

NH&RA Fall Developers Forum



Keynote Address David Smith

*Founder and Board Chairman
Affordable Housing Institute*

Keynote address: Remaking the landscape

Starting with rental assistance

*2017:
The Boston Housing
Authority solicits
proposals from
developers seeking to
be designated to
redevelop the
property*



“Who the heck is this guy, anyway?”

“I think and I know things.”

- 1975: Boston Financial
 - 1975: Entered business: temporary typist → Full-time typist → Investor services
 - 1976-78, workouts: “Learned my anatomy in the emergency room”
 - 1982-85: Equity syndication invented resyndication (pre-LIHTC kind)
 - Appraisal methodology for *Valuing convertible affordable housing properties*
 - 1987: Syndicated LIHTC for 42¢ on the dollar
- 1989: Recap Advisors (founder)
 - 1995: 125+ LIHPRHA closings closed in 5 years
 - 1996: Senate Mark-to-Market working group → MAHRA → Mark Up to Market
 - 2010: Launch *The Guru is In*, monthly column in *Tax Credit Advisor*
 - 2012: RAD pioneer → National practice
- 2002: Affordable Housing Institute, §501(c)(3) global consultancy: 70 countries
 - 2010: 2 Gates grants → Founding investor in Indian women’s housing finance company
 - Current: World Bank → Ukraine Law Fundamental Principles of Housing Policy
 - Current: San Joaquin Valley developer → Educational workforce housing
 - Current: Connecticut developer → Attainably priced condo’s (80-130% AMI)
 - “Always thinking forward about how to better the ecosystem”



1983: A guru in the making



Big idea: Consolidate all rental assistance

“Whatever else you might want to do, do those things afterward”]

- All income subsidy → Unified Rental Assistance Program
 - Currently 25+ variants → 2: Portable and Property-Based
 - Standard three-way bargain:
 - Owner receives market rents (Rent Comparability Study or otherwise)
 - Household pays [30%] of income for tenant share
 - Government (HUD) pays the difference
- Intended as worthwhile in its own right
 - Decouple capital subsidy (build cost) from income subsidy (household poverty)
 - Robust across multiple different potential futures
 - The thing to do before you do anything else
- Presented in a paper and a Backgrounder
 - Co-authors: Greg Byrne and Jenniver Lavorel (personal capacity)
 - Circulated on Capitol Hill to thunderous silence
 - Decided to put it into the public domain
 - Published in *Tax Credit Advisor*



*I have many leather-bound books
And I am “the Guru”*



The rental assistance universe today

And these are only the *major* variants



<u>Acronym</u>	<u>Units, 2024</u>	<u>FY 25 \$bn</u>	<u>Notes</u>
HCV	2,200,000	\$32.5	Portable Housing Choice Vouchers
PBRA	1,530,000	\$16.6	Property-based: FHA, HFA, LIHTC
PH	898,000	\$8.95	Owned by local housing authorities
PBV	240,000	\$3.5	Former HCV's now glued to a property
PRAC	120,000	\$0.8	Akin to PBRA for §202 elderly
PAC	32,000	\$0.2	Akin to PBRA for §811 disabled
<u>Others</u>	<u><2,000</u>	<u><\$0.2</u>	<u>Mod Rehab, MR SRO, HOPWA</u>
Totals	5,015,000	\$62.8	
MRHA	285,000	\$1.7	Akin to PBRA for USDA RD



Guiding principles for change: Do the smart stuff first

Create options for innovation and efficiency

Cut inefficiencies, not effectiveness

1. No cuts to number of households served
2. No rents above market
3. Same rules for Portable and Place-based rental assistance
 - For owners/ managers, and for families
4. Adjust rents annually by rational formula
5. Enable rental assistance to pair seamlessly with capital programs ('no friction')
6. Focus occupancy rules mainly on income eligibility

Life
Is Hard
It's
Harder
If
You're
Stupid

Improved outcomes

Decouple resident income support from capital subsidy ↔ Cleaner underwriting

- Insta-simplify rules/ workload on ~\$62 billion of FY 25 appropriations
 - Roughly 75%+ of HUD aggregate annual spending
- Better service for low-income households
 - No need to navigate across multiple program requirements
- Greater efficiency for HUD and its contractual partners
 - Handle everything through one Office of Rental Assistance
 - Rules are much easier to understand, learn accurately, track
 - Developers, managers, lenders, investors, sponsors, HFAs, contract administrators, LIHTC participants
- Lower net cost via reductions in people's time and paper-processing
 - Rental managers, contract administrators, applicant households
 - Standardization, digitization, faster customer service, greater transparency
- Create options for new anti-poverty initiatives
 - Greater local flexibility within aggregate spend envelopes promotes innovation, resource combination
 - Amply demonstrated in RAD



Optionality: What else would this enable?

Good things become possible; bad things become less worrisome

- Devolve contract administration to states
 - Like LIHTC: like Medicaid §1115 waivers
- Leverage creativity and parallel-experimentation at the state level
 - Tenant-selection flexibility as in Moving-To-Work (MTW) PHA's
 - Reduce overall spending on administrative fees
 - Put accountability closer to communities
 - More observable, more correctible
 - Encourage intra-state cooperation
 - Silo-busting down to the property level
 - Experiment with recertification holidays
 - Reduce or eliminate perverse incentives
- Bring RAD-style thinking into rental assistance
 - Bring USDA Rental Assistance into the umbrella
- De-risk from Federal vicissitudes
 - Deconcentrate government counterparty risk



Some structures need to be demolished

Figure 1

Landscape of Approved and Pending Section 1115 Waivers

as of October 7, 2025

■ 67 Approved Across 47 States ■ 32 Pending Across 26 States

Eligibility

Expanded Eligibility Groups	41	15
Other Eligibility/Enrollment Expansions	18	2
Eligibility/Enrollment Restrictions	7	6

Benefits

Select Benefit Expansions	45	14
Benefit Restrictions, Copays, Healthy Behaviors	5	3

SDOH & Other DSR

Social Determinants of Health Provisions	25	5
Other Select DSRs (UCC Pools and BH DSR)	12	3

Note: This figure only represents waivers captured in this tracker; for a full list of pending and approved waivers, see [Medicaid.gov](#). For tracker definitions, inclusion criteria, and additional notes, see the [Definitions Tab](#).

Source: KFF analysis of state Section 1115 Medicaid waivers posted to [Medicaid.gov](#) • [Get the data](#) • [Download PNG](#)

KFF



Why now? Why us?

Somebody had to, and I've had practice

- It's the right thing to do
 - If you work in a sector, you have a duty to improve it
- Legislators are generalists; experts are specialists
 - Legislators value informed and evidence-based advice
- If you believe it, present it before hostile audiences
 - If you can't articulate it, you don't deserve to advocate for it
- "Strange new respect"
 - Taking a stand leads to being consulted on possible solutions
 - Getting picketed led to a role in shaping preservation
- It can change your career ... and other people's too 😊
 - Recap Advisors (1989) → Mark-to-Market, RAD
 - Affordable Housing Institute (2000+)
 - Structured finance and housing program/ design
 - 70 countries, 15 staff, teach at Harvard GSD

The Boston Globe

WEDNESDAY, DECEMBER 21, 1988

*35 cents at newsstands beyond 30¢

Tenants give Boston landlord a Christmas Bronx cheer

By Peter S. Canellos
Contributing Reporter

Boston housing activists yesterday invoked the holiday spirit to get their designated "Scrooge" to abandon a legal battle to permit landlords to stop serving low-income tenants in some federally funded housing projects.

But after a spirited encounter with David A. Smith, senior vice president of Boston Financial Group, the activists went home disappointed.

Smith refused to drop a lawsuit demanding that the government allow landlords to buy out their government mortgages and stop offering subsidized rents for low-income people.

The projects were built under a federal housing program in the 1960s and early '70s and included an option for developers to buy out their mortgages — and with them the requirement to serve low-income families — after 20 years.

But the federal government last year blocked landlords from exercising any such options until 1990. Housing activists say the law preserved 300,000 low-income housing units.

Smith, who helped organize 60 landlords to file a class action suit challenging the government, said the government is interfering with landlords' rights to make profits off their investments.

"If you eliminate the profit motive in housing, you get lousy housing," said Smith, adding that the government should pay for new low-income housing programs, rather than force current landlords to continue serving low-income tenants.

"Your motive is to pay an affordable rent," he told low-income tenants. "Our motive is a fair price for what we own."

Carrying signs depicting Smith as Scrooge and reading "We've Had It With Greed", about 30 protesters confronted Smith outside his Summer Street office.

"Dear tenants, merry Christmas, David Smith wants you evicted," they chanted, before telling their stories.

"I once was homeless, living in shelters. Diana Quinones of Lowell told the crowd, sobbing. "My son and I lived without heat, with holes in the wall. And all I can think about is in two years I'll be out there again."

Smith pledged to work with housing activists to push for more government funding, but also vowed to go forward with his lawsuit.

The protesters booed and gave him a Christmas present "to you and yours": a paper bag full of coal.



Questions?



Email dsmith@affordablehousinginstitute.org



Affordable housing in 2030: The inventory

“Efficient technology is like the flu – sooner or later everybody gets it.” – Alexander Jablokow, 1990

1. Ubiquitous in-home broadband has perma-shifted live-work dynamics
 - What urban space is used for; how it is configured; what people need and want and pay for
 - Huge consolidation/ elimination/ evolution forces
2. Anti-exclusionary zoning (“15-minute city”) is fully embedded in urban policy
 - “Two-dimensional one-use zoning is obsolete and dysfunctional”
 - Vertical densification has become the dominant form of adaptive reuse
 - “Reclaiming the carscape”: dramatically reduced parking requirements
3. Stranded asset classes have been repurposed into housing
 - “The greenest commute is a virtual one”: Big development opportunities
4. Health tech permeates affordable housing
 - Preventive/ aversionary health care interwoven
 - IAQ monitoring. Biometric scans (infrared thermometers). Flow metering.
 - AI-managed airflow rates. Self-disinfecting systems. UV surface disinfection
5. Housing-plus-customized-services is the competitive frontier
 - Housing as the nexus of life improvement: “Cal State Virtual”



Affordable housing in 2030: The business

“The future is already here – it’s just not evenly distributed” – William Gibson, 2003

6. Inflation has reset the economy and the capital markets
 - We’re all living the new Red Queen’s Race
 - Variable-rate finance or high fixed rates: Choose your poison
7. Municipalities see affordable housing as competitive infrastructure
 - “Not just Boston v. Baltimore, Boston v. Bombay”
8. Innovation frontier: Affordable housing as part of family wealth-building
 - “If you’re not helping break the cycle of poverty, you’re perpetuating it”
 - Employer assisted, mixed-use, campus-style services (virtual clinics, day care)
9. New tenure models: rent-to-own, shared-equity, shared-appreciation
 - With affordability elements, employer assistance, expanded CRA initiatives
10. Campus-based institutions are co-development partners (4+1 of sustaining jobs)
 - Bring land, demand aggregation, risk reduction, local voice legitimacy
 - Campuses as sub-municipal quasi-sovereign entities with their own overlay rules



'Instant MBA' in affordable housing

Learned over 49+ years, 70+ countries, zillions of OPM dollars

1. The 21st century world is urbanizing at speed
2. Fast-growing cities always create slums
3. Affordable housing is urban infrastructure
4. Need \neq effective demand \neq financeable demand
5. Housing is where community meets households
6. Affordable housing is essential to urban sustainability
7. Urban affordable homes and loans are manufactured products
8. Housing is delivered via value chains: supply side, demand side
9. Urban affordable housing is a political construct
10. Affordable housing always needs laws and costs money
11. Government is a factory that produces only two products: laws and money
12. Gov't \leftrightarrow Private sector: Need each other, don't understand each other
13. Affordable housing is key to unlocking high-value-additive urban parcels

"You lead, I follow"



Now you're an expert



Keynote address: Remaking the landscape

Approaching \$2.0 billion of total development cost, and city-led



As was (2018)

*Bunker Hill public housing, Charlestown, MA, publicly owned
Built 1940, 1,100 apartments, by 2018
Extremely Low Income*

To be (2033?)

*After complete multi-phase
demolition and rebuilding on
same site:*

*2,699 mixed-income
apartments with public-
housing-eligible sprinkled
throughout in identical units*

NH&RA NATIONAL HOUSING &
REHABILITATION ASSOCIATION

**2025
Fall Developers
Forum
Raffles Boston
November 6 & 7**



Housing is where community meets households

Fabric that holds mixed-income cities together and enables sustainability

- Affordable housing anchors communities
 - 'Green sustainable cities' ↔
 - ↔ Urban affordable housing
- Housing touches everything
 - Jobs, transport, health, safety, community
- Scale of success is neighborhood-plus
- Time test of success is capital reinvestment
- Affordability is end objective in itself
 - 'Decent, safe, and sanitary'
- Scale of success is the property
- Time test of success is property viability
- Households start out independent
- Affordability is just start
 - "Housing *plus* services"
 - Housing is the platform for improvement
 - People are less than independent
- Scale of success is person or household
- Time test of success is life improvement



Leisure is the opposable thumb

- Sustainable growth from 4+1 sectors
- Education
 - Universities, graduate schools
- Tech
 - Startups and innovation
 - High-tech, app tech, health tech
- Health care
 - Hospitals, clinics, research
- Government
 - Laws, money, enabling change
- Leisure: Tourists and locals



Affordable housing is urban infrastructure

Where jobs go to sleep at night

- “Housing is where jobs go to sleep at night”
- **Affordable** housing is where essential jobs go to sleep at night
 - “People who make the city work” should live *in* city they work in
- **“1 = 1 + 1”**
 - Add +1 job to your urban economy, and the market adds ...
 - +1 home and +1 weekday round-trip commute
 - The ‘5-to-1’ rule: +1 high-income job → +5 mid-low-income jobs
- **H + T = 60%**
 - Housing cost plus transportation ↔ 60% of household costs
 - “Residual income” is what’s left ↔ 40% or less of household income
- **“The rent eats first”**
 - Residual income goes to food, health/ safety, children’s education, leisure
 - Less residual income → Damage to families and people

Affordable housing: definition

1. **Market quality, below-market cost**
 - Affordable by households (H+T < 60%)
2. **Ownership or rental**
3. **Usually targeted to a specific group**
 - Eligibility ↔ All who could qualify
 - Priority ↔ Those who matter most
4. **Just below by the ‘market frontier’**
 - Moves down as society improves



+1 job = +1 home and +1 commute
A failure of urban planning, otherwise known as
The Los Angeles 405 at any time