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Challenge: Finding a Gem Among Sites for Affordable

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IRVINE, CA—“With regard to design and planning specifically, our most significant challenge is working with sites ... that have been passed over by market-rate **developers** for one reason or another,” **Jamboree Housing’s** newly appointed SVP, housing **development**, **Welton Smith** tells GlobeSt.com. Smith, who joined the **affordable-housing** developer in 2014 as VP of housing development, is responsible for all aspects of the company’s housing development and associated operations including business development, **acquisitions**, entitlement, planning and design, **construction** and major **capital improvements**. We spoke exclusively with Smith after the announcement of his promotion about some of the challenges in these areas of affordable-housing development.

GlobeSt.com: What are some of the challenges in design and planning for affordable housing today?

Smith: The greatest difficulty we (and other AH developers) face today is not in design or planning, but rather in finding gap **financing** for affordable-housing projects. However, with regard to planning and design specifically, our most significant challenge is working with sites that are often quite difficult to **develop** because they are usually less desirable sites that have been passed over by market rate developers for one reason or another. The planning approval process for AH projects also tends to be longer and more arduous because of **NIMBYism** and the substantial level of community outreach that is typically required for this type of development. In addition to being subjected to all the rigors and costs of normal planning approval, affordable-housing projects very often have this additional layer of community-approval review that can consume significant amounts of both time and money.

GlobeSt.com: How do construction challenges come into play for this sector?

Smith: When construction costs increase the way they have in this blazing-hot real estate market, market-rate developers just pass the costs on to tenants via higher rents. Affordable-housing developers do not have that option; rents are fixed based on each region's annual income limits as determined by **HUD**. Another major area of difficulty with regard to construction of affordable housing is the competition with market-rate projects for subcontractors. Market-rate developers are often less hawkish about controlling costs and are never really subject to paying federal or state prevailing wages the way AH developers are. These wage provisions drive both direct costs and supervision costs because of the very strict compliance requirements.

GlobeSt.com: What are the latest concerns with acquisitions and entitlement for affordable?

Smith: The cost of both land and developed real estate has been skyrocketing. In some high-cost areas of the state, land is selling for several million dollars an acre. If the allowable density of that land does not allow for the development of 50 to 60 units per acre, the cost per unit of new development goes through the roof. This makes AH development even more challenging based on cost, competition and availability of resources.

GlobeSt.com: What else should our readers know about this sector?

Smith: Jamboree operates primarily in a very high-cost county in a very high-cost state. Unfortunately, high-cost counties are often the job centers that attract people seeking quality **employment** that pays a living wage. The extraordinarily high cost of renting and/or owning in those areas often forces people to live in unsafe and overcrowded conditions or forces them to drive long distances to work from more affordable areas. Either way we lose.