

Identifying Affordable Quality Housing Components for Developing a Smart Growth Model

Bardia Bakhtiar and Rahinah Ibrahim

*Department of Architecture, Faculty of Design and Architecture,
Universiti Putra Malaysia, Malaysia.*

ABSTRACT

Smart growth development entails retracting the city, hence attempting to house low-income residents at new affordable housing facilities within a metropolitan area. This paper introduces the Low Income Housing Tax Credit (LIHTC) as an alternative funding source for developing affordable housing projects. This paper presents affordable housing and smart growth elements from two selected tax credit programs in the United States. It compares these elements with the Malaysian commitments in Agenda 21 and recommends the Malaysian Point System that supports both affordable housing and smart growth requirements. It presents nine affordable housing and eleven smart growth elements that the proposed Malaysian LIHTC supports. The model includes four additional elements that Malaysia has committed to fulfill its Agenda 21. The proposed model can become an alternative solution for housing developers in Malaysia who cannot rely on government subsidies to develop affordable quality housing for the growing nation.

Keywords: Smart Growth Development, Affordable Quality Housing, Financing

1. INTRODUCTION

Many low-income people are trapped into paying high rental for low quality housing. It would even be farfetched for them to save enough for making down payments on a home. Malaysia needs to build 709,400 units of housing where 38.2% is for low- and low-medium units in the Ninth Malaysian Plan (9MP). The growing and shifting population is creating demands for new housing in some areas while decreasing demands for new and existing housing in another. The state of Selangor and Kuala Lumpur require 23.7% of new housing units to cater to its growing population in the 9MP. Inflation and other factors have brought about a dramatic increase in the cost of new and

existing housing. In addition, the trend for consumer awareness is reflected in housing alternatives, improved construction method and materials. The need to provide affordable housing to people in growing metropolitan areas have long prompted the American public to develop alternative housing programs that are not degrading to the population in need. Hence, the birth of the Low Income Housing Tax Credit section 42 (1986) of the Code in the USA. It requires each state to prepare a *Qualified Allocation Plan* to determine housing priorities and to give preference to projects serving the lowest income tenants and projects obligated to serve qualified tenants for long periods (Development Authority of the North Country, 2006).

In this article, we review two programs, namely the *Washington State Housing Finance Commission* (Washington SHFC) and *California Tax Credit Allocation Committee* (California TCAC). Both must incorporate selection criteria, which include project location, housing need characteristics, sponsor characteristics, and tenant populations with special housing needs. With reference to the Malaysian Ninth Plan and Malaysian Vision 2020, we hope that any alternative Low Income Housing Tax Credit for Malaysia would also entail smart growth development. Using a local Malaysian Point System it could guide the development of housing policies towards improving a community's quality of life. We posit that this approach could control the ratio of housing provision in the consumer basket of each family. The objectives of having a Malaysian Point System are 1) providing safe, affordable shelter of high quality to those in need; 2) establishing stability and opportunity in the lives of residents; and 3) fostering communities that allow people from all ethnic, social and economic backgrounds to live in harmony, with dignity and mutual respect. The proposed Malaysian Point System will include housing policies from Low Cost Housing (LCH) to Affordable Quality Housing (AQH) representing a practicable social-economic model. It will provide different opportunities for both low-income people and developers. By

