affordable housing expectations for public land.

4. RECOMMENDATIONS FOR PUBLIC LAND STRATEGIES IN THE WASHINGTON, DC REGION. This section summarizes lessons and insights derived from the analysis of land costs, case studies, and public land policy review to provide specific recommendations for effectively using county-, city-, or school board-owned land to increase the supply of affordable housing in local jurisdictions in the Washington, DC region.[1]

1 Other sources of publicly-owned land, including land owned by the state and federal governments and by transit authorities, are not discussed as part of this report. While there are opportunities for these agencies to partner with developers and make land available for housing, the processes and stakeholders involved can be quite different from scenarios where the local jurisdiction controls both the land and the development review process.

I

Analysis of Land Costs

Land costs are an important contributor to the overall cost of developing housing. While the contribution of land to total development costs varies with location, housing type, and site conditions, data from a sample of residential developers in the Washington, DC region suggest that land generally accounts for between 5 and 35 percent of total development costs.

In most if not all of the Washington, DC region, the contribution of land in relation to total development costs is not high enough for affordable housing to become financially feasible solely through the provision of free land. An assessment of the ability of reduced land costs to make affordable housing feasible on a given site requires a comparison of per-unit land costs (the value of the land subsidy) with the gap between the total cost of developing an affordable housing unit and the total amount of available financing.

DETERMINANTS OF LAND COSTS

Land costs can be defined as the purchase price for a property, less the value of any structures on that property. The cost of land may also include the expense of obtaining a purchase option while conducting due diligence,[2] as well as short-term land-acquisition-financing costs. These secondary costs, however, tend to be relatively small compared to the actual price of land.

Economic theory suggests that the value of land is determined primarily by the rents that can be achieved through its development, less hard construction costs, soft costs, and developer return. Hard construction costs include the expense of labor and materials that go into building or rehabilitating a property,

2 Purchasing an option grants a land buyer exclusive right to purchase the property at a given price over a designated period of time, during which the buyer can conduct "due diligence," such as market, legal, and environmental assessments of the property, and secure necessary acquisition financing.

including the residential units, as well as other features of the development, such as parking. Soft costs include everything else involved in the development process, such as developer staff costs throughout the development timeline; fees involved in moving a proposal through the land use and design review approvals process; architectural, engineering, financing, and legal fees; the cost of environmental assessments; and, where relevant, the cost of preparing a bid for a site made available through a public Request for Proposals (RFP). The cost of land for development is affected by not just cost and current rents but also assessments of future potential rents.

There are several key drivers of land values:

- LOCATION. A site's location is a critical driver of land costs, as it drives the rent potential for development on that site. The value of a location is closely tied to accessibility. Higher land costs are often found in locations near the central business district, close to workers and customers, close to high-quality schools, and with access to transportation and transit networks. Location value also reflects neighborhood amenities. Land in neighborhoods with abundant and high-quality retail, parks, and cultural institutions often command higher prices. Features such as good connectivity (e.g., sidewalks, bike lanes, transit access), views, and architectural character can also be associated with higher land costs. Dis-amenities, including nearby environmental hazards, neighborhood crime and noise, and poor-quality existing housing stock can bring land values down.

- OVERALL SUPPLY OR AVAILABILITY OF ACCESSIBLE SITES. The supply of land is a basic input into its overall value. Within the urban areas of the Washington, DC region, the vast majority of the land available for residential development are infill sites or sites with existing development. In neighborhoods where such land is limited—either because of jurisdiction boundaries or because existing uses preclude redevelopment—land prices are forced up. Physical limits on the availability of land in the core of the Washington, DC area suggest continued upward pressure on land prices in the years to come.

- HOUSING DEMAND. Strong housing demand in the region pushes up land costs. The level of housing demand is determined by the strength of the regional economy, wages and household incomes, and population growth, among other factors.

- COMPETITION FROM OTHER USES. Residential, retail, office, hotel, public facilities, and industrial uses can be associated with different land values at a given location. If zoning allows for a variety of uses on a site, these uses may have varying capacity to bid up the overall cost of land.

- DEVELOPMENT POTENTIAL ON SITE. Because land costs are driven by future rents of development, the type and amount of development that is possible on a given site will also drive land costs. The site's zoning, which determines which land uses are permitted on a given site and at what scale of intensity, is a key factor in the overall value of the land. In some jurisdictions, the general land use plan can provide an additional signal of development potential by describing the jurisdiction's vision for the area. The presence of physical or legal encumbrances on a site (including affordable housing requirements) that limit how much of a land parcel can be developed and rented at market rents can dampen the overall value of the site.

- OTHER FACTORS THAT AFFECT DEVELOPMENT COSTS. The costs of other inputs into the development process can affect the overall value of a site. These costs include the cost of construction materials for different housing types (e.g., low-rise versus high-rise developments); the cost and availability of labor; the need for removal of environmental hazards; the availability of local infrastructure such as roads, sewers, schools, and parks; other costs associated with development (e.g., proffers, community benefits); the cost of attracting equity investors to a given location (i.e., what returns are equity investors willing to accept given the returns they could receive in other investments); and the cost of lending capital, driven in large part by the financial risk of developing housing or other land uses in a given location. In addition, the complexity and length of the development approval and permitting process in a particular jurisdiction may influence the cost of development.

Given that land costs are shaped by a complex set of factors, they are also dynamic. Land prices for a particular site may rise or fall in response to nearby development activities, public investment, or changes to zoning permissions. Or land costs may change as a consequence of changing local economic conditions, shifts in residential preferences, or rises and falls in construction costs.

LAND COSTS AS A SHARE OF TOTAL DEVELOPMENT COSTS (TDC)

Interviews were conducted with local housing developers who have recent experience with townhouse and multifamily residential projects in urban and inner-suburban infill locations in the Washington, DC region. Information gathered from these interviews suggests that land costs do, in fact, vary considerably across the urban and inner-suburban core of the Washington, DC region, and their share of total development costs for multifamily and townhouse residential projects falls within the range of 5 to 35 percent in urban areas of the region.

Several factors affect the ratio of land costs to TDC:

- MARKET STRENGTH. Land may be 20 to 30 percent of TDC in highly valued, amenity-rich locations where considerable market activity is already occurring and rents or home prices are projected to rise. In weaker local markets, land costs could account for less than 10 percent of TDC. This pattern suggests it is not just the location that matters in explaining land's contribution to total costs, but the timing of the particular project in the neighborhood's development cycle is also critical.

- PRODUCT TYPE. Land is a greater share of development costs for townhouse or other low-rise properties than for developments of five or more stories, which require more expensive steel and concrete construction materials. For comparably located properties, one developer shared that land might account for 10 to 20 percent of the total cost of development for townhouse projects but just five to 10 percent for steel and concrete high-rise development projects.

- ENVIRONMENTAL CONDITION AND PHYSICAL CONSTRAINTS. Properties encumbered with environmental hazards, obsolete buildings that need to be demolished, or physical constraints such as steep slopes will have lower land-to-TDC ratios, other factors being equal.

- ENTITLEMENT AND PERMITTING PROCESSES. If development approvals are subject to highly complex and lengthy processes, including

significant community opposition to the projects, the total development costs may be higher, ultimately lowering the ratio of land to TDC.

In certain unique situations, such as single-family neighborhoods where new home development opportunities are limited, schools are strong, and jobs are relatively accessible, land prices can climb to well above 35 percent of TDC. "Tear-downs" of existing, older homes are common in these neighborhoods. None of the developers interviewed for this report, however, specialized in detached, single-family homes in high-value, suburban markets.

IMPLICATIONS FOR THE USE OF PUBLIC LAND FOR AFFORDABLE HOUSING

With developers reporting land costs generally between 5 and 35 percent of total development costs, discounted public land can be one component of the subsidy needed for making below-market-rate housing financially feasible. It is important to understand the relationship between land costs and the gap between total development costs and supportable debt to fully understand the potential for discounted public land to make below-market-rate housing more financially feasible.

Several developers estimated that the average newly constructed multifamily affordable housing unit qualifying for tax credit equity (affordable for households at 60 percent of AMI) costs roughly $250,000 *before land costs are included*. Low-rise multifamily housing may have somewhat lower costs per unit, and high-rise construction somewhat greater costs. Interviewed developers estimated that rents for these units, however, only generate enough net operating income to support roughly $100,000 in debt financing per unit. The resulting average affordability gap of $150,000 per unit exists even before the costs of land are included.[3] The gap becomes greater when land costs are added into total development costs. Given the higher-income targeting associated with for-sale affordable homes, the affordability gap can be smaller for ownership units.

In the scenario described above of a 100 percent affordable rental housing development, free or reduced-cost land can help make affordable housing more feasible, but discounted land is not sufficient for feasibility. The remaining affordability gap must be filled then with some form of public subsidy and/or tax credit equity, and potentially through a mixed-income project where market-rate units can cross-subsidize affordable units. With mixed-income housing, discounted land creates more opportunities for making the affordable component feasible by increasing the profitability of the market-rate housing units. In areas with high location value, in which housing can command high market prices, the savings on land costs for these market-rate units may allow the developer to cross-subsidize the affordability gap on a share of the affordable units. Table 1 below provides an illustration of how the public land subsidy might support affordable housing development in three hypothetical scenarios.

3 This scenario is specific to rental properties.

Table 1. Comparing the Capacity of Free Land to Subsidize Affordable Housing in Mixed-Income Developments under Different Rental Scenarios

	WEAKER MARKET/ MID-RISE DEVELOPMENT	MODERATELY STRONG MARKET/ MID-RISE DEVELOPMENT	HOT MARKET/ HIGH-RISE DEVELOPMENT
LAND COSTS (PER UNIT)	$25,000	$50,000	$100,000
TOTAL HARD AND SOFT DEVELOPMENT COSTS (PER UNIT)	$250,000	$250,000	$300,000
TOTAL DEVELOPMENT COSTS (PER UNIT)	$275,000	$300,000	$400,000
LAND AS A PERCENTAGE OF TOTAL DEVELOPMENT COSTS (TDC)	9%	17%	25%
PROJECTED SUPPORTABLE DEBT (PER UNIT)	$100,000	$100,000	$100,000
PER-UNIT SUBSIDY GAP FOR AFFORDABLE UNITS (TDC-RENTAL INCOME)	$175,000	$200,000	$300,000
PER-UNIT SUBSIDY GAP REMAINING FOR AFFORDABLE UNITS, ASSUMING LAND IS PROVIDED FOR AFFORDABLE UNITS FOR FREE	$150,000	$150,000	$200,000
NUMBER OF MARKET UNITS FOR WHICH LAND NEEDS TO BE PROVIDED FOR FREE TO OFFSET SUBSIDY GAP FOR ONE AFFORDABLE UNIT	6	3	2
SHARE OF TOTAL UNITS THAT COULD BE AFFORDABLE WITH SUPPORT FROM FREE LAND FOR THE ENTIRE DEVELOPMENT	1/7 (14%)	1/4 (25%)	1/3 (33%)

As shown in the hypothetical examples above, the number of market-rate units that would need free land to offset the subsidy gap for one affordable unit ranges from six to two, depending primarily on land values. In the weaker-market example, free land provided for every six market-rate units subsidizes the affordability gap of one affordable unit (14 percent affordability). This figure drops to three market-rate units per affordable unit in the moderate-market example (25 percent affordability), and two in the hot market/high construction cost example (33 percent affordability).

Land encumbered with buildings that need to be demolished, environmental contamination, or other built-in costs, such as the need to provide public facilities on site, has a lower value, and therefore

may support lower percentages of affordable units without additional public assistance to defray these costs. Conversely, such activities as a public entity contributing a share of the site's infrastructure costs, creating an expedited land use approvals process, or allowing higher-income targeting for the affordable housing units would decrease the affordability gap and allow for a greater share of affordable units in each of the scenarios above.

Mixed-income housing can be an effective way to create more opportunities for making affordable housing feasible through discounting public land by cross-subsidizing the affordable units with returns from the market-rate units. In areas with high location value, in which housing can command high market prices, free or discounted public land that can be used in part for market-rate housing can be very valuable. The savings on land costs across both market-rate and affordable units may be sufficient to allow the developer to cross-subsidize the affordability gap on a share of affordable housing.

TAKEAWAYS

Four important conclusions can be drawn from the preceding analysis:

1. Discounting public land in highly accessible, high-value locations with few neighborhood dis-amenities or site limitations has the best potential for supporting mixed-income housing in the DC region.

2. While free or discounted public land can often begin to close the affordability gap, in many cases additional subsidies and investments will be needed, particularly if the public land is provided in exchange for community benefits beyond affordable housing.

3. Public investments that reduce hard and soft development costs, such as clearance and decontamination of a site, infrastructure provision, or advanced completion of the rezoning and/or permitting process, can further enable free or discounted public land to support a share of affordable housing.

4. When examining just how much affordable housing can be built with the support of free or discounted public land, it is important to understand the relationship between the value of land at the chosen location and the affordability gap for below-market-rate housing.

II

Case Studies of Public Land Projects in the Washington, DC Region

Figure 1. An exterior photo of the Arlington Mill Residences

1. Arlington Mill Residences

DEVELOPER: ARLINGTON PARTNERSHIP FOR AFFORDABLE HOUSING (APAH)

Arlington Mill Residences, completed in February 2014, is the first public/private partnership using existing public land for affordable housing development in Arlington County. Its success has encouraged the county to expand its use of public land for affordable housing through a new initiative currently known as Public Land for Public Good. The developer of the Arlington Mill Residences is the Arlington Partnership for Affordable Housing (APAH), a nonprofit corporation that develops, preserves, manages, and advocates for quality rental housing for low- and moderate-income families. The Residences is a four-story, 122-unit property with 100 percent of the apartments priced for households earning less than 60 percent of area median income (AMI). The property was built on county-owned land alongside a new county-built community center, with a shared parking garage serving as the foundation for each building. The property is located along Arlington County's rapidly redeveloping and transit-served Columbia Pike, next to a popular bicycle/walking trail and park.

The apartments at Arlington Mill are oriented predominantly toward families. Ninety-eight of the 122 apartments have two or three bedrooms. Most (94) of these two- and three-bedroom units are priced for families earning up to 50 and 60 percent of AMI respectively, with rents between $1,107 and $1,557 per month. One-bedroom rents range from $923 to $1,123. Additionally, 13 units at Arlington Mill are designated for formerly homeless individuals and families with very low incomes. Eight of these units are "no-barrier" supportive housing studios for formerly homeless individuals living with or recovering from addiction or

mental illness. These apartments are linked with a full-time supportive service coordinator.

The immediate proximity of the community center is a significant amenity for Arlington Mill residents. Tenants regularly use the center's recreational spaces and computer lab, and participate in community center programming.

DEVELOPMENT PROCESS

Arlington County purchased the land that would later support the Arlington Mill Community Center and Arlington Mill Residences in 1996. At that time, land along the Columbia Pike corridor was relatively inexpensive. The site was home to an obsolete Safeway and a large surface parking lot. The county acquired the site to utilize the Safeway structure as a community center and eventually include a small school. Housing was not part of the original site plan, but when plans for the school fell through, a residential component was added to help make mixed-use redevelopment financially feasible and to respond to growing calls for more affordable housing in the county.

In 2009, a final plan was approved to build the new community center and market-rate and affordable housing. However, as a result of the economic downturn, the developer was unable to finance the market-rate housing portion and pulled out of the project. In December 2009, the county board modified the approved plans, splitting the development into two phases, so that it could move forward with the development of the community center. In October 2010, the county selected APAH as the developer for the affordable housing development to be constructed adjacent to the community center.

The county provided the land to APAH for the Arlington Mill Residences through a 75-year ground lease that gave APAH the right to build Arlington Mill Residences atop the county-constructed parking garage and own the residential "improvements" for 75 years without having to purchase the land beneath it. APAH purchased a share of the garage for use as parking for its tenants. According to Maureen Markham, Arlington County Senior Housing Development Specialist, the county preferred a ground lease because it enabled county ownership of the land in perpetuity, and offered greater control over what happens at the site than would have been possible through land use covenants.

DEVELOPMENT TIMELINE

DECEMBER 2009	Initial developer backs out due to financing problems
JULY 2010	County issues new RFP for just the housing component
OCTOBER 2010	APAH selected as developer of housing component
FEBRUARY 2011	Land use approvals secured
OCTOBER 2012	Groundbreaking on residential component
FEBRUARY 2014	Arlington Mill Residences completed

FINANCING

The total cost of developing the Arlington Mill Residences was approximately $30.9 million, or $253,373 per unit. The project was financed with low-income housing tax credits.

The discounted public land and other shared infrastructure were critical to the financial viability of the project. The county provided the land for Arlington Mill Residences to APAH through a discounted, 75-year ground lease. APAH pre-paid the lease with a lump sum payment of $1.55 million. Dave Perrow, APAH Director of Development, estimates that the value of the land on the open market would have been over $8.5 million, increasing per-unit costs to $310,750. This additional

Figure 2. Arlington Mill Residences, shown here next to the community center, credit: Anice Hoachlander
Figure 3. One of the outdoor common areas at Arlington Mill Residences, credit: Anice Hoachlander

expense does not include the interest costs that APAH would have incurred in financing the site's acquisition, or the cost of obtaining an option for the land.

Deeply discounted land eliminated the need for financing from the county's Affordable Housing Investment Fund, and enabled APAH to return a portion of its tax credit award to the state—a first in Virginia.

BENEFITS AND CHALLENGES OF USING PUBLIC LAND

The combined cost savings of discounted land and county-provided infrastructure enabled APAH to include apartments at rents affordable to very low-income households and to build more family-sized units. The county-built parking garage and infrastructure resulted in important cost savings for the project. Constructing one shared garage rather than two side-by-side garages increased efficiency and avoided structural challenges that engineers discovered would have necessitated expensive correction. The county billed APAH on a pro-rata basis for the construction of the garage, passing along savings that resulted from the greater economies of scale. Additionally, the county paid for the construction of shared infrastructure, including utilities, streetscape improvements, and storm-water management.

For APAH, having access to discounted land was preferable to receiving direct financial assistance to purchase the land. Perrow explained that a discounted ground lease provides more certainty in the current political and fiscal environment than a series of financial assistance packages that may be subject to more competition and the unpredictability of annual governmental appropriations, and that subject the borrower to a host of additional tax issues. Also, financial assistance often requires more immediate repayment than a 75-year ground lease. The Arlington Mill Residences will revert to ownership by the county once the ground lease expires, so the discounted land effectively has a 75-year repayment period.

While there were benefits associated with the county partnership, the project also encountered several challenges. First, while economies of scale were achieved through a single garage and the county's provision of shared infrastructure, the project required frequent coordination between APAH and the county's architects and contractors to ensure the garage would properly interface with the housing above. This added some costs and delay during the early stages of construction. In addition, APAH was unable to use its low-income housing tax credit award for 11 months because it could not begin construction on the Residences until after the county had finished construction on the garage. As a result, APAH incurred a $15,000 penalty ($1,500 per month) from the Virginia Housing Development Authority, which issues state housing tax credits.

ASSESSMENT AND LESSONS

Both APAH and Arlington County officials report that the joint development of Arlington Mill Residences and the Arlington Mill Community Center was a very positive experience. In September 2013, APAH received more than 3,600 applications for the Residences' 122 units, indicating the strong demand for affordable housing in the county. The development of both new housing and a new community center is expected to be both an anchor and a catalyst for the continued revitalization of Columbia Pike. In November 2014, the property won the 2014 Virginia Governor's Housing Conference Award for "Best Affordable Housing Development."

Both APAH and county officials say there are opportunities for similar, future partnerships involving public land and coordinated development with public facilities. The success of the Arlington Mill Residences and Arlington Mill Community Center has propelled a countywide initiative to explore affordable housing at other publicly owned sites. As part of the county's proposed FY2015–2024 Capital Improvement Plan, the county has identified eight publicly owned sites with significant potential for future affordable housing development.Key lessons from Arlington Mill Residences:

- Discounting public land and sharing some costs of development can enable a locality to create affordable housing options for very low- and extremely low-income residents without the need for substantial additional local subsidy.

- These forms of "in-kind" subsidy may be more valuable to developers than direct financial assistance because of the greater certainty they provide, and the much longer repayment period involved.

- Separate development of housing and public facilities on shared public land can enable a locality to build a public facility without being slowed by market changes affecting housing development.

IMPACT OF PUBLIC LAND

According to APAH Executive Director Nina Janopaul, "APAH was able to dramatically increase housing for extremely low-income families at Arlington Mill Residences because of significant cost savings achieved by building atop the county-built parking garage that is shared with the adjacent Arlington Mill Community Center. This public benefit of building on public land is having a profound impact on our very low–income individuals and families living there."

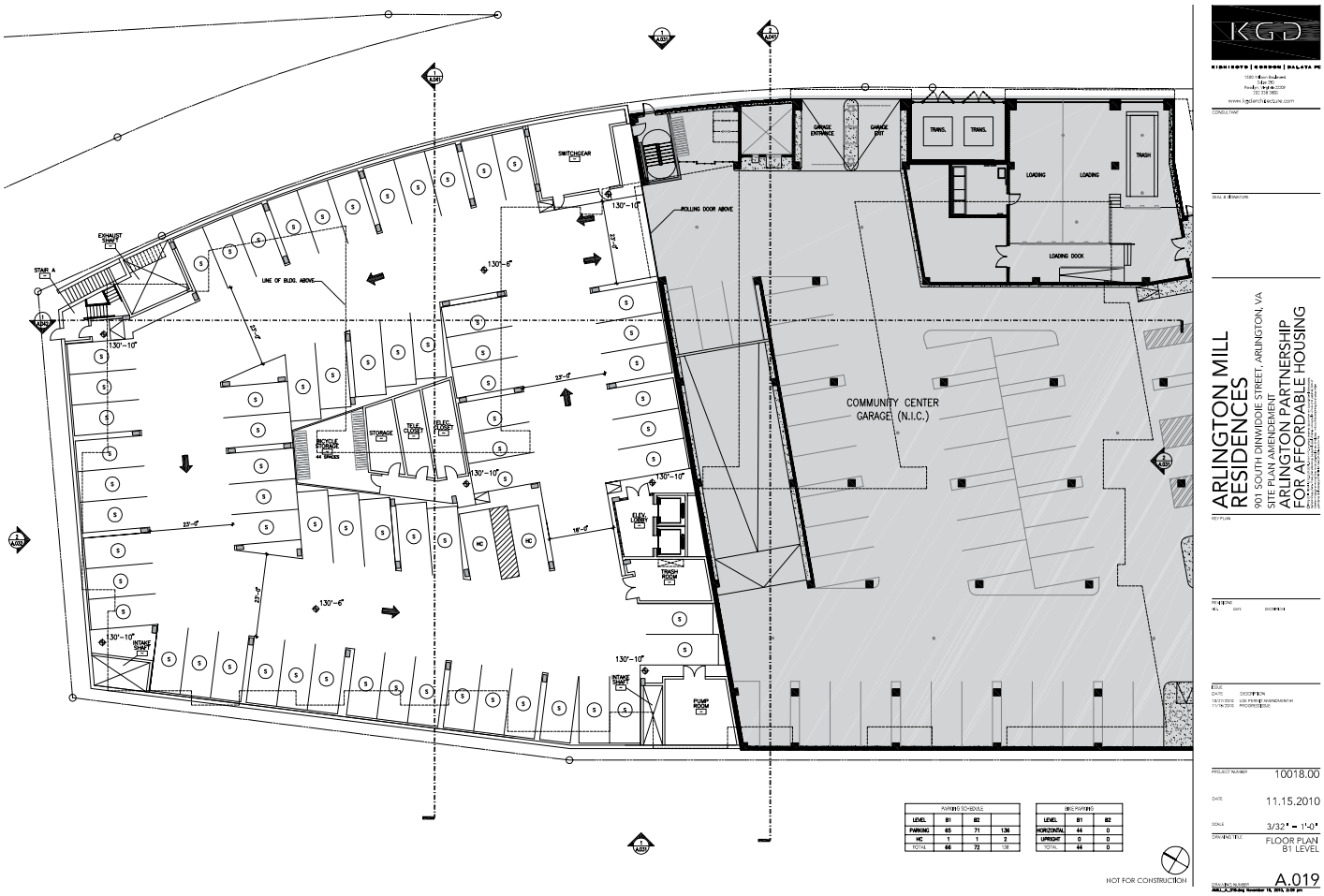

Figure 4. Diagram of the shared garage connecting Arlington Mill Residences and the Arlington Mill Community Center

- By developing housing and public facilities on the same site, the locality and the developer can achieve net cost savings by sharing infrastructure, including parking.

- To ensure that the savings outweigh the costs of coordinating the development of shared infrastructure, architects and contractors for both the residential property and the public facility need to coordinate from the beginning of the project.

- While new for Arlington County, offering public land through a ground lease was not prohibitively complicated and is a promising tool for the county to use in the future.

Figure 5. Artist's rendering of the future Bonifant apartments, with new library in the background, credit: VOA Architects

2. The Bonifant at Silver Spring

DEVELOPERS: MONTGOMERY HOUSING PARTNERSHIP AND DONOHOE DEVELOPMENT

The Bonifant at Silver Spring, now under construction, is a mixed-income, 149-unit apartment building for seniors in downtown Silver Spring, located adjacent to a new, nearly completed public library. The development is a joint venture between Montgomery Housing Partnership (MHP)—a 25-year-old nonprofit housing developer—and Donohoe Development—a division of The Donohoe Companies, Inc., one of the largest real estate companies in the Washington, DC region. MHP will be the long-term owner of the property.

The Bonifant and the Silver Spring library are being built on public land that Montgomery County acquired and assembled in the late 1990s. The Bonifant will be the first residential property built alongside a public-use facility in Montgomery County and is part of growing efforts to use county-owned land to increase the supply of housing affordable to lower-income residents. The property is located in a prime, highly accessible location in downtown Silver Spring. In addition to being adjacent to a new, 60,000-foot, state-of-the-art library, the site is located within walking distance of the Silver Spring Metrorail station, the future Purple Line transit station, and various bus lines. As Robert Goldman, President of MHP, said: "Our ultimate goal is to deliver an attractive, affordable rental option, located within the heart of seniors' existing support networks, and within walking distance to shops, grocery stores, and the vibrancy that downtown offers."

The 11-story property will include 10 studio, 119 one-bedroom, and 20 two-bedroom apartments. Most of the apartments will rent at prices affordable for seniors earning between 30 and 60 percent of the area median

income (AMI), while 10 apartment homes will have no income restrictions. The project is anticipated to be completed in June 2016.

The property is oriented toward active seniors seeking independent living. Amenity spaces will include a secure, access-controlled entry, a multipurpose community room and exercise room, and an outdoor terrace. The property will also have 6,300 square feet of retail space on the ground floor. The development team is still working out which support services will accompany the property.

DEVELOPMENT PROCESS

The Montgomery County Department of Housing and Community Affairs (DHCA) acquired the land for The Bonifant and the new county library in the late 1990s as part of efforts to remedy a dilapidated apartment building with a long history of health, safety, and fire-code violations, and to create space for a new public library. Montgomery County purchased the apartment building as part of a housing-code-enforcement action in 1999, with acquisition funds coming from the county's local housing trust fund. The county subsequently purchased two adjacent commercial properties and eventually consolidated the three properties into a single parcel totaling 1.5 acres. This parcel was later subdivided into two separate ownership plats to facilitate financing for the housing component.

The first request for proposals at The Bonifant site asked that no more than 30 percent of the housing units be affordable to households with incomes below 60 percent of area median income (AMI), and that 40 percent be market-rate. The remainder was to be priced below 120 percent of AMI. But developers countered that the development would need low-income housing tax credit equity, and that it would be difficult to obtain tax credits for a property with such a small percentage of tax credit–eligible units. Ultimately, the county dropped this restriction.

In addition, the county asked initially for the housing component to be built on top of the new library. But concerns grew that a long entitlement process for the housing component would stymie plans to fast-track the library, so the county instead planned for side-by-side development with the housing and library portions on separate parcels and separate timelines.

TIMELINE

FEBRUARY 2010	County issues RFP for The Bonifant
JANUARY 2013	Groundbreaking for the library
JULY 2013	County planning board approves development plan for The Bonifant
OCTOBER 2014	Construction commences for The Bonifant
MARCH 2015	Expected completion of library
JUNE 2016	Expected completion of The Bonifant

FINANCING

When completed, the total cost of The Bonifant is expected to be $44.8 million or about $300,671 per unit. Given its deeply affordable rents, the property relies on multiple sources of public funding to cover development costs. One of the key subsidies for the project is a deeply discounted ground lease of $25,000 per year. Over its 77-year term, ground lease fees will total just $1.925 million. An independent appraisal prepared in 2013 valued the land for The Bonifant at $8.2 million, assuming no affordability restrictions for the property. It is unclear at what price the land

County Executive Isiah Leggett has said: "This project exemplifies how government and the private sector can work together towards a worthwhile goal of creating more affordable senior housing."

would have been appraised under normal conditions, assuming 12.5 percent affordability per the county's inclusionary housing requirements.

Other public support included: $11.7 million from the Montgomery County Department of Housing and Community Affairs (DHCA) for permanent financing; an additional $1.7 million in operating funds for the 30 percent AMI units from DHCA; 4 percent low-income housing tax credits and bond proceeds from the Maryland Department of Housing and Community Development; Rental Housing Works funds from the State of Maryland; and a property tax exemption from the county through the county's PILOT program. Private financing included an FHA-insured loan from Wells Fargo in the amount of approximately $15.1 million.

Figure 6. The new Silver Spring library, under construction

BENEFITS AND CHALLENGES OF USING PUBLIC LAND

A shortage of affordable land in Montgomery County has led to few new affordable housing properties being constructed recently in Montgomery County, and none in accessible, downtown locations. By offering public land for mixed-income housing in downtown Silver Spring—at a deeply discounted price—the county made it feasible to create a rare example of new housing for seniors in a location with convenient access to many services and transit options.

Given the high costs of constructing the 11-story property, and the high level of public financing needed to cover the gap between affordable rents and combined hard and soft development costs, it would have been impossible to assemble sufficient resources from the county and state to cover even moderately expensive land costs, according to MHP Senior Project Manager and Legal Counsel Stephanie Roodman. The spatial constraints of building in a tight, downtown location triggered the need for higher-cost, high-rise construction.

Another financial advantage for the development team was that the county offered the site clear of existing buildings or debris, having previously demolished existing structures. Additionally, the county handled lot consolidation and subdivision in advance of MHP and Donohoe taking hold of the ground lease, shielding the development team from needing to engage in what proved to be a two-year process.

Figure 7. Project Site Plan, credit: Parker Rodriguez

IMPACT OF CO-LOCATION

Jay Greene, Chief of the Housing Division of the Montgomery County Department of Housing and Community Affairs, reports that the experience of The Bonifant and the Silver Spring library demonstrates that co-location can lead to a "better design and a better living environment" for affordable housing. The two properties relate to each other physically and programmatically in a way that would not have occurred had they not been developed on adjacent sites, at approximately the same time.

Given the deep discount on the land lease and significant public subsidy, MHP and Donohoe Development were able to set rents at lower levels than MHP typically is able to offer, with many units affordable to households at 30 percent of AMI.

Finally, Roodman reports that the county was a valuable ally in the land use approvals process. "They were with us every step of the way." This support, says Roodman, was "essential to getting things done in a timely manner" and keeping down costs.

Acquiring and developing the Silver Spring site has not been without challenges, however. The site's development was subject to a higher level of scrutiny than typical private development in the county, given that it involved public land. MHP and Donohoe received multiple requests for design changes as the development process unfolded. Additionally, the public/private partnership created a need for more intensive and frequent communication with a larger and broader group of public agency stakeholders than normal during the development process, which added to staffing and overall development costs.

The county found it advantageous to provide the property for The Bonifant through a ground lease, rather than selling the property outright. Among other benefits, a ground lease allowed the county to hold on to development rights for the land in perpetuity, and to write into the lease some notification provisions, such as a requirement to be notified of new commercial tenants. But this also created challenges for the development of The Bonifant. To create a legal ownership structure for The Bonifant that would enable project financing, the county had to establish a separate ownership plat for the site, which the county had not done before. Also, the county's lease covers the minimum amount of land necessary for the housing component, leaving the county in control of adjacent

land such as alleyways, forest conservation areas, and roads, and allowing it to maintain control of the access to the public library. But the county's ownership of the land at both The Bonifant and the library made easements complicated, and the county and MHP had to negotiate separate access agreements to resolve easement issues.

Lastly, extra work was involved in coordinating the construction of the library and The Bonifant. The library's construction began first, and construction crews used The Bonifant site for staging. Coordination was required to ensure that the construction timelines overlapped successfully, and that The Bonifant site was clear of debris and staging materials by the time the crew intended to break ground.

ASSESSMENT AND LESSONS

In spite of the challenges involved, both the development partners and Montgomery County officials report a very positive experience with the development of The Bonifant at Silver Spring. According to Jay Greene of DHCA, the experience with The Bonifant has encouraged the county to go forward with co-locating other mixed-income housing developments with public facilities. It has "opened up a new way of thinking" about how to use public land for affordable housing

Key lessons include:

- Public land can provide otherwise unavailable sites for mixed-income and affordable housing in amenity-rich, transit-served locations.
- Co-locating housing and public buildings can create a better design and a better living environment for affordable housing than normally available.
- Given that public-use facilities and housing properties sometimes need to move forward on different timelines, it can be helpful to pursue horizontal mixed-use rather than vertical mixed-use on public land.
- Developers and public agencies should anticipate that the development process may involve more staff time than normal given the extra coordination involved in a public/private development partnership.
- While discounted public land can be very valuable for mixed-income housing developments, both discounted land and significant public subsidy are needed to build properties with high percentages of affordable housing and/or deeply affordable housing in high-cost properties.

3. 1115 H Street

DEVELOPER: 1115 H STREET PARTNERS LLC (LED BY WALL DEVELOPMENT GROUP)

Wall Development Group—a for-profit developer in the District of Columbia—leads a partnership that is building a 16-unit, mixed-income, mixed-use development for first-time homebuyers on the eastern edge of the emerging H Street District in northeast Washington, DC. The property, known as 1115 H Street, is under construction on a lot formerly owned by the city that had been vacant since the late 1960s. Four of the 16 units (25 percent) will be offered at prices affordable to households earning between 50 and 80 percent of area median income (AMI). The remaining units are expected to be priced for first-time homebuyers with prices starting at $349,000. The building is anticipated to be completed by the end of January 2015.

The five-story property will offer four stories of condominiums over ground-floor retail on a site that is just 1/8 acre in size. The development team aims to make it the first mixed-use residential/retail building in DC to achieve a LEED Platinum certification from the U.S. Green Building Council. The property will feature an array of environmentally friendly features that are expected to help residents save money on transportation and utility costs, including a green roof, triple-glazed windows, high-efficiency heating/cooling systems, wiring for potential electric car charging stations, and covered bicycle storage. Units also come with a one-year "transit package" that includes a pre-loaded transit card and complimentary memberships to local car-sharing and bike-sharing services.

The 1115 H Street project is located along a corridor that will be well served by transit, including the city's first streetcar line in 50 years and existing bus service. Both transit services connect riders to Union Station, where passengers can access the regional Metrorail system as well as Amtrak and commuter trains and buses. Given H Street's rapid revitalization over the last decade, residents at this location will also have access to a growing number of shopping, dining, and entertainment options within walking distance.

Each of the condominiums is a one-bedroom unit approximately 650 square feet in size. Two of the four below-market-rate condominiums will be priced affordably for households at 50 percent of AMI at a maximum purchase price of $114,200. The other two affordable homes will be priced for households at 80 percent of AMI at a maximum price of $216,600. Because the property has fewer on-site amenities than typical new properties in the District (for example, no swimming pool), condominium fees are set relatively low.

DEVELOPMENT PROCESS

The District of Columbia took ownership of the lot at 1115 H Street following the riots of 1968 that devastated the H Street neighborhood and accelerated the abandonment of properties along the corridor, including the site's previous structure, a Woolworth department store. With limited investment flowing into the neighborhood over the next 30 to 35 years, the site stood vacant. But as demand for city living grew, city planning efforts focused on the corridor, and nearby H Street properties such as the Atlas Theater were renovated, the corridor began to rebound in the mid-2000s. Interest in neighborhood retail and housing grew

further as plans for a new streetcar line moved into the construction stage.

In 2007, the city issued an RFP for purchase and development of 1115 H Street with the expectation of at least 20 percent affordability. The city initiated the RFP to spur private development along the corridor and to further goals established by community planning documents such as the H Street NE Strategic Development Plan, which prioritized mixed-income housing and ground-floor retail in this section of H Street. At the time, the District lacked a rigid affordability standard for public land, but staff were authorized to negotiate for affordable housing whenever extending tax incentives, public financing, and/or the right to purchase or lease District-owned land, and 20 percent was a common affordability request.4

In late 2007, a partnership led by Wall Development Group was selected as the site's developer. The development team offered greater affordability than required—25 percent—by voluntarily subjecting the property to the city's inclusionary housing policy, which was still being phased in and not yet mandatory. By doing so, the project could benefit from bonus density offered with inclusionary housing. With a 20 percent density bonus, the development team was able to move from initial plans for 14 total units (with three affordable units) to 16 total units (one extra market-rate unit in exchange for one additional affordable unit), leading to four of 16 units priced below market (25 percent).

Gaining city approvals and securing financing took six years. It took four years to secure financing and obtain DC Council approval for the sale, and it was another two years before Wall Development Group was able to close on the property and initiate construction.

TIMELINE

FALL 2007	Wall Development Group selected for RFP
JULY 2011	DC Council approval of project
JULY 2011 TO JAN 2013	Completion of conceptual drawings, design, and construction drawings, and community outreach and engagement
APRIL 2013	Land transferred to Wall Development Group
AUGUST 2013	Final planning/zoning approvals
AUGUST 2013	Groundbreaking for 1115 H Street
JANUARY 2015	Expected completion of property

FINANCING

At completion, development costs for 1115 H Street are expected to total approximately $6 million for the 16 residential units as well as the 2,700 square feet of retail space. This cost includes land acquisition, soft costs, and hard costs.

Total costs would have been higher had the city not agreed to sell the property at a reduced price that reflected the reduced income potential of pricing four of the condominiums well below market rate. The District Office of the Deputy Mayor for Planning and Economic Development (DMPED) sold the land to the development team for $1 million (approximately $61 per square foot of floor area). DMPED also provided seller

4 The District has since moved to standardize its affordability standards—first with the adoption of a city inclusionary housing ordinance, fully implemented in 2009, and more recently with the passage of the Disposition of District Land for Affordable Housing Amendment Act of 2014, which is discussed later in this report.

Figure 8. Artist's rendering of the exterior of 1115 H Street, credit: Square 134 Architects

IMPACT OF EXPEDITED REVIEW

Said developer Stan Wall: "Given that there are already significant challenges associated with any development project, the city should provide enhanced certainty on public properties through a truly expedited development review and permitting process."

financing to aid with 1115 H Street LLC's purchase of the property. This improved the feasibility of the project by allowing the development team to defer payment for a portion of the land costs. The development team also accessed city financial incentives for such elements as green building features that are available to building owners throughout the city.

The cost of making a fourth condominium available at a below-market-rate price was fully cross-subsidized by the 20 percent density bonus, which enabled the addition of an extra market-rate unit at the site.

BENEFITS AND CHALLENGES OF USING PUBLIC LAND

The greatest benefit of utilizing public land for the development of 1115 H Street, according to Stan Wall of Wall Development Group, was the flexibility shown by city staff and their commitment to helping the development balance city social objectives with the need for financial feasibility. As mentioned above, staff at DMPED negotiated a unique financial package, which included seller financing, to aid with the financial feasibility of the development. In addition, staff helped make sure the development team was aware of citywide incentive programs that could help offset some of the property's development costs associated with the extensive green building elements necessary for achieving LEED Platinum certification. Finally, by virtue of the site being publicly held, the development team did not need to take out an option to purchase the site, which reduced land-holding costs during the lengthy approvals processes.

A major challenge for development of the site was the lengthy entitlement and sale process. The land use approvals and design process alone took several years. Overall approvals were extended by an additional year because of the need for City Council review of the

sales purchase agreement. “There were no shortcuts” resulting from this being a publicly owned site, according to Wall.

Not all of the delays with the project were related to the use of public land, however. While Wall Development Group expects the streetcar will be a “tremendous asset” for future residents, it was also a significant challenge throughout the development process given that the streetcar was under construction and undergoing initial testing at the same time the development project was under construction. The need to coordinate with the streetcar implementation team added approximately three to four months to the overall construction schedule.

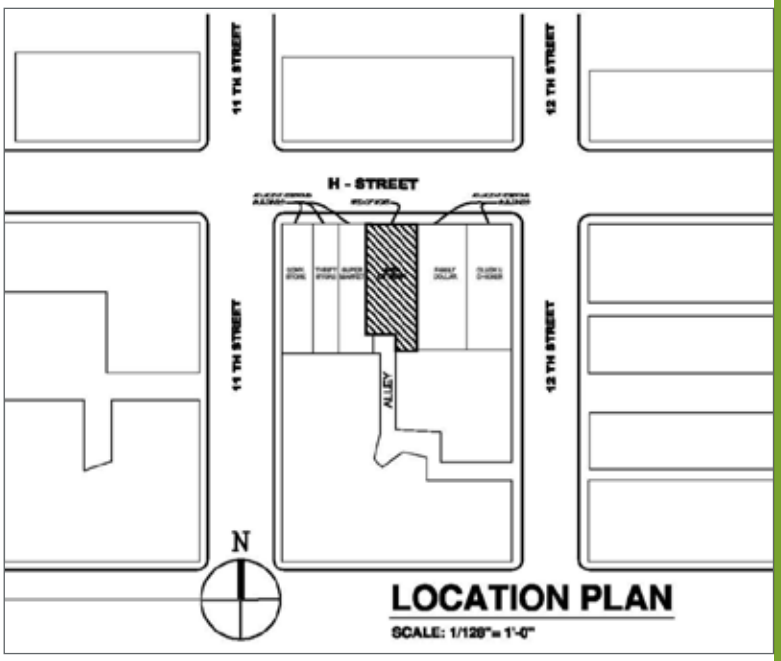

Figure 9. 1115 H Street in neighborhood context

ASSESSMENT AND LESSONS

The development of 1115 H Street will not be complete until the end of January 2015, but initial lessons can be drawn from the development process:

- It is important to find ways to expedite the sale and approval process to reduce uncertainty and accelerate the delivery of affordable homes on public land. As Stan Wall explained, “Given that there are already significant challenges associated with any development project, the city should provide enhanced certainty on public properties through a truly expedited development review and permitting process.” This could reduce the time and soft costs involved in the overall process of developing mixed-income or affordable housing on public land, and ultimately could reduce the need for additional public assistance to enable these properties to provide important community benefits.

- Clear cost data is important to setting a fair land price. It is helpful for both developers and city staff to enter into price negotiations with clear data on costs to accurately assess the affordability subsidy gap, and the resulting land price discount needed to support both affordability and financial feasibility.

- Mixed-income housing can be feasible on public land in moderately warm housing markets like H Street. But land discounts will be insufficient to support significant levels of affordability (in this case, 25 percent affordability) without complementary forms of public support, such as zoning bonuses and other financial incentives. In the case of 1115 H Street, the property needed a density bonus to move from 20 to 25 percent affordability, and benefitted from other widely available incentives that reduced costs while proving local environmental and economic development community benefits.

III

Promising Local Public Land Policies

In most communities, local public agencies control significant amounts of land. Publicly owned land can include both undeveloped and developed parcels, such as schools, public hospitals, parking lots, fire and police stations, and municipal buildings. Communities may also have surplus properties that are no longer needed to serve public purposes. Others may have properties that are underutilized and could accommodate more intensive development.

By finding affordable housing opportunities on publicly owned land, localities can free up land in desirable locations where development opportunities are expensive and limited and help bring down land costs to make affordable housing possible with less significant direct outlays.

With a little creativity, housing development opportunities can be found in places other than vacant sites, including sites in active use, as well as in outdated structures that the community cannot or will not demolish. In high-growth housing markets, such as the Washington, DC region, communities may wish to consider whether publicly owned sites, such as hospitals, libraries, community centers, public housing, or schools, have extra land that could be spun off as affordable homes, or whether certain types of locations, such as surface parking lots or low-density municipal offices, could be redeveloped as mixed-use properties, with housing above, to both fulfill the original use and provide affordable homes.

Key steps in making public land available for affordable housing are:

- Conducting an inventory of publicly owned land that would be suitable for affordable housing;
- Prioritizing the use of suitable publicly owned land for affordable homes;

- Engaging community stakeholders in a shared vision of using public land for affordable housing; and

- Ensuring that the procedures for property disposition allow transfers to occur (whether by sale or lease) in a timely fashion, at below-market prices.

IDENTIFY OPPORTUNITIES ON PUBLICLY OWNED LAND ACROSS ALL AGENCIES

In most communities, publicly owned land is controlled by numerous separate agencies, such as school boards, hospital boards, fire and police departments, and departments of transportation. In jurisdictions in the Washington, DC region, the city or county and the school board are the primary owners of local public land. A formal structure, such as an interagency taskforce or an agency assigned to this task, can facilitate the identification of sites that have development potential, create a unified list of these parcels, and improve public and private awareness of these hidden assets. Another approach that can facilitate the identification of sites with development potential is for a single municipal agency to assume ownership of all public land that is under the jurisdiction of the municipality.

Because few agencies like to give up land they think they might need in the future, or go through the headache of new construction over or next to existing buildings, strong support from the jurisdiction's leadership as well as tangible incentives for the agencies may be needed to ensure an effective, interagency process, and especially to consolidate public holdings under a single office.

PRIORITIZE THE USE OF SUITABLE PUBLICLY OWNED LAND FOR AFFORDABLE HOMES

Since publicly owned land may be sold or transferred for any number of purposes, communities that wish to use publicly owned land for affordable housing development will need to clearly articulate that as a priority. Legal mechanisms, such as local ordinances, can authorize and require the use of suitable public land for affordable homes, or at least establish the inclusion of affordable homes as a default expectation, subject to review. For localities that have not conducted an analysis of public land that would be suitable for affordable housing, providing some flexibility in a requirement may be useful given that some public properties may hold more promise for affordable housing than others.

Another approach used by several states and local legislators is to adopt a public land disposition policy that first offers publicly owned land (whether for sale or lease) to affordable housing developers. Two limitations of this approach are that it does not ensure that publicly owned sites are protected as development opportunities for affordable housing at times when the development community is not ready to build affordable housing at an offered site, and it does not necessarily lead to the provision of public land at a discounted price. However, a first-right-of-refusal policy can still be helpful in facilitating access to publicly owned land for affordable housing development.

ENGAGE COMMUNITY STAKEHOLDERS IN A SHARED VISION OF USING PUBLIC LAND FOR AFFORDABLE HOUSING

However a local jurisdiction develops a plan for prioritizing public land sites for affordable housing, it is critical that it engages with community stakeholders early in the process. Residents, businesses, advocates,

and others can help illuminate issues or obstacles in an overall public land strategy or in the use of particular sites for affordable housing. These challenges raised by community stakeholders may be economic, strategic, or political, and understanding where concerns may arise early is essential to developing a public land policy. Early engagement with the community can also help the local jurisdiction identify potential champions for a public-land-for-affordable-housing policy from a diverse set of interest groups.

REDUCE BARRIERS TO THE DISPOSITION OF PUBLICLY OWNED LAND FOR AFFORDABLE HOMES

Standard procedures for selling or leasing publicly owned land can involve lengthy delays and inflexible requirements for sale to the highest bidder without regard to the planned land use. While the public has an interest in getting the maximum value for publicly owned assets, and ensuring oversight and accountability, these procedures can increase the cost and hinder the goal of promoting the development of affordable housing.

To facilitate more efficient affordable housing development on public land, land disposition procedures can be amended to acknowledge some legitimate public purposes for below-market sales, and to authorize below-market sales specifically for affordable housing. Additionally, some communities have established clear, expedited procedures for the disposition of publicly owned land for affordable homes to increase the predictability and speed of this process.

BEST PRACTICES FROM AROUND THE REGION AND AROUND THE COUNTRY

Across the country, many local communities have adopted policies around the use of public land for affordable housing. King County, WA; San Francisco, CA; New York, NY; Arlington County, VA; Montgomery County, MD; and Washington, DC are among the many cities and counties that have developed promising approaches to identifying public land development opportunities, prioritizing affordability on these sites, and/or reducing barriers to the disposition of publicly owned land for affordable housing.

KING COUNTY, WA

King County's Ordinance 12394, approved in 1996, states that any surplus parcels that are suitable for housing should be sold or leased for the development of affordable housing. Each year the surplus property list is updated, and suitable properties are offered for development as affordable homes. Factors considered in determining suitability of public sites include topography, zoning, and availability of utilities.

In its first examination in 1997, King County found that 52 out of 750 surplus county-owned parcels had housing development potential. By the beginning of 2007, the ordinance had generated 400 new affordable housing units, including 170 units in the Greenbrier Heights development in Woodinville.[5]

5 See: Center for Housing Policy, "Identify opportunities on publicly-owned land across all agencies" (http://www.housingpolicy.org/toolbox/strategy/policies/public_land.html?tierid=156)

SAN FRANCISCO, CA

San Francisco is another example of a community requiring publicly owned land to be used for affordable homes, though presently the city applies this requirement to only some of its agencies. In 2002, the City of San Francisco amended its Surplus City Property Ordinance to require the transfer of underutilized or surplus property to the Mayor's Office of Housing for the development of affordable housing, particularly housing for the homeless. The policy excludes "land and buildings reserved for open space or parks purposes," various rights-of-way, and any property owned by the school district. It also excludes "enterprise" city agencies that rely on the proceeds of disposed land, including the city transportation agency, utilities commission, and port. Examples of agencies subject to the policy include public works, public health, libraries, and parks and recreation.

Properties that are suitable for housing development are to be sold or leased to a non-profit for the development of:

- Affordable housing for the homeless and households earning less than 20 percent of AMI,
- On-site services for the homeless or non-profits serving the homeless, or
- Affordable housing for households earning less than 60 percent of AMI.

Properties that are not suitable for housing development are sold in order to generate financing for affordable housing.

San Francisco's Surplus City Property Ordinance also waives the city's standard requirement that properties must be sold for no less than 100 percent of fair market value. When properties will be transferred for the development of affordable housing or the provision of on-site homeless services, the ordinance allows the transfer to take place for below-market value or at no cost.

While the ordinance has led to the creation of 150 affordable homes since 2002, including 111 efficiencies and apartments for formerly homeless families and veterans, city staff are leading the adoption of a broader Public Sites Development Framework to increase the supply of affordable homes on publicly owned land. One of the limitations of the San Francisco ordinance is that it places the responsibility for determining which properties are underutilized or surplus with each individual city department, and does not audit departments or provide incentives for turning over property for use as affordable housing. Additionally, only two of the 15 sites donated to the Mayor's Office of Housing to date have been usable for housing development.

By taking a broader and more proactive approach to the use of public land for affordable housing, city staff aim to create up to 4,000 new housing units by 2020, with half affordable for low- or moderate-income households.[6] Some of the ideas being considered are expanding efforts on enterprise-agency and school property, and allowing mixed-income housing on public land to improve the potential for cross-subsidizing affordable units with a market-rate component.

NEW YORK, NY

Due to the limited availability of land in New York City for housing development, the city has decided to think creatively about developing affordable housing on underutilized, publicly owned sites. As part of the city's New Housing Marketplace plan, created in 2003, the city actively considers the potential of all underutilized, publicly owned sites, such as low-rise structures in

6 Mayor's Office of Housing and Community Development, *Public Sites Development Framework: Presentation to the Capital Planning Committee*, December 11, 2014.

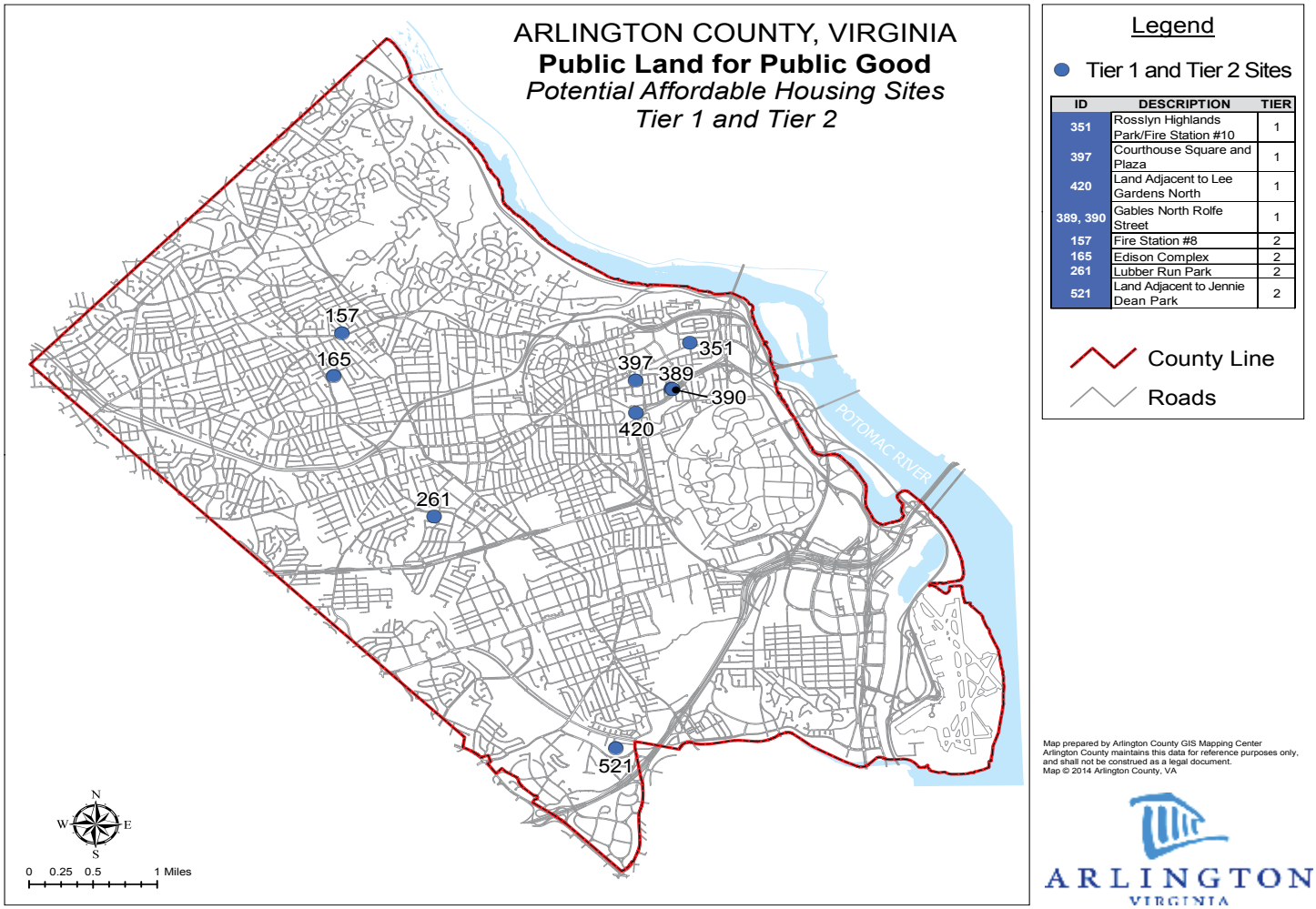

Figure 10. Tier 1 and Tier 2 Public Land for Public Good sites in Arlington County

areas that permit mid-rise or high-rise buildings, to determine the feasibility of incorporating affordable homes on the premises.

Under the New Housing Marketplace plan, the city's Department of Housing Preservation and Development has worked with a wide range of city and state agencies to acquire underutilized and surplus sites for affordable housing development. These sites include a historic public school in East Harlem and other Department of Education properties, underutilized parking lots owned by the Department of Transportation, a former hospital on Staten Island, and surplus land at a Brooklyn psychiatric hospital.[7]

ARLINGTON COUNTY, VA

Because of the scarcity of affordably priced land in the county, and in response to calls from local housing advocates to use "public land for public good," the Arlington County Board in 2013 directed the county manager to identify three to five publicly owned sites with the greatest potential for near-term development of affordable housing. County staff scanned sites owned by both the county and Arlington Public Schools to assess the potential for including affordable housing in redevelopment plans within 10 years. The analysis ultimately recommended eight sites for closer consideration.

7 See: Center for Housing Policy, "Policy: Make Publicly-Owned Land Available for Affordable Homes" (http://www.housingpolicy.org/toolbox/strategy/policies/public_land.html?tierid=153).

Arlington County followed five steps to prepare its list of priority sites:[8]

1. PUBLIC LAND INVENTORY. The county used tax records and previous studies to identify all land parcels owned by Arlington County or Arlington Public Schools. Staff used a geographic information system (GIS) to map these parcels and identify where contiguous, publicly owned lots could be consolidated into larger, discrete sites. This process yielded a total of 391 sites for consideration.

2. INITIAL FILTERING. The county developed "disqualifying criteria" to eliminate sites unsuitable for multifamily or townhouse development. The following conditions generally disqualified a site from consideration:

- Site is smaller than ¼ acre;
- Site is predominantly used as street right-of-way;
- Site is oddly shaped with one or more dimensions that are too narrow to accommodate housing development;
- The buildable portion of the site is too small or oddly shaped after accounting for environmental features that limit development potential; or
- Site has known environmental constraints that would be difficult to remediate.
- More than half of the sites in the county's inventory were eliminated after applying these criteria, leaving a list of 177 sites for consideration.

3. SITE PRIORITIZATION. The county used additional criteria to favor sites that were:

- Owned by the county board (as opposed to Arlington Public Schools);
- Sufficiently large to support multifamily or townhouse development;
- Accessible to Metro stations or the other transit offering frequent, regular service;
- Located in a "special planning area" designated by the General Land Use Plan;
- Located in upcoming planning study areas; and
- Included in the adopted 10-year Capital Improvement Program.

Other site characteristics, such as existing land use, tree coverage, and historic preservation status, were also considered. This stage narrowed down the list to 24 promising sites.

4. REFINEMENT BY INTERDEPARTMENTAL STAFF TEAM. A county interdepartmental staff team further narrowed its list to eight total sites. This team included staff with expertise in planning, urban design, affordable housing, the county's real estate holdings, and park- and facilities-planning efforts.

5. GROUPING BY READINESS. A management team consisting of senior staff and the county manager confirmed the eight sites selected by the interdepartmental staff team and grouped them into two tiers based on how soon a planning process and development could begin. Tier 1 sites include those that are currently in the planning or development process. Tier 2 sites are not yet under development or being planned but are identified in the county's Capital Improvement Program for future study.

Map 1 below shows the county's current Tier 1 and Tier 2 sites. Examples of sites included are:

- Two sites presently occupied by fire stations, including a 1.25-acre site that is being planned for

8 Arlington County, *County Manager's Report: Public Land for Public Good – A Preliminary Review of County-owned Parcels to Identify Sites Where the Potential for Development of Affordable Housing Should Be Studied Further*, May 13, 2014.

redevelopment with a new fire station, park and recreation space, and affordable housing;

- Land formerly used by the county's Department of Human Services;
- A large surface parking lot adjacent to a community center slated for redevelopment;
- A parking lot across from the county's courthouse; and
- Parcels acquired by the county along a popular bicycle/walking trail network.

County staff will reevaluate its prioritization of sites annually. The county is also currently developing Public Land Site Evaluation Guidelines, which will set goals, evaluation criteria, and a process for determining how to balance public priorities on county-held land.

Since the completion of Arlington County's prioritization process, various community members have raised concerns about sites in their neighborhoods, in particular park sites, and felt blindsided by limited community notification. In December 2014, the County Planning Commission recommended that the county's Site Evaluation Guidelines be set aside until they could be considered as part of a broader community process and reconciled with other county plans. A potential lesson from Arlington County's experience is that greater community involvement and education during the process of identifying sites might be useful for ensuring political and community support during the next steps of developing affordable housing on public land.

MONTGOMERY COUNTY, MD

Montgomery County has an active program of developing strategically located county land to support mixed-income housing. Since the late 1980s, the county has developed a comprehensive county land inventory and has facilitated mixed-income housing on multiple county land holdings. With the development of The Bonifant and new public library in Silver Spring, the county has also become more aggressive in seeking out opportunities to co-locate housing with new government facilities.

To maximize its opportunities for using public land to help address local affordable housing needs, the County Executive and the County Council have endorsed a strategy that, whenever possible, affordable housing will be included in the development of county land. All capital improvement projects or county agency plans to redevelop or dispose of county-owned land are required to assess the potential for affordable housing as part of the site's redevelopment and to present this analysis to the County Council. (A similar assessment is required of the potential for child-care facilities.) The analyses must examine several factors, including:

- The physical feasibility of including a significant share of affordable housing;
- The financial feasibility of including a significant share of affordable housing;
- The proximity of public transit;
- The proximity of the site to other public facilities;
- The proximity of the site to existing affordable housing; and
- The conformity of multifamily housing with existing zoning.

Additionally, the County Council has passed legislation that expresses a preference for at least 30 percent affordable housing on public land. Proposals from county agencies for the redevelopment of county land that would involve less than 30 percent affordable housing are subject to greater scrutiny from the County Council.

Lastly, most county-owned land is owned by a single agency—the Department of General Services. The chief exceptions are school-district property and

parking-lot districts. Single ownership has aided in the compilation of a comprehensive inventory of county-owned land, and ensured better coordination among agencies in its development.

Examples of public land holdings that are being considered for future mixed-income housing in the county include the site of a new police station, a site that formerly hosted a police station, a former public-safety-training site where fire fighters were trained, and a future fire station.[9]

WASHINGTON, DC

Washington, DC recently passed the Disposition of District Land for Affordable Housing Amendment Act of 2014,[10] which requires that all new multifamily residential developments on city-owned surplus land include at least 20 to 30 percent affordable housing. The exact level of affordability depends on the site's location. The percentage rises to 30 percent for sites within ½ mile of a Metrorail station, within ¼ mile of a streetcar line, or within ¼ mile of a Priority Corridor Network Metrobus Route. Property owned by DC Public Schools is not subject to the new policy.

Key terms of the law include the following:

- Property may be transferred at less than appraised value, and the city may provide additional subsidies to ensure that affordability requirements are met;
- Half of for-sale affordable homes must be affordable to households earning less than 50 percent of AMI and half to households earning up to 80 percent of AMI;
- One-quarter of the rental affordable homes must be affordable for households at 30 percent of AMI, and three quarters for households at 50 percent of AMI; and
- The mayor may waive or reduce the affordability requirements as necessary but only under certain circumstances, such as the appraised value of the site being insufficient to support affordable housing in light of all other available sources of public funding for supporting the affordable housing component, or the disposition of the property enabling the financing of a "significant public facility."

9 Interview with Jay Greene, Chief of the Housing Division of the Montgomery County Department of Housing and Community Affairs, December 2014.

10 D.C. ACT 20-485.

IV

Recommendations for Public Land Strategies in the Washington, DC Region

The preceding sections of this report, which examined the role of land costs in affordable housing development, recent case studies of affordable housing on public land, and promising public land policies, illuminate both the benefits of making public land available for affordable housing and the types of policies that can maximize these opportunities.

Many benefits accrue to both communities and developers accrue when they form partnerships to provide affordable and mixed-income housing on discounted public land:

- Public land development opportunities can help facilitate affordable housing in high-amenity, highly accessible, and gentrifying neighborhoods through cross-subsidization of market-rate units.
- Discounted public land provides a valuable subsidy that can enable deeper levels of affordability in higher-cost development areas and in higher-cost building types than otherwise financially feasible.
- While the exact percentage of affordable housing that may be feasible on a given site depends on both the site's land value and the incomes served, land values on publicly owned sites are often high enough to enable localities to support a significant share of affordable housing by offering these sites at a low cost.
- Discounted public land is a more certain form of subsidy (i.e., involving less "subsidy risk") than direct financial assistance because it is less subject to budget cuts and delays in allocations.

- The co-location of housing and public facilities can lead to better design and integration of the two land uses.

- Local jurisdictions can serve as allies in securing land use approvals and helping to ensure the public review process moves forward in a timely manner.

- Joint development of a public facility and housing property can also lead to infrastructure cost savings for the developer.

RECOMMENDATIONS

Based on these findings and additional insights gleaned from the review of promising public land policies, this report suggest the following guidelines and recommendations for cities and counties in the Washington, DC region that are looking to develop mixed-income or 100 percent affordable housing on public land:

1. IDENTIFY PUBLICLY OWNED SITES IN ACCESSIBLE, HIGH-VALUE AREAS. Discounting public land in highly accessible, high-value locations with few neighborhood dis-amenities or site limitations has the best potential for supporting mixed-income housing without the need for significant additional public subsidy. These sites offer the greatest potential for subsidizing affordable housing through greater returns on the market-rate units.

2. BASE AFFORDABILITY EXPECTATIONS FOR INDIVIDUAL SITES ON AN UNDERSTANDING OF THE RELATIONSHIP BETWEEN LAND VALUES AND THE AFFORDABILITY GAP. When examining just how much affordable housing can be built with the support of free or discounted public land, it is important to understand the relationship between the value of discounting land at the chosen location and the difference between revenue and development costs for below-market-rate housing, as this relationship clarifies the potential for cross-subsidizing the affordable housing component.

3. INVEST PUBLIC RESOURCES IN PREPARING PUBLIC SITES FOR DEVELOPMENT. Public activities that reduce hard and soft development costs—such as clearance and decontamination of a site, infrastructure provision, or advanced completion of area land use planning—can further enable free or discounted public land to support a significant share of affordable housing. These activities reduce the hard costs of development as well as the risk and time involved in mixed-income or fully affordable development, which further reduces the need for additional public subsidy and can attract better development proposals.

4. ADOPT A POLICY THAT PROTECTS SUITABLE PUBLIC LAND SITES AND ENABLES THEIR DEVELOPMENT WITH AFFORDABLE HOUSING. A local public land policy should set minimum affordability expectations for residential development on public land, ensure that all capital improvement project proposals are reviewed for their potential to include housing, and permit the sale of public land for affordable housing at prices lower than appraised prices.

5. EMPOWER A LOCAL AGENCY TO LEAD A REGULAR, CROSS-AGENCY ASSESSMENT OF OPPORTUNITIES FOR DEVELOPING AFFORDABLE HOUSING ON PUBLIC LAND. It may be helpful also to authorize a single agency to consolidate public holdings to streamline the process of both inventorying and disposing of public land. Without an express mandate or meaningful incentive to do so, many municipal agencies not focused on housing are unlikely

to take a hard look at their property holdings to determine if some could be used to support the development of affordable homes.

6. LOOK FOR OPPORTUNITIES FOR CITIZEN EDUCATION AND ENGAGEMENT DURING THE PROCESS OF IDENTIFYING PUBLICLY OWNED SITES SUITED FOR AFFORDABLE HOUSING DEVELOPMENT, AND ESTABLISH CLEAR CRITERIA TO DRIVE THIS PROCESS. While it is important to limit site inventories and analyses to objective measures, it is valuable to include community stakeholders in the early stage of site development so that community members are fully informed participants in subsequent planning processes. Key criteria for choosing suitable sites should include that the site is: clear of legal encumbrances (such as environmental- or historic-preservation restrictions); clean (free of environmental contamination); adequately sized and shaped so that multifamily housing can support a sufficient number of housing units to be managed and operated efficiently; and located in an accessible location near frequent transit, daily necessities, and economic and educational opportunities.

7. CO-LOCATE AFFORDABLE HOUSING DEVELOPMENTS WITH NEW PUBLIC FACILITIES. In addition to repurposing surplus sites and obsolete public buildings, localities should consider co-locating affordable housing with new public facilities such as libraries, fire stations, community centers, police stations, and parking garages. For sufficiently large sites, it may be advantageous to separate the housing property from the public facility and to develop the site as "horizontal mixed-use." This allows each property to move forward on its own timeline, independent of delays that can affect the other property, but does not necessarily preclude opportunities for sharing infrastructure.

8. LOOK FOR OPPORTUNITIES TO SHARE INFRASTRUCTURE, SUCH AS PARKING GARAGES OR COMMON UTILITIES, WHEN CO-LOCATING HOUSING WITH PUBLIC FACILITIES. When doing this, however, it is important that the public agency coordinate with the housing developer at the beginning of the process. This can ensure that the benefits outweigh the costs of coordinating the development of shared infrastructure, and that architects and contractors for both the residential property and public facility are not working at cross purposes.

Interviewees, ULI Staff and Member Advisors

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ABOUT THE URBAN LAND INSTITUTE

ULI is a nonprofit research and education organization supported by its members. Founded in 1936, the Institute now has over 30,000 members in 95 countries, representing the entire spectrum of land use and real estate development disciplines working in private enterprise and public service. Members of the Urban Land institute are automatically members of ULI Washington, one of ULI's largest District Councils worldwide, with over 2,000 members. ULI Washington includes members from the real estate and business communities, both public and private, who share the commitment to responsible land use to sustain the growth and prosperity of the National Capital region.

ABOUT THE NATIONAL HOUSING CONFERENCE

The National Housing Conference (NHC) represents a diverse membership of housing stakeholders including tenant advocates, mortgage bankers, nonprofit and for-profit home builders, property managers, policy practitioners, realtors, equity investors, and more, all of whom share a commitment to a balanced national housing policy. As the research division of NHC, the Center for Housing Policy specializes in solutions through research, working to broaden understanding of America's affordable housing challenges and examine the impact of policies and programs developed to address these needs. Since 1931, NHC has been dedicated to ensuring safe, decent and affordable housing for all in America. NHC is a nonpartisan, 501(c)3 nonprofit that brings together their broad-based membership to advocate on housing issues.

April 27, 2015

Dear Councillors,

I am writing about the Normandy/Twinings project currently before the Council, in particular, about the affordable housing component of the project. During the K2C2 discussions, it was proposed that the City should consider building affordable housing on some of the public parking lots in Central Square. Other cities have successfully created affordable housing by selling public land at a steep discount (like one dollar) to developers in exchange for a commitment to construct affordable housing. There is City property adjoining the Normandy/Twinings parcel that would appear to be well suited for inclusion in the project under consideration. In order to maximize the production of affordable housing in this area, the Council ought to consider this opportunity.

Although I myself do not have much knowledge about this subject, the exchange of public land for development rights seems to be proven method for creating more affordable housing, particularly in high-value, high-demand areas like Central Square, according to the report by the Urban Land Institute and the National Housing Congress which I have attached.

Offering public land at a steep discount can be a valuable form of support for affordable housing. (p 2)

Many benefits accrue to both communities and developers when they form partnerships to provide affordable and mixed-income housing on discounted public land:

• Public land development opportunities can help facilitate affordable housing in high-amenity, highly accessible, and gentrifying neighborhoods through cross-subsidization of market-rate units.

• Discounted public land provides a valuable subsidy that can enable deeper levels of affordability in higher-cost development areas and in higher-cost building types than otherwise financially feasible.

• While the exact percentage of affordable housing that may be feasible on a given site depends on both the site's land value and the incomes served, land values on publicly owned sites are often high enough to enable localities to support a significant share of affordable housing by offering these sites at a low cost.

• Discounted public land is a more certain form of subsidy (i.e., involving less "subsidy risk") than direct

financial assistance because it is less subject to
budget cuts and delays in allocations. (p 36)

There has already been discussion during the K2C2 process about using the public parking lots in Central Square for affordable housing. I believe that now is the time to give this idea genuine and serious consideration for those lots contiguous to the proposed Normandy/Twinings project. I realize there are complications and challenges that will need to be addressed, and that it would be easy to use these challenges as an excuse for not considering this idea. At the same time, I believe that if the Council is indeed serious about maximizing the potential for affordable housing in this neighborhood, it would be remiss to let this opportunity pass without serious discussion.

Unfortunately, the Central Square C2 planning process stalled for about a year, and we now find ourselves in the position of zoning and building before we have planned what this district should look like. While the City Council is discussing the zoning of this parcel of land, it should also consider some of the goals and aims that were identified during the C2 process. The exchange of very valuable public land to a developer for additional affordable housing has been a successful strategy used by other cities to create much-needed affordable housing. While we are discussing the development of this parcel of land, we should include the City-owned parking lots in the project. This is an opportunity that could be too valuable to let pass, and I urge the Council to discuss such a partnership and land exchange with Normandy/Twinings.

Thank you for your consideration,

Gary Dmytryk

President,
Association of Cambridge Neighborhoods