

Best Practices/Case Studies  
In Affordable Housing

Oklahoma 2016 Housing Summit  
Oklahoma City, OK  
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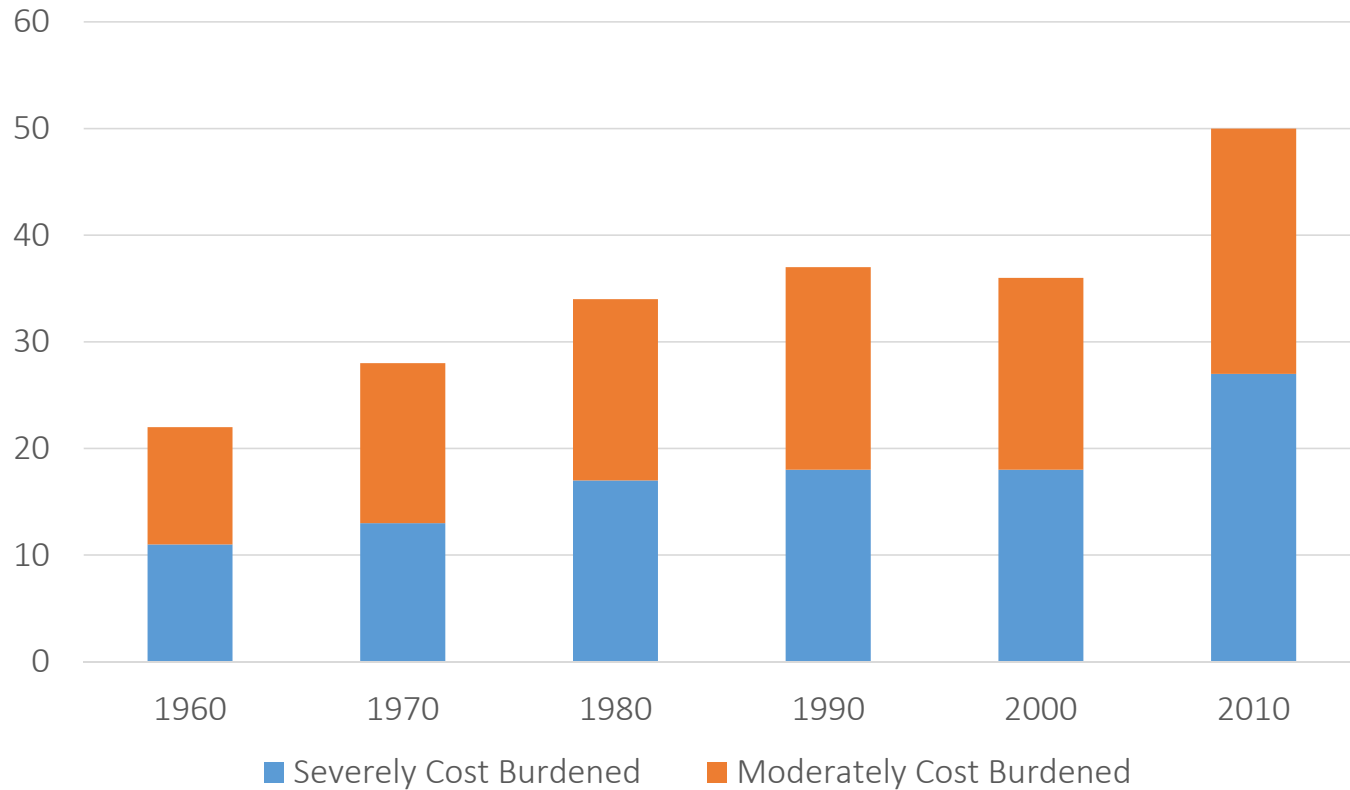
## ULI Terwilliger Center for Housing



- Our mission is to facilitate creating and sustaining a full spectrum of housing opportunities, including affordable and workforce housing, in communities across the country.
- The Center's agenda and activities are broad-based, reflecting the diversity of housing activities and priorities among ULI's 36,000 members worldwide.

## Renter Cost Burdens Spread at an Unprecedented Pace in the 2000s

Share of cost-burdened renter households (percent)

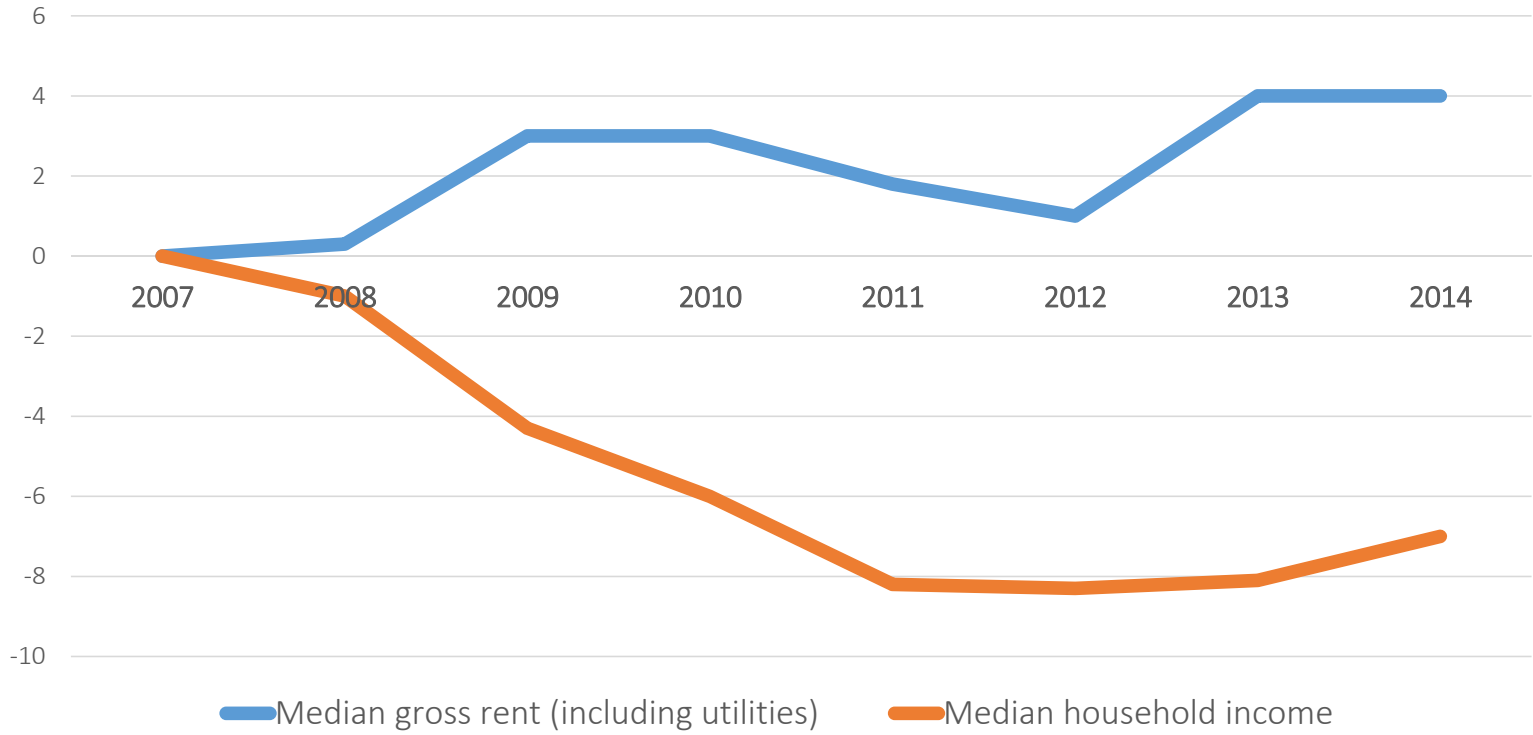


Source: Harvard Joint Center for Housing Studies  
Moderately cost burdened households pay at least 30% of income toward rent;  
Severely burdened households pay at least 50% of income toward rent.



## Household Incomes Have Not Kept Pace with Rental Costs

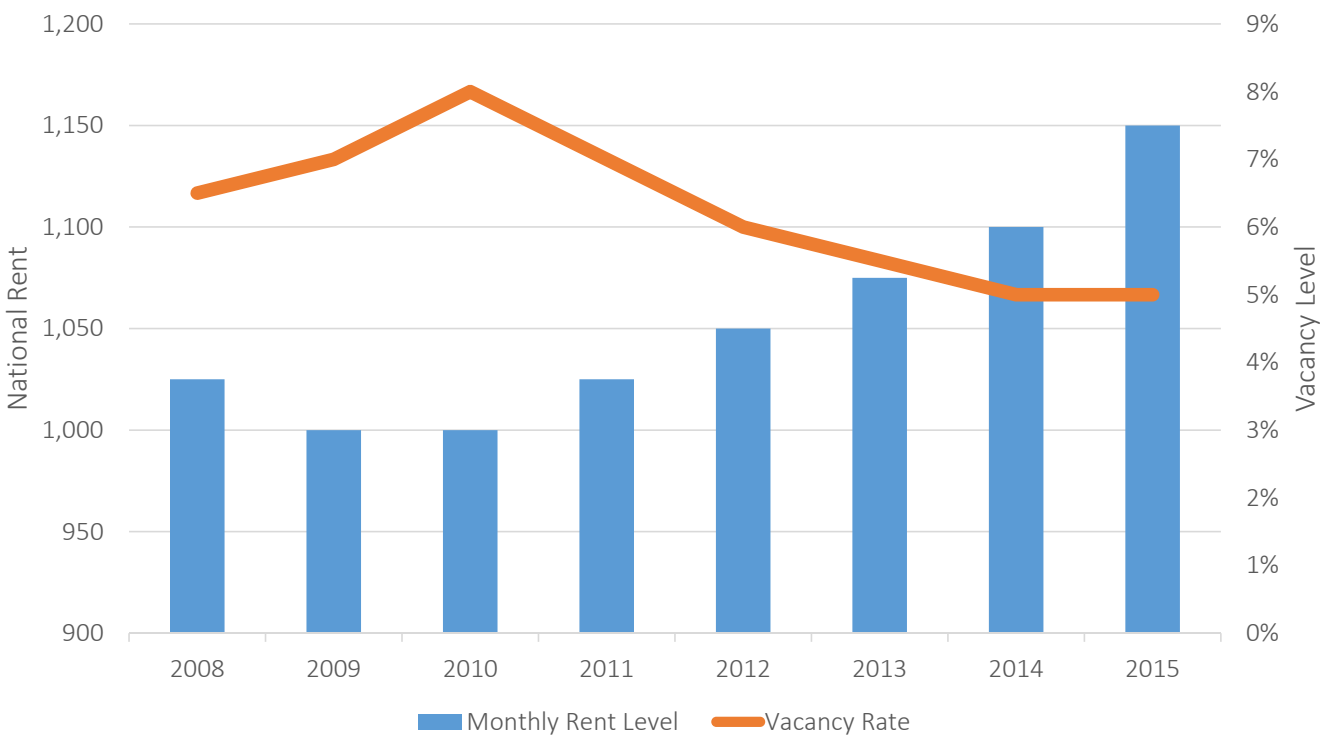
Percent change since 2007, adjusted for inflation



Source: Center on Budget and Policy Priorities



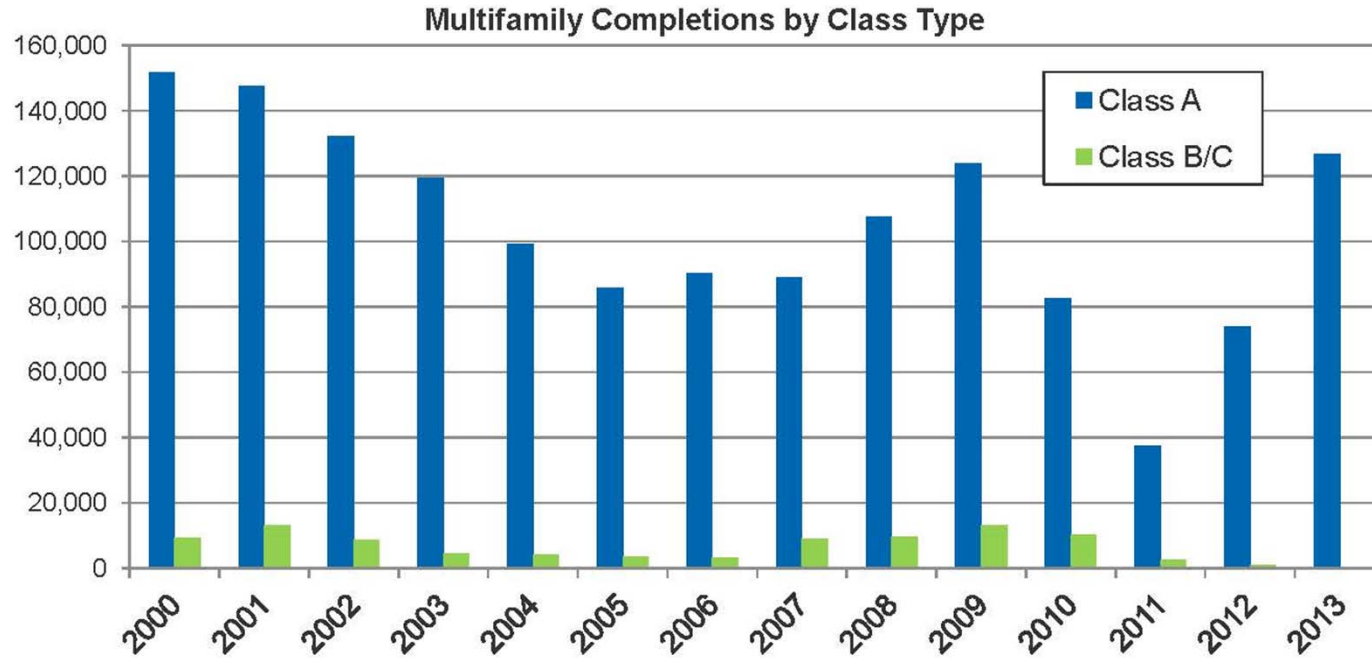
## The Rental Market is Incredibly Tight



Sources: Fannie Mae Multifamily Economics and Market Research Estimates



## Relatively Few New Affordable Units Have Been Added Recently

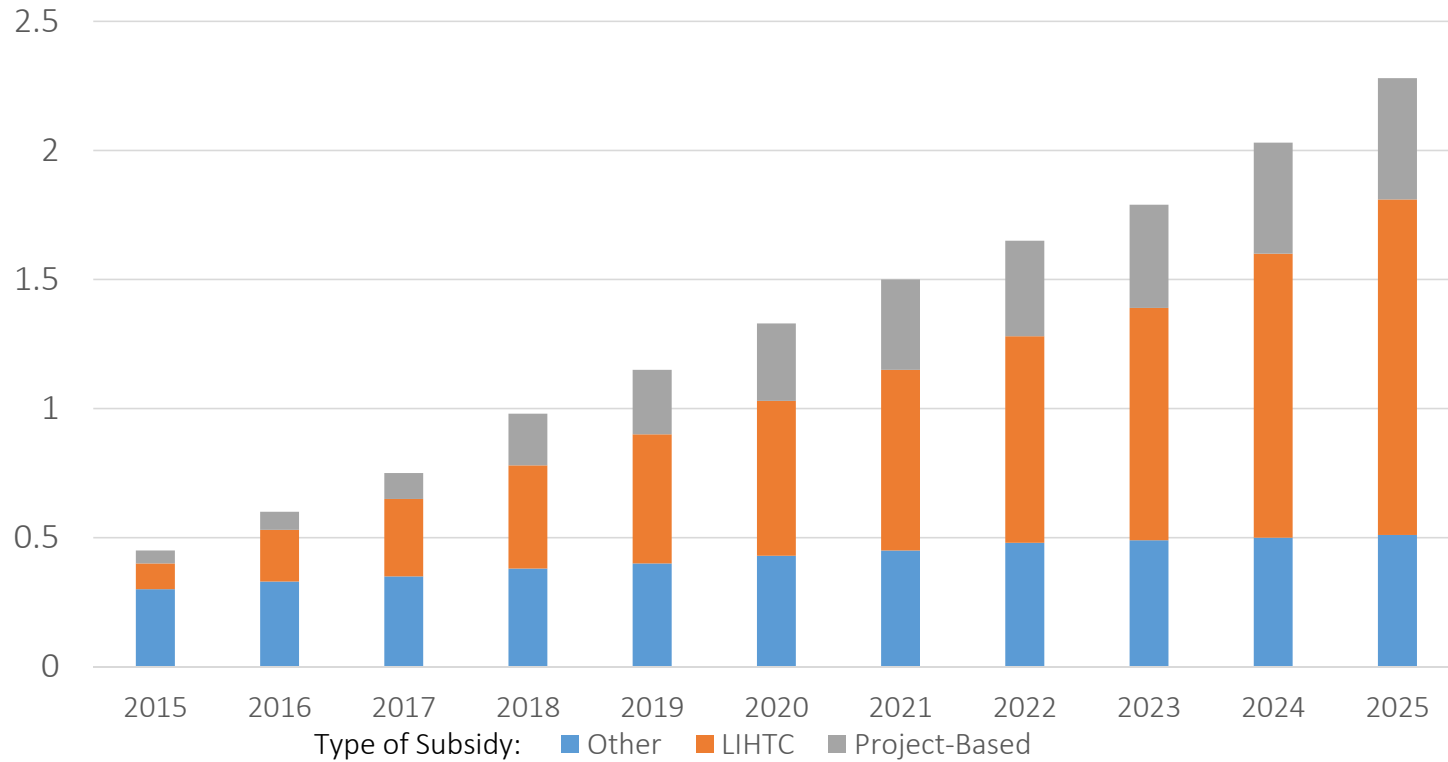


Source: Reis

Source: REIS, Fannie Mae

## More than 2 Million Affordable Units May Disappear

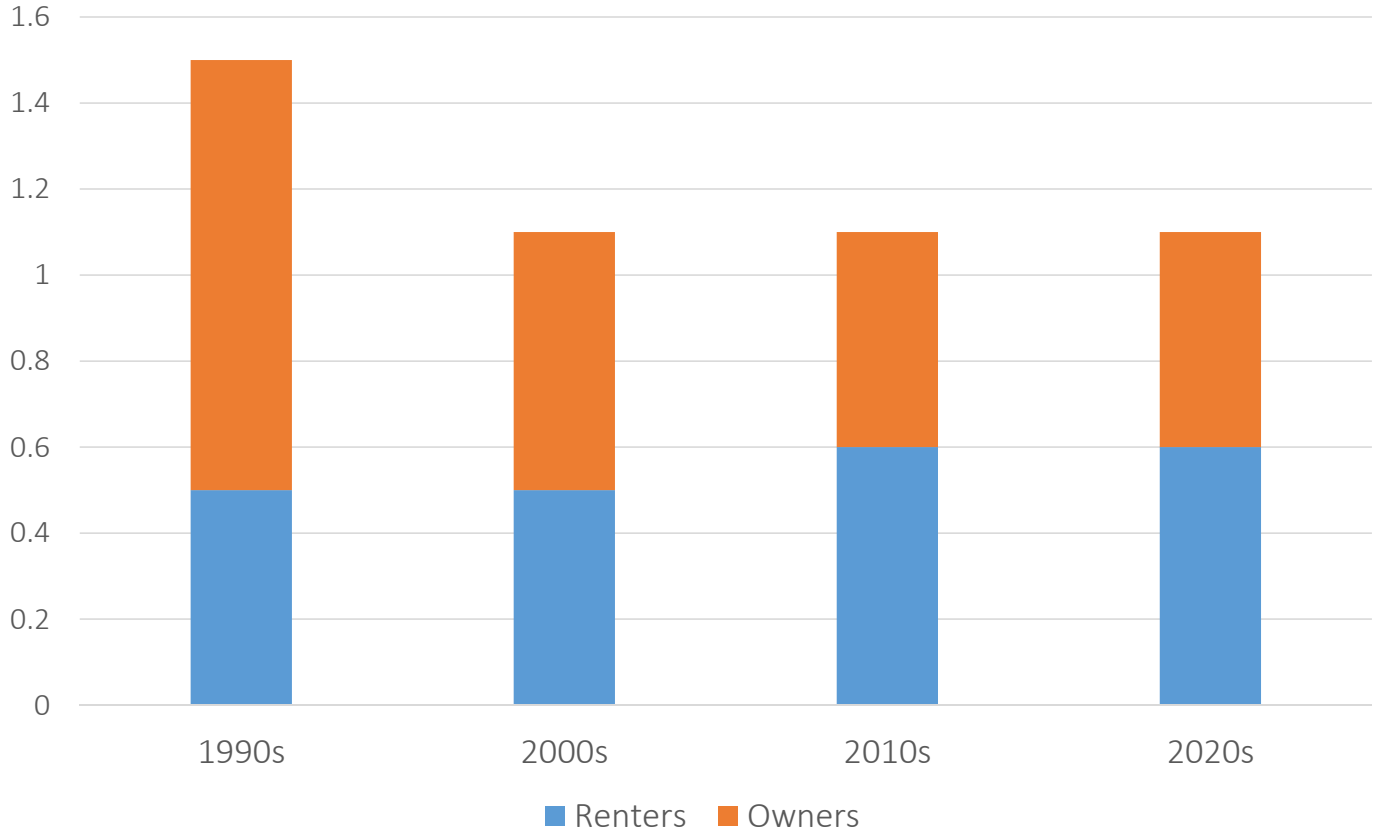
Subsidized units with upcoming affordability expirations (millions)



Source: Harvard Joint Center for Housing Studies

# Most New Housing Demand Will be Rental

Annual household growth (millions)



Source: The Urban Institute





## What's Working

- The Center has published a report highlighting 16 leading approaches that are bringing new capital to preserve and produce workforce and affordable housing:

<http://uli.org/report/well-good-innovative-financing-vehicles-preserving-workforce-affordable-housing/>

- This summary of some of the research focuses on three:
  - Below market debt funds
  - Private equity vehicles
  - REITS

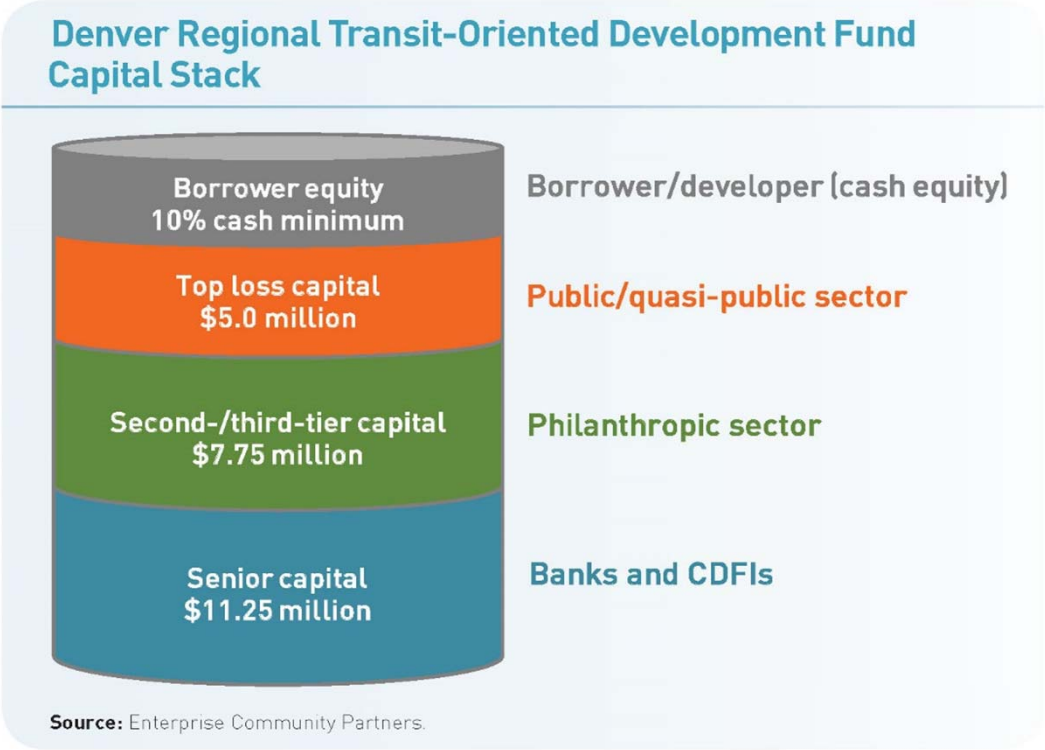
## Below-market debt funds

- **Purpose:** Acquisition of land and existing subsidized affordable properties and new development; often not limited to housing.
- **Strengths:** Provide continuing source of capital; facilitator for mission-based developers to compete in hot markets.
- **Limitations:** Complex administration; significant startup costs; typically depend on permanent “takeout” financing.
- **Capital Sources:** Local public agencies, foundations, CDFIs, financial institutions
- **Returns:** interest rates to senior lenders generally range from 2 to 6 percent, depending on capital source and fund structure.

## Dahlia Apartments, Denver, CO



# Denver Regional TOD Fund Capital Stack



## Private equity vehicles

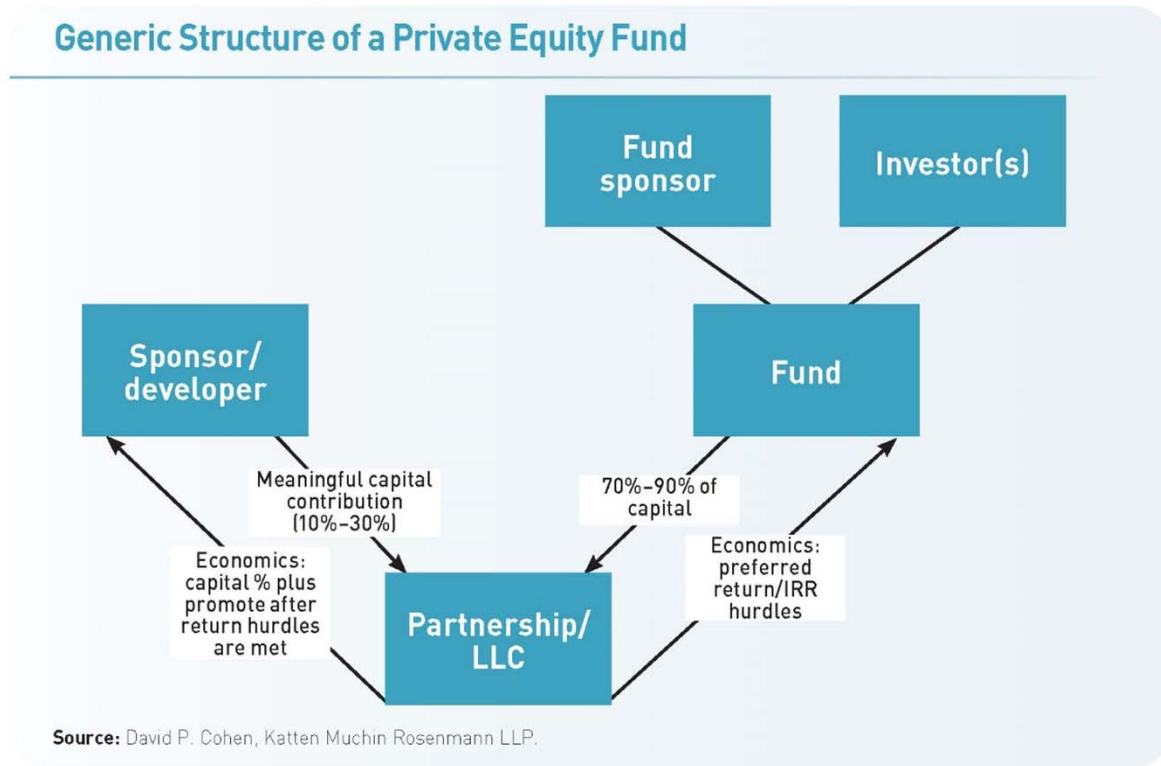
- **Purpose:** Acquisition of existing subsidized and/or “naturally occurring” affordable properties.
- **Strengths:** Ability to act at market speed; scale of capital.
- **Limitations:** Varying degrees of commitment to long-term affordability; less transparency in structure, returns.
- **Capital Sources:** Financial institutions, pension funds, university endowments, foundations.
- **Returns:** cash on cash returns from 6 – 12 percent.



# Oakwood Apartments Orlando, FL



# Generic Structure of a Private Equity Fund



## Real estate investment trusts

- **Purpose:** Acquisition of existing subsidized and/or “naturally occurring” affordable properties.
- **Strengths:** Strong focus on preserving affordability; facilitator for mission-based developers to compete in hot markets.
- **Limitations:** Considerable technical expertise required to manage (only two exist that focus solely on workforce-affordable sector).
- **Capital Sources:** Financial institutions, pension funds, corporations, university endowments, individuals.
- **Returns:** Total returns generally range from 4.5 – 8 percent.



# The Crossings Apartments Beaumont, TX



## Top Takeaways: There is a Window of Opportunity...

- There is an economic opportunity, as well as a social need, in workforce and affordable housing preservation.
- Conventional multifamily “value add” actors are not waiting – time is of the essence.
- Investor interest is growing and widening, but much more education and outreach is needed.
- New financial structures will be required to further ensure longer-term affordability.
- New business models will be needed to expand the platform more and rethink old paradigms.

# CONTACT

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