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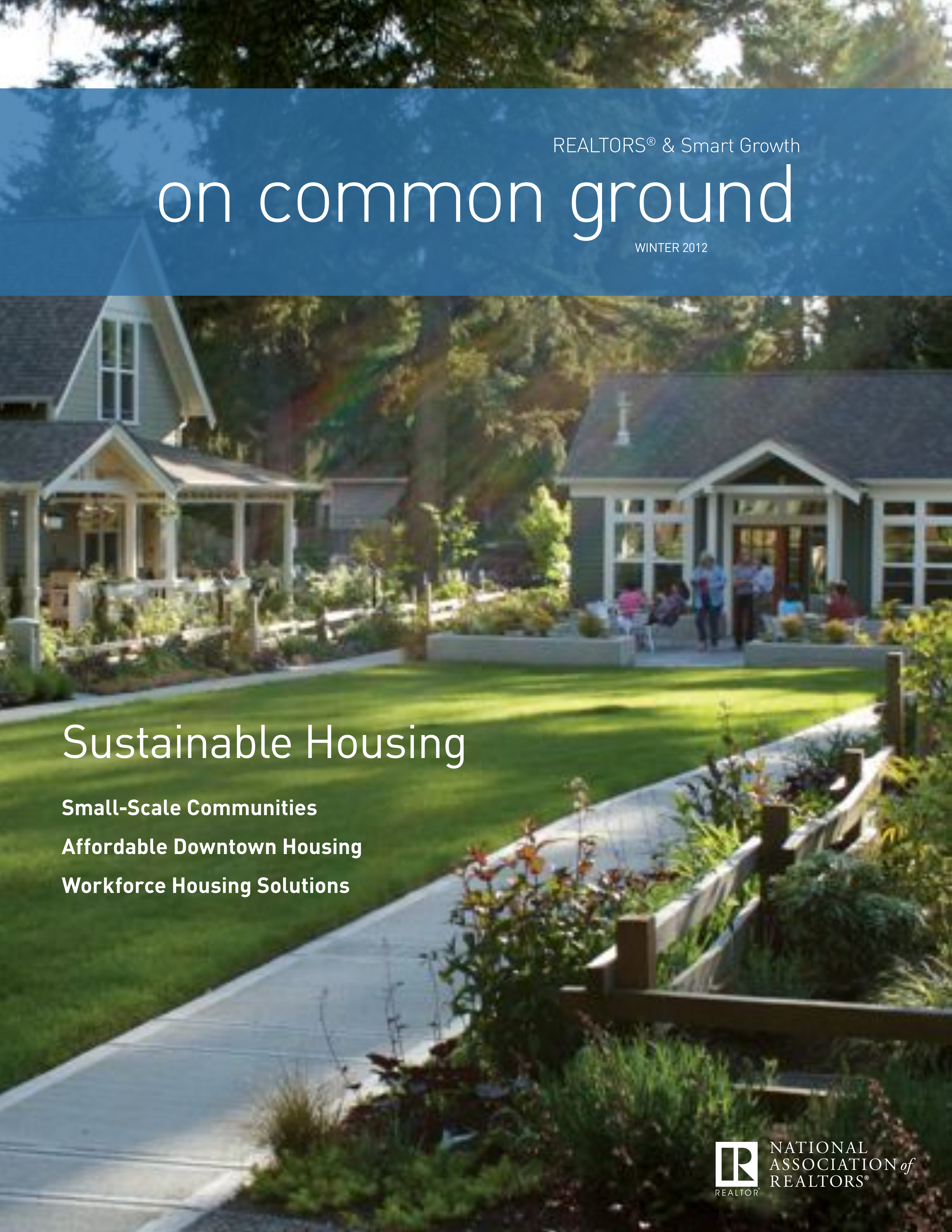

Sustainable Housing

Small-Scale Communities

Affordable Downtown Housing

Workforce Housing Solutions

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Affordable and Sustainable

One might think that the decrease in real estate values the nation has experienced in recent years would lessen the need to focus on affordable housing. Yet, in spite of decreased prices of homes, housing affordability remains a major concern. For those trying to buy a home, more stringent lending standards and higher down payment requirements are making it difficult for moderate-income families to become homeowners. And a greater demand for rental housing has made rents unaffordable for many lower-income and working families.

The high number of foreclosures has brought into focus the need for models of homeownership that can be sustained over the long run. Long-term operating costs can be reduced by the greening of homes, and alternatives such as shared equity can get working families on the first rung of the homeownership ladder at a lower cost. Neighborhood stabilization programs are healing communities ravaged by foreclosure, while providing new housing opportunities. Employer-assisted housing can enlist employers as partners in meeting the housing needs of working families. And, places that have strong demand for housing now — such as downtowns and transit locations — are using creative methods to integrate affordable housing into the mix.

Some developers, facing a much more difficult lending environment, are rethinking the scale of their projects, focusing on smaller increments that do not require a large amount of debt. Many home builders are building smaller homes, as high unemployment and stagnant wages have led many consumers to shy away from the very large houses that were such a big part of the market in the boom years. "Smaller and slower" development can provide a business model that better fits these times.

In addition to describing these various tools that can be used for sustainable affordability, we also highlight in this issue many examples of how state and local REALTOR® associations are playing increasingly large roles in addressing the workforce housing needs of their communities. Ensuring a community has an adequate supply of sustainable affordable housing is a complex task that requires the use of many strategies, in this or any economy.

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Front Cover Photo of Danielson Grove, Kirkland, Wash.
Architect: Ross Chapin Architects. Developer: The Cottage Company. Photo by Ross Chapin.

Rear Cover Photo of Greenwood Avenue Cottages, Shoreline, Wash.
Architect: Ross Chapin Architects. Developer: The Cottage Company. Photo by Karen DeLucas.

Building Community on a Small Scale and at a Slower Pace

With limited financing and consumers downsizing, small and slow is in when it comes to development today. Will it remain hot after the economy recovers?


Cotton District, Miss.

By G.M. Filisko

Dan Camp purchased his first property in Starkville, Miss., in 1969, with a plan to build student housing. He had no idea he was beginning a 40-year process of transforming an entire neighborhood that once housed a cotton mill and housing for the mill's workers.

"When I started, this was referred to as the Cotton Slum," says the manager of Cotton District, a design, contracting and development company in Starkville. "It was a little section left out of the urban renewal area, and people thought I was stupid because it was so deplorable. The lots had collapsed tenant housing on them."

But Camp says he happened on "one of those funny chances of being at the right place at the right time." The then-28-year-old teacher spent $5,000 for land. He talked his way into 100 percent financing on a $50,000 loan and built an eight-unit townhouse modeled after the classical architecture of Alexandria, Va., New Orleans and Vicksburg, Miss.

"I had those townhouses rented in 30 days for $115 a month, and I think my note was $560-$570 a month at 6.8 percent interest," Camp recalls. "My father told me not to quit teaching until I had 16 units."

Camp followed his father's advice and continued to slowly build small-scale projects on the compact lots throughout the neighborhood. Today, the unique and highly desirable 10-acre area is called the Cotton District. Its eight square blocks are crowded with about 100 of Camp's single-family homes, duplexes and four-plexes totaling about 250 rental units.

Camp also had no idea he'd be on the forefront of a movement championing small-scale and slower-paced development. He just never wanted to be burdened with too much debt. "We've been doing small, incremental

Cotton District, Miss.

I believe people are looking for smaller, high-quality, lower-maintenance homes in a setting in which they can easily know their neighbors.

development because you don't subject yourself to a large investment," he says.

Yet Camp is among a growing group of developers and architects eschewing large-scale projects that create oversized homes in car-bound communities, leaving residents isolated from their neighbors. Another is Ross Chapin, whose "pocket neighborhoods" include cozy, typically less-than-1,000-square-foot homes clustered in groups of six to eight around a shared garden. Then there's Bruce Tolar, whose Mississippi cottage communities are modeled after the Katrina Cottages, which sprung up to be less institutionalized housing that's better apt to foster community-building than Federal Emergency Management Agency trailers.

"As we look at nearly 80 million baby boomers," says Chapin, AIA, principal at RossChapinArchitects in Langley, Wash., "I believe people are looking for smaller, high-quality, lower-maintenance homes in a setting in which they can easily know their neighbors."

The origins of low-key development

It's not that small-scale and slower-paced development has never taken place before in the United States. In the decades before American developers began to quickly mass produce large-scale residential developments, small and slow was the norm.

Les McCormick, AIA, owner of Atelier359 Studio for Architecture in Ashville, N.C., and Santa Rosa Beach, Fla., says the Lexington, Ky., planned development he grew up in, Ashland Park, was an early version of today's small-scale, slow-growth development. "Development was planned and started prior to the first World War but not completed until the late 1950s," he recalls. "The owners of a very large farm decided to divest themselves of their farming operation over time. The Olmstead brothers did the design for the subdivision development, laying out the road only in notion and planting the streetscape while the family kept farming. After the vegetation grew for about 10 years, development began."

Ashland Park's residents and mix of housing were also different from most large developments today. "Some houses were single-family, some were duplexes, some were fourplexes and all were scattered into the development," says McCormick. "They were for a variety of people, some single, some married with families and some retired couples. It wasn't a monoculture. Houses faced parks, and there was a shopping district about a five-minute walk from most houses. It was designed and built as a middle-class, mixed-dwelling neighborhood, and today it's one of the most desirable in the city. That was more common then. The nature of housing growth was slower than today because money was difficult to come by and people didn't have the financing options we've had recently."

Conover Commons in Remond, Wash., designed by Ross Chapin Architects

The changing tastes of baby boomers and younger Americans has reenergized the demand for small-scale and slower-paced development.

Slow and Steady Wins the Race

Fast-forward to today, and financing is again scarce, especially for monster homes and large-scale developments. That, combined with the changing tastes of baby boomers and younger Americans, has reenergized the demand for small-scale and slower-paced development. Whether it's a permanent shift is open for debate.

"Is this a trend out of necessity or something that's emerging as a development business model?" asks Mark Stapp, a real estate professor at the W. P. Carey School of Business at Arizona State University in Tempe. "The answer is they're correlated because developers can't get any bloody funding. But here's the benefit. You still have demand, and to respond to it, projects have become smaller, much more focused on local nuances, and more contextually responsive to their surroundings."

R. John Anderson, principal at Anderson|Kim Architecture + Urban Design in Chico, Calif., says it remains to be seen whether smaller and slower is here to stay. "There's an opportunity because of a gap in the market," he says. "The current real estate system is set up with the expectation that a generation equally as large as the current one is going to move into today's houses. But those folks just aren't around. Members of Generation Y are delaying household formation and home purchases and want the same things baby boomers want now that they're downsizing. At the time of the great senior selloff, Gen Y is looking to downsize and get closer to services. That will put further pressure on the big house."

Anderson also points to the increase in single-person households. "In Chico, for example, which has about 100,000 people, about 52 percent of households have one person, and 70 percent have no children," he explains. "The opportunity is: Can we deliver to an unmet need in the marketplace? I think that's going to be for a well-located and well-designed rental that's in town both for younger households and empty nest baby boomers."

Chapin is less equivocal. "Small-scale is a trend because for baby boomers, the idea that people would want a home three times larger than they use every day and that turns its back to the street is becoming less appealing," he says. "Also, the new generation is looking at urban, walkable communities, and the idea of a community-oriented setting is making a lot of sense."

In addition, slower-paced projects are appealing because they can be built into larger projects. "Slower-paced development fits well with incremental and infill projects," says Chapin. "There's still room for grand plans if implementation happens incrementally."

Chapin offers the example of a project he's working on in Carmel, Ind., near Indianapolis. "There's an overall plan for about 150 houses in a neighborhood setting," he explains. "The developer isn't sure of the market, so he's testing it by building eight houses surrounding gardens. There are no driveways off neighborhood streets, and access to each home will be by a lane or alley. The incremental nature allows him to move toward the larger development step by step, and it fits into a larger plan. So smaller-scale units can be part of a large development, but also infill within existing neighborhoods. That gives smaller developers an opportunity to do viable projects and allows cities to meet their goals, which are typically to increase density within the core urban areas and provide more housing types and price points. This is meeting a number of different needs at the same time."

Will Bigger and Faster Return?

But will developers go back to their bigger and faster mode of operation when financing becomes less scarce? "As the economy and we change, I can't in all good conscience say it'll never go back to that," says Stapp. "But in the next five to seven years, the business model for new development will be smaller scale and highly focused on particular market segments and unique local assets."

However, the economy has forced developers to reevaluate what were once-settled assumptions. "The real estate business has become more sophisticated in seeking opportunities," says Stapp. "The silver lining is that it's caused people to stop and think about what they're doing. The dialogue of smart growth and issues around food supply and organic gardening are collectively going to push us toward these unique projects. You have to find differentiators to be successful, and monolithic projects aren't going to be dominant."

Chapin is convinced demand won't change much once the economy rebounds. "We're not going backward to the way it was," he contends. "We're moving forward to higher-quality, closer, more neighborly and walkable developments with homes that require less maintenance and are more energy efficient. We're just trying to create options that work for people. It could be your elderly mother, who needs a nice, safe little cottage where there are people around who can pay attention if her shades aren't lifted by 10 a.m. Or it could be your 20-something child who has an opportunity to get his base established while he launches himself in the world. This is about small houses serving your own family.

Four-Plex! Four-Plex! Getcher Free Four-Plex Prototype!

R. John Anderson says the future of rental housing will be small-scale, well-designed and well-located four-plexes, and he's got just the design to meet that need.

The principal at Anderson|Kim Architecture + Urban Design in Chico, Calif., has designed a 4,500-square-foot mixed-use four-plex that can be financed with 20 percent down with a standard Federal Housing Administration-insured mortgage. And he's sharing his prototype with anybody who wants it.

R. John Anderson's four-plex design

"This type of product is for both younger households and empty nest baby boomers," explains Anderson. "The idea of a live-work four-plex goes to the upper limit of what Fannie Mae or Freddie Mac's single-family mortgage will allow. You're building a primary residence, so you get the loan. But the FHA has a limitation that the building can have no more than 20 percent nonresidential space. So we started with this puzzle: Imagine you're living in the building, your office space is there, too, and you've got three more units you're renting out. How could we configure a basic, straight-ahead building that people want to build out? This was a way to build into future rental demand in a way that doesn't require you to commit to building 150 units."

Anderson says the design is flexible and economical. "It's what we in California's Central Valley call 'basic nice,'" he says. "There's lots of light and ventilation because there's a basic storefront on the ground floor and two sizes of windows upstairs. The floor plan is efficient, and because of the way the building is designed, the heating and air-conditioning can be pretty simple. In our area, you can build it for $90 per square foot, and that includes $12 per square foot of impact fees."

One benefit of Anderson's four-plex design is that it can fit into many residential zoning schemes, though in some strictly residential areas, it may require upzoning. "This is a nice transition piece that could go very easily in the transition from a predominately commercial area to one that's predominantly residential," he explains.

Anderson is happily passing his design onto colleagues who ask. "If our colleagues want to take this and run with it, it's all to the good," he says. "An architect in Florida has done a South Beach model. Another in New Orleans did elaborate, old-school versions. And a member of the planning staff of Redwood City, Calif., is looking at 50 x 100-foot lots that have no alley, and he's used the four-plex prototype to come up with incremental redevelopment plans for those lots."

Pocket Communities: It's All About Connecting

Pocket neighborhoods were introduced in 1996 with the Third Street Cottages in Langley, Wash. "I was working with our little town on an innovative housing code," explains Ross Chapin, AIA, principal at RossChapinArchitects in Langley, Wash. "The key element was that it would allow for twice the housing density on residential lots if the houses were less than 1,000 square feet, oriented around a shared garden, and parking was screened from the street. This was the first cottage-housing zoning we know of in the country."

Chapin and developer Jim Soules tested that new zoning code by building the Third Street Cottages, a cluster of eight cottages on four lots. "It sold out immediately, proving there was a strong local market," says Chapin. "Within three months, it appeared in national media. We realized we'd struck a hidden niche market nobody was addressing."

Pocket neighborhoods tie into the burgeoning concept of placemaking. "In a subdivision, houses may face the street, but the life of the house is facing the backyard," explains Chapin. "In a pocket neighborhood, houses and porches face a shared garden, and that's where people come and go. Pocket neighborhoods not only create a place for neighbors to gather, they also connect and contribute to the surrounding neighborhood."

Chapin and Soules have developed six other pocket neighborhoods in the Puget Sound, Wash., area. Homes have ranged from 800 to 2,500 square feet. The smallest neighborhood comprises eight houses; the largest 25. Price


Conover Commons in Remond


Greenwood Avenue Cottages in Shoreline


Danielson Grove in Kirkland

Photos highlight various pocket communities throughout Washington, designed by Ross Chapin Architects and developed by The Cottage Company.


Umatilla Hill in Port Townsend

Conover Commons in Remond



Salish Pond Cottages in Gresham, Ore.

Pocket neighborhoods not only create a place for neighbors to gather, they also connect and contribute to the surrounding neighborhood.

points have ranged from $140,000 to $850,000. "I've also designed 35 site plans for developers across the country," adds Chapin.

There are drawbacks to pocket communities. "We have to modify them for a cold climate," explains Chapin. "My preference is that people walk from the parking garage through the commons to their front door so the coming and going is through a shared green. But where it's cold and inclement, that may stop some buyers. In those cases, people will look out on the commons, but they'll get to their cars through a lane on a rear alley. That's not as good because pocket neighborhoods are really designing around the social dimension of nearby neighbors, and there's less coming and going."

There can also be zoning challenges. "Zoning may require you to have a house on a street with a street address, but these houses may be off a garden rather than a street," says Chapin. "Also, some zoning codes have a minimum size requirement for houses and lots, and there can be maximum densities. But a house or lot size doesn't have anything to say about quality, and maximum densities have nothing to do with privacy. Privacy is less a matter of distance than design. With poor design, you get a house plopped on a lot with no regard to the house on the next lot. You may have a living room looking directly at a neighbor's bedroom. With good design, houses are created within the context of other homes, and no windows face each other. It doesn't matter how close homes are. It matters how they're situated and designed."

Pocket neighborhoods probably won't work everywhere, admits Chapin. "They don't try to be the answer for everyone and everywhere," he says. "They're not. They're an alternative for people who want closer interaction with neighbors combined with enough privacy, and they work best in walkable communities."



The Courts at Whitham: Small Units, Big Impact

The Courts at Whitham, a three-story, 24-unit wood-frame courtyard apartment building near the University of Arkansas in Fayetteville, isn't on a big parcel of land — it's a mere 110 x 115 feet — and doesn't have big units. "But it's sort of a big-impact project," says its architect, Robert Sharp of Robert Sharp Architect Inc. in Fayetteville.

The project started as a four-story podium building dug into a hill with a layer of underground parking and an elevator. Alas, the market tanked and financing fell through. "We went back to the drawing board and did a more modest plan," says Sharp. "We decided we didn't need underground parking. The developer had two existing parking blocks, and the city allowed us to use street parking to meet parking requirements. You also get a 15 percent reduction in parking requirements if you're close to a transit spot and a credit for including a certain number of bike parking stalls."

The outcome is a building with 525-square-foot, one-bedroom units with a long deck outside each unit that creates a courtyard. Since the project's completion in April 2011, it's been fully leased and has commanded a 40 to 50 percent rental premium over comparable apartments. "The units are stacked and have almost identical footprints, and they follow all the rules of economical apartment construction," says Sharp. "But they're fairly small for one-bedroom apartments. Some prospective tenants — mostly men — said that was a deal-breaker."

Sharp says the project has been eye-opening. "I've learned that you can get 38 to 40 units per acre with surface parking," he explains. Another revelation has been that the central courtyard can be a valuable meeting place for residents. "Overall, the courtyard has been a positive feature," he says. "There are plotted plants and tables and chairs, and residents gather there."

Sharp thinks being forced into smaller-scale projects has been positive. "We went from a pretty overheated market that was in disarray after 2008," he says. "It's coming back, but there's a lot more humility and caution. Deals are smaller, and there aren't the margins for error that there used to be."

That newfound humility and caution is resulting in better projects and cities. "We've had a sea change, and we're not going back to business as usual in the next five-10 years," says Sharp. "We'll all be working with smaller increments. We may do a large number of individual deals, but we won't do massive projects. I think that's good. The best places on earth are fine-grain urban places that have been built up over centuries, and each project and building built on what came before. The economics driving people toward more sensible projects will be a net benefit to our cities and towns."

Katrina Cottages Become Permanent Mississippi Housing

Bruce Tolar immersed himself in the small-scale development world after Hurricane Katrina displaced millions of Gulf Coast residents. From that chaos emerged the Katrina Cottage, a mini-home intended as post-disaster temporary housing that would be a better alternative to the Federal Emergency Management Agency (FEMA) trailers that sprouted like — and were just as desirable as — weeds.

"Katrina Cottages were designed to be about the same size as a FEMA trailer, sleep a similar number of people and have similar amenities, like indoor plumbing and a kitchen — but to be real property," explains Tolar, an architect at Bruce B. Tolar PA in Ocean Springs, Miss. "They would also be able to be moved as many times as you needed. The Mississippi Emergency Management Agency built about 3,000 one- to three-bedroom cottages ranging from 300 to 1,200 square feet to replace existing FEMA trailers. In 2007, whoever had a FEMA trailer got a Mississippi Cottage."

From that, Tolar saw an opportunity for affordable housing. He created the 14-home Cottage Square on two acres in Ocean Springs. "Cottage Square began as a way to build a neighborhood that showed the concepts we'd been talking about with planning and rebuilding after disasters," says Tolar. "Some of the first Mississippi Cottages became available, and we moved eight of them on site, took them off their trailers and located them on permanent foundations. Those have been affordable rental housing for almost four years. Cottage Square was a model in the beginning, but it became a development as we added more cottages."

Tolar has since completed additional cottage neighborhoods. "After using the cottages, the state had several thousand available for reuse," he explains. "I worked with Mercy Housing and Human Development on a proposal to build small neighborhoods. Our sites have ranged from 6 to 80 units. But we've found that the size that's best — that builds a better neighborhood — is 20 to 30 units on 2 to 2.5 acres."

> The economics driving people toward more sensible projects will be a net benefit to our cities and towns.

One such site is the Cottages at Oak Park, which neighbors Cottage Square and groups 30 one- to three-bedroom cottages. A similar project is underway in Pass Christian, Miss. "They're the latest models of what we call eco-cottages," he says. "They meet the minimum standards for Leadership in Energy and Environmental *Design* Silver, and all are affordable rental housing. The Oak Park units rent from $600 a month for a one-bedroom to $1,150 for a three-bedroom. We've been able to achieve all that for under $100 per square foot in development costs, not including site fees."

Since Katrina, Tolar has thought smaller-scale neighborhoods were a better development model than continued subdivision of greenfields. "We were looking at it as a recovery solution for disasters — smaller housing in neighborhood settings," he says. "With the downturn in the economy, the need for this solution became even more apparent. We found you could use better sustainability and energy efficiency to build smaller-square-footage, but better-square-footage housing. We're finding the desire for the smaller footprint from people at retirement age and people coming into the workforce looking for something they can purchase or rent."

G.M. Filisko is an attorney and freelance writer who writes frequently on real estate, business and legal issues. Ms. Filisko served as an editor at NAR's REALTOR® Magazine for 10 years.



The Pursuit of Affordable TODs

Communities are working to ensure affordable homeownership along transportation lines.

The planned MacArthur Transit Village in Oakland, Calif.

By Judy Newman

Midtown Exchange, Minn.

Emily Green enjoys being able to walk a few steps out of her condominium at Midtown Exchange in Minneapolis to hop on an express bus that gets her to downtown St. Paul in 35 minutes. When she gets home, she can pick up delicacies for dinner at one of the food stands in the Midtown Global Market, on the ground floor, and in the evening, Green can wheel out on a bicycle and pedal along the popular bike path across the street.

Midtown Exchange is a jewel of a project that includes the total revamp of a 16-story former Sears mail order center and store built in 1928 and listed on the National Register of Historic Places. It sits alongside a bus transit center and across from Midtown Greenway, an abandoned railroad track that was transformed into a bicycle and pedestrian path; residents are hoping a trolley eventually will take root there. Light rail is a mile or two away.

A growing number of communities are putting thought into how to create and keep affordable housing.

Midtown Exchange, Minn.

The building sat vacant for nearly a decade when business and community groups in the area convinced the city of Minneapolis to use the structure as a focal point for the ethnically diverse neighborhood. With developer Ryan Companies and cooperation from a wide coalition of supporters, Midtown Exchange opened in 2006 and includes about 300 residential units, corporate headquarters for Allina Hospitals and Clinics, a business incubator, Sheraton hotel, and a lively mixture of restaurants, produce vendors and informal entertainment.

Part of the complex, in a four-story building, is Condos on the Greenway; that's where Green lives. It has 57 units and 10 of them are designated for affordable housing. Buyers have to meet income guidelines and abide by deed restrictions and the City of Lakes Community Land Trust is a co-owner. The goal: to have affordable housing forever, Green says.

Who occupies the affordable units? "They are people who've chosen to pursue a career that just doesn't pay as much," says Green, treasurer of the Minneapolis Area Association of REALTORS® and whose firm, Sandy Green Realty, markets the condos. "And I love to have that energy in my building. I live next-door to an artist and somebody studying for a Ph.D. and a minister. To me, that is living in the city."

Around the country, a growing number of communities are putting some thought into how to create and keep affordable housing. In many cases, transit-oriented developments are providing that opportunity. But as residents seek closer proximity to mass transit, property values may increase — ordinarily, a good thing but when it comes to affordable housing, a potential complication.

North Beach Place in San Francisco, Calif.
Photos courtesy of Bob Canfield

There are two ways to address the issue of long-term affordability: zoning and land use regulations and/or direct financial support.

"The whole issue of how real estate is planned in conjunction with transportation is very much on the agenda, far more than it ever has been in the past, and affordable housing is part of that discussion," says Andre Shashaty, president of Partnership for Sustainable Communities in San Rafael, Calif. But keeping it affordable presents a challenge. "It's a major issue and it's a major concern for policy makers. Because the value does tend to go up when transit is introduced to a neighborhood."

More often than not, homes and apartments near public transit seem to rise in value more than those in their communities as a whole. An August 2011 Insights article by Keith Wardrip of the Center for Housing Policy concludes that while not unanimous, the general consensus is: "proximity to public transit does lead to higher home values and rents in many cases." He cites several studies that show varying results, from a 0 percent to 45 percent premium in home prices near transit options. In Minneapolis, for example, a 2010 study by Goetz et al. showed that since the Hiawatha light rail line opened in 2004, single-family homes within one-half mile of a station sold for $5,229 more, or about 4 percent above the average sales price, than those farther away.

"First and foremost, you need to understand that trend is not uniform and you cannot average the results," says Jeffrey Lubell, executive director of the Center for Housing Policy, in Washington, D.C. "The reality is that there are some communities where transit has very little impact. A lot of times, these are very high poverty areas … (but) there is significant potential that transit lines will increase values."

The risk in urban areas is that rising property prices will create a situation like that in Paris, "where modest families are forced to the outskirts," Lubell says. Gentrification is a serious concern, he says. "Wealthy people like to live in those areas but they don't take the train all that much … They drive their BMWs into the parking garage," Lubell says.

Shashasty, of the Partnership for Sustainable Communities, says there are two ways to address the issue of long-term affordability: zoning and land use regulations and/or direct financial support. Often, when there are such requirements, they call for 20 percent affordable units in new housing built within one-half mile of transit, he says. Financial support can range from a government subsidy to a developer to a land trust that works with the homeowner.

"It all stems from a proactive government planning approach where they look at issues, real estate and have a plan," Shashasty says.

Atlanta has several efforts underway to bring affordable housing to transit station areas. In April 2011, after about eight months of planning, a group of nonprofits, professionals and others held a charrette about development around a new transit station. Southface, an Atlanta group that focuses on environmental education and sustainability, and the Atlanta Regional Commission led a group in four days of intense discussion over ideas for transit-oriented development at the planned Edgewood/Candler Park MARTA (Metropolitan Atlanta Rapid Transit Authority) Station.

Robert Broome, government affairs director for the Atlanta Board of REALTORS® and the Atlanta Commercial Board of REALTORS®, took part in the charrette, which was funded partially by a grant provided to the Atlanta Board of REALTORS® from the NATIONAL ASSOCIATION OF REALTORS®. It was a collaborative effort to come up with a solution to a design problem. "This gets all the stakeholders in the room as far as possible in advance," Broome says. "It's about creating a vision and then creating a plan for that vision and then getting instant feedback from those stakeholders."

The plan is expected to include affordable housing, and Broome says the charrette identifies three ways to accomplish that: through higher-density zoning; through anticipated transportation cost reductions that come from living near transit; and by adding the convenience of stores and services near the MARTA station. There are also incentives the city of Atlanta can offer, such as lower-cost permit fees and expedited site inspection. MARTA's own policy calls for at least 20 percent of units in transit-oriented developments to be affordable to workforce households, seniors with low or fixed incomes, or people with disabilities.

Atlanta is in the thick of a much bigger project that ensures affordable housing will be built. The Atlanta BeltLine, a $2.8 billion redevelopment, will involve a series of public parks, trails and transit along a 22-mile rail corridor that circles the downtown. A Tax Allocation District, approved in 2005, will funnel 15 percent of its net proceeds to the BeltLine Affordable Housing Trust Fund, helping to create more than 5,000 new units of affordable workforce housing — both owner-occupied and rental units — over 25 years.

Denver also is taking steps to bring more affordable housing, creating the Denver Transit-Oriented Development Fund in 2009. Its goal is to support construction and retention of more than 1,000 affordable housing units

MARTA TOD Development in Atlanta, Ga.

Courtesy of Denver Regional Transit Authority

Courtesy of Denver Regional Transit Authority

Courtesy of Denver Regional Transit Authority

Denver is taking steps to bring more affordable housing, creating the Denver Transit-Oriented Development Fund.

by buying properties in current transit corridors and in anticipation of Denver's FasTracks light rail system. Sites will be bought and held for up to five years through the $25 million revolving fund which is expected to leverage $100 million in economic development.

The cities of Denver and Lakewood, the Denver Housing Authority and Metro West Housing Solutions have been working jointly on a plan for the West Corridor, where rail lines will be extended. Their recommendations call for including affordable housing.

But Jacqueline Jenkins, broker associate with HOME real estate in Denver, has some questions. After touring the West Corridor with project officials, she wants to ensure that affordable homeownership will be included in the mix, not just rental apartments. "I saw rental when I took the tour. I didn't see a lot of 'for sale' projects," says Jenkins, former chair of the Denver Board of REALTORS'® affordable housing committee.

Citing reports that show homeownership helps sustain communities, Jenkins says, "If all of the project is rental, how would we meet that goal? We need to make sure it will include affordable housing for ownership as well."

There are some organizations having success at building affordable housing of different types in TODs and maintaining its affordability.

One of the current transit-oriented developments of the Low Income Investment Fund, or Liif, which was established in 1984 to promote affordable housing as a primary way to help families escape poverty, is the Eddy & Taylor project in San Francisco. The project will have 143 affordable apartments and retail space, two blocks from a major BART (Bay Area Rapid Transit) hub and close to bus stops. Foundations, organizations and banks help finance Liif's programs, and tax credits keep the housing affordable for decades, says Brian Prater, western region managing director of Liif.

Prater says the economy is dictating the focus on rental apartments rather than on homeownership, in terms of affordable housing. "Right now, at least, we're not seeing a lot of demand for acquisition for homeownership. But we have seen an increase in applications for rental housing," Prater says.

Liif, A&R Development and Urban Atlantic have been involved in Rhode Island Row, a Washington, D.C., project along the Metro subway line that boasts upscale apartments with granite countertops, stainless steel appliances and "luxury plank flooring." Twenty percent of the units are affordable housing, for households earning less than $53,000 a year, and are so designated for 20 years.

"We designed a program where the affordable housing is directly cross-subsidized by both market-rate housing and retail development. The units are identical in mix and size to market rate units with some minor difference in finish level," says Urban Atlantic president Vicki Davis.

BRIDGE (Bay Area Residential Investment Development Group), founded in 1983 in San Francisco, has 350 employees and has developed more than 13,000 affordable housing units. More than 20 of its projects are in transit-oriented developments, including North Beach Place, described as one of the largest mixed-income, mixed-use complexes in California. Completed in 2004 next to a lively cable car turnaround near Fisherman's Wharf, the $108 million project turned a former public housing project into a development with 341 mixed-income, affordable apartments; a Trader Joe's grocery; a business incubator; and a child care/community center.

Another BRIDGE project is Trestle Glen, a former recreational vehicle/trailer park turned into a five-story building with 119 apartments next to the Colma, Calif. BART station. The units are for households earning 30 to 50 percent of the area's median income.

In the works is MacArthur Transit Village, a public-private partnership with BART, the city of Oakland Redevelopment Agency and MacArthur Transit Community Partners, which includes BRIDGE. The $340 million, multi-use project, adjacent to a BART station, will include 624 housing units, with about 20 precent of them pegged as affordable apartments.

BRIDGE uses a variety of funding sources, including low-income housing tax credit equity, tax-exempt bonds, redevelopment tax increment funds, federal programs, loans and grants and private debt, says president and chief executive Cynthia Parker. The programs often dictate income levels of residents and a lengthy commitment period, keeping the units affordable. "Most of our affordable properties have restricted use covenants in place for 55 years (sometimes longer) which ensures affordability for the populations and incomes we are serving," Parker says.

The Center for Housing Policy's Lubell says with high energy prices, the growing population of older adults and more young adults without children, the demand for housing near transit stations is likely to keep increasing. Communities should take steps such as streamlining approval procedures for mixed-use developments; reducing parking requirements; increasing housing density; and partnering with public agencies, creating public acquisition funds to hold onto properties for future use, he says.

Lubell says the more communities create plans for a wide range of development, including long-term affordable housing, "the more likely we are to really be able to achieve some of the broader goals: less energy use, less traffic congestion and improved ridership for public transit." ●

Judy Newman is a newspaper reporter in Madison, Wis.

Courtesy of Interface Multimedia

Rendering of the planned Rhode Island Row development in Washington, D.C.

NATIONAL ASSOCIATION OF REALTORS®

2011 Housing Pulse Survey

Fewer Americans are buying homes these days, but most believe now is a good time to try. What's stopping them? They don't have the money for a down payment or closing costs — and all the chatter from Washington, D.C., about requiring buyers to put 20 percent down makes many people fret they never will.

Proposals to eliminate the home mortgage interest deduction are equally troubling. Most people oppose eliminating the deduction and believe doing so would further damage the housing market and the overall economy.

Those are just some of the many revealing insights contained in the ninth annual Housing Opportunity Pulse Survey sponsored by the NATIONAL ASSOCIATION OF REALTORS® (NAR).

The challenge of coming up with a down payment and closing costs is nothing new. Every year, the Pulse Survey has shown it to be a leading barrier to homeownership — which makes any discussion of requiring higher down payments all the more worrisome. Anything that increases a barrier to homeownership is certain to create more headwinds for the recovery of the housing market.

The telephone survey of 1,250 adults nationwide, with an oversample of 250 interviews in the top 25 metropolitan statistical areas, was conducted earlier this year by American Strategies and Myers Research & Strategic Services. In the survey, 82 percent of the respondents said down payments and closing costs were either a huge (49%) or medium (33%) obstacle to homeownership. This was followed closely by lack of confidence in job security (80%) and having a job, but still not making enough to afford a place close to work (79%).

If down payments are already the biggest obstacle, the survey strongly suggests that raising the down payment requirement would be devastating. Four out of 10 homeowners (39%) said they wouldn't have been able to purchase their current home if they'd been required to put 20 percent down to qualify for a mortgage.

Among people who identified themselves as working class, more than half (51%) said they would have been priced out of the market. The same was true for majorities of non-college graduates (51%), African Americans (57%) and Hispanics (50%). Among renters — a group that is critical to the housing market's recovery — 77 percent said they'd be less likely to buy a new home if they had to put 20 percent down. Almost half (49%) said they'd be much less likely.

Four in 10 people (39%) said a down payment of five percent or less is reasonable while 31 percent said a 10 percent down payment is reasonable. Only 25 percent thought a down payment of 15 percent or more is reasonable.

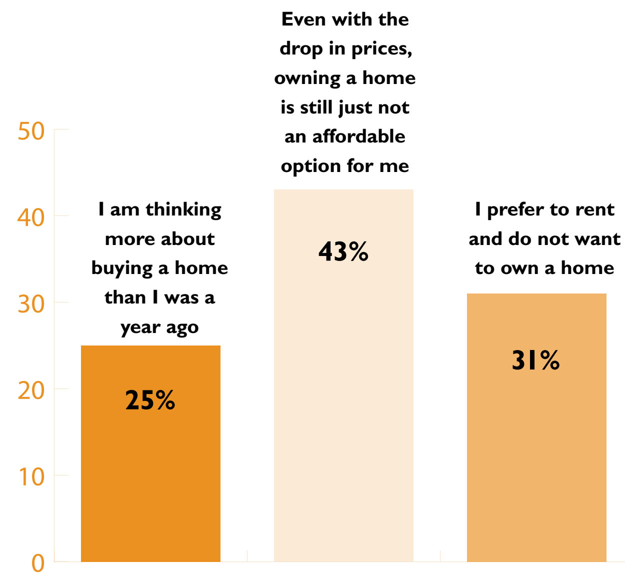
Besides the punishing impact it would have on individuals, nearly three-quarters of Americans (71%) said requiring a 20 percent down payment would have either a strongly negative impact (46%) or somewhat negative impact (25%) on the overall housing market.

The same number of Americans (71%) also thought the home mortgage interest deduction plays at least some role in driving the housing market — with 24 percent calling it a huge factor and another 18 percent calling it a pretty big factor. More than two-thirds of Americans (67%) oppose eliminating the deduction — with 51 percent saying they are strongly opposed.

The survey showed that the opposition spans the political spectrum as 70 percent of Democrats, 66 percent of Republicans and 65 percent of independents gave a thumbs-down to eliminating the deduction. Most believe it would harm not only the housing market (73%), but the overall economy as well (65%).

Homeownership

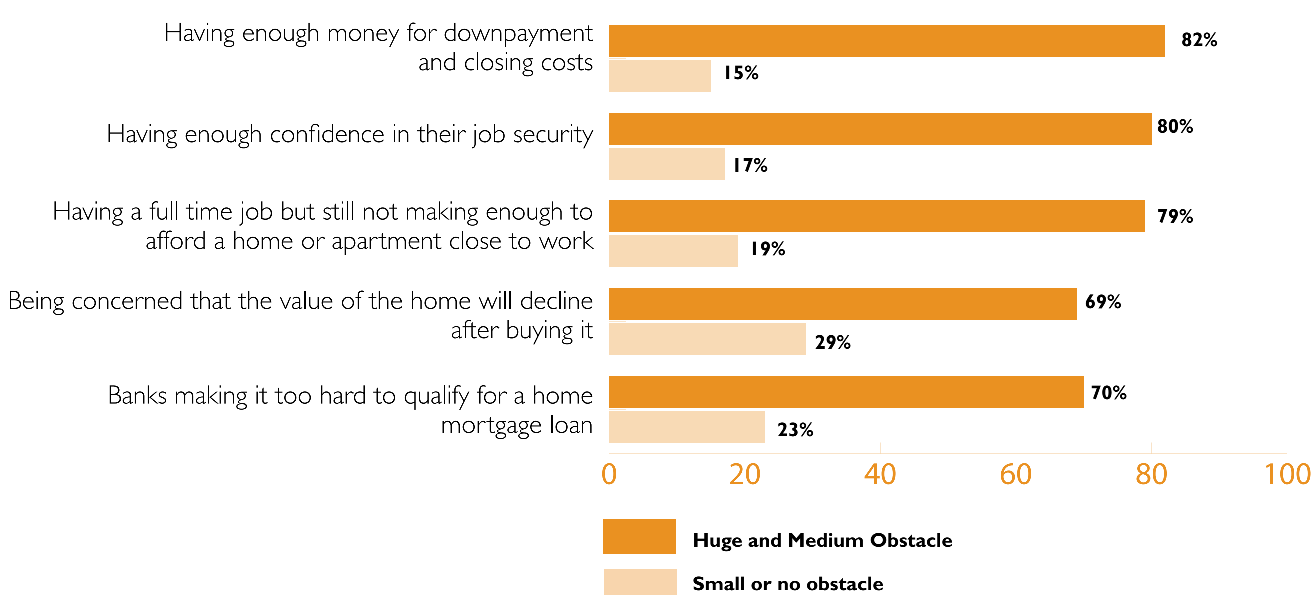
Which statement did respondents agree with most?



Although the dual threat of 20 percent down payments and elimination of the mortgage interest deduction casts a dark shadow, most Americans (73%) still believe buying a home is a good financial decision. Two-thirds (67%) said now is a good time to buy. In addition, 72 percent of renters said owning a home is either one of their highest priorities (42%) or a moderate priority (30%) — up from 63 percent last year.

Affordable Housing

What do you think are obstacles that make housing too expensive and unaffordable in your area?



Providing a safe and stable environment for children and families ranked in a dead heat with building equity when respondents rated a list of reasons why it's important to own a home.

Why does homeownership matter? Providing a safe and stable environment for children and families ranked in a dead heat with building equity when respondents rated a list of reasons why it's important to own a home. On a scale of 1-10, they both rated 8.4 followed closely by owning your home by the time you retire (8.3) and living in a neighborhood you enjoy (8.2).

There is, however, no denying that the housing slump and stalled economy are chipping away at people's sense of optimism. The number of Americans who think buying a home is a good financial decision has fallen 14 percentage points since 2007 (from 87% to 73%). Plus, more Americans thought it was a good time to buy when asked in 2009 than when asked in 2011 (75% to 67%). In addition, 47 percent of the people surveyed said foreclosures remain either a very big or fairly big problem in their area.

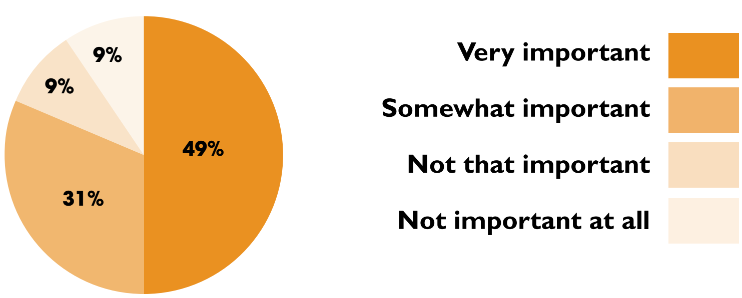
Local Survey Opens the Door to Affordable Housing Discussions

As debate swirls around key issues such as down payment requirements and mortgage interest deductions, research such as the Housing Opportunity Pulse Survey helps the NATIONAL ASSOCIATION OF REALTORS® make the case in Washington, D.C., for policies that support affordable housing.

Grants from the NAR are helping local REALTOR® associations such as the Eastern Connecticut Association of REALTORS® (ECAR) do the same thing closer to home. Earlier this year, the ECAR used $28,000 from the NAR to team up with a local nonprofit organization, the Southeastern Connecticut Housing Alliance (SCHA), to conduct a telephone survey examining the need for affordable housing in that area.

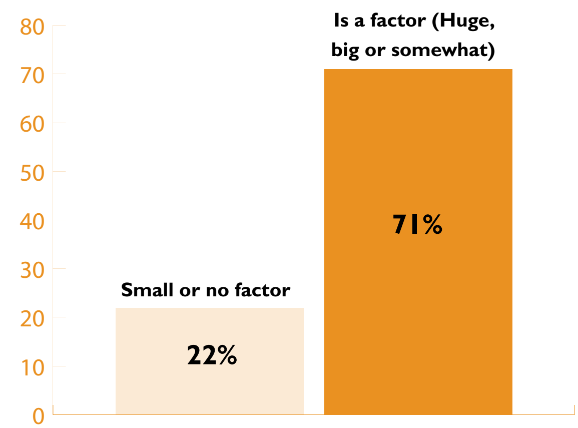
Workforce Housing

How important is it to you that people who provide community services, like teachers, firefighters and nurses, are also able to live in the community where they work?



Home Mortgage Interest Deduction

As you may know, the home mortgage interest deduction allows taxpayers who own their homes to reduce their taxable income by the amount of interest paid on their home loan each year. How much of a factor do you believe the home interest mortgage deduction has been in encouraging Americans to buy homes?



Right now many local zoning regulations discourage additional development based on fears that school systems can't accommodate the growth, says John Bolduc, CEO of the ECAR. "That's a misconception, though, because enrollments are actually declining," he says. "The reason we did the survey is that we wanted to demonstrate to local officials and developers the need for affordable workforce housing in our region."

The survey data still is being processed and has yet to be published, but results showed strong agreement among respondents that there is a shortage of affordable housing in their communities, says Nancy MacMillan, director of the SCHA. Underscoring that belief was the fact that the overwhelming majority of young adults said they were living with friends or family because they couldn't find affordable housing.

Once the SCHA publishes the survey results on its website, the ECAR will link to them from its website. The two organizations also will set up meetings with local officials to discuss the results. One of their specific goals is to encourage greater use of a state law that rewards cities financially for allowing higher density to construct affordable housing.

"The survey will help us show that the people out there say there's a need for it," Bolduc says.

Partnerships for Downtown Affordability

Developers, nonprofits and government work together to provide urban living opportunities for lower to moderate income workers.


Courtesy of cachecounty.org; © Jay Baker


www.pedbikeimages.org/Greg Griffin AICP

By Brad Broberg

Cities from coast to coast have invested millions of dollars to make their downtowns a more attractive place to live. Now they're scrambling to make them less expensive places to live — especially for people seeking affordable rental housing.

"The need for [affordable] rental housing is as great as it's ever been," says John McIlwain, senior resident fellow and J. Ronald Terwilliger chair for housing at the Urban Land Institute (ULI).

While many cities are "doing what they can" to meet the need, McIlwain suggests they're fighting an uphill battle. "I don't think there's a way that most cities are going to be able to keep up," he says. "I think there's going to be a continuing tightness in the urban rental market."

Data from the 2010 U.S. Census underscores the attraction of downtown living. Numbers show downtown populations grew significantly in many major cities during the last 10 years — even in some cities where the overall population shrank.

The problem is that most of the housing growth is occurring at the upper end — because there's a market for it and because of the high cost of downtown construction. That slams the door on people with low and moderate incomes — the very folks who stand to benefit most from the proximity to jobs and public transportation found in many downtowns.

The housing crash isn't helping. Fewer buyers means more renters. More renters means higher rents. While many foreclosed homes and condos are being converted to rentals, most of that is occurring in the suburbs or in less desirable parts of the city, not downtown, says McIlwain.

In many ways, the downtown residential boom is a positive smart growth story because it focuses compact development around existing infrastructure in walkable environments. Yet there's a missing chapter. "Diversity of housing — both size and price — is a basic piece of smart growth," says Ilana Preuss, chief of staff at Smart Growth America. "A lot of work needs to be done to add units of all types to downtowns."

"Making it affordable is a real challenge."

Affordable is a relative term. Although often applied generically, it also describes a specific range of housing aimed at people who make less than 80 percent of the area median income. Workforce housing describes dwellings affordable to people making 80-120 percent of area median income.

Downtown Austin rents average $2,000 a month, creating a gap in workforce-friendly rents that can reach

Diversity of housing — both size and price — is a basic piece of smart growth.

$750 a month, according to the 2009 study. "Nothing is addressing that gap," Knox says. "The people working downtown live 15 miles out and are driving in every day, which is not helping our traffic problems at all."

Economics dictate it won't happen without some form of public involvement. The cost of building housing downtown is simply too high — and getting higher — to make a project pencil out if rents are too low.

Austin, Texas, illustrates the challenge of providing affordable housing in a resurgent downtown. "It's a supply and demand thing," says Michael Knox, downtown officer with the city's Economic Growth and Redevelopment Services. "The more things develop, the higher land costs get, so it's a self-perpetuating cycle."

Austin has been working on a new downtown plan for several years. One of the goals of the plan, which was submitted to the city council this fall, includes providing more housing options for families with low and moderate incomes. Only 7 percent of Austin's residents can afford to live downtown, according to a 2009 study prepared as part of the downtown planning process.

"Virtually nothing new has been constructed downtown [in that price range] for the last 10 years," Knox says.

The new downtown plan contains a potential cure — a new density bonus program. The program would allow developers to exceed established floor area ratios — typically to build taller buildings — by including a certain amount of housing that would be affordable to a family of four making 80 percent of area median income (just under $60,000) if they're renters or 120 percent if they're buyers (just under $90,000). They could also pay a fee the city would use to subsidize construction of affordable housing within two miles of downtown.

Austin is trying to achieve what San Diego, Calif., has already done — encourage a steady increase in downtown housing for people with different incomes. One out of every five housing units built in downtown San Diego since 1975 — mostly rentals — is affordable to households making 120 percent of area median income ($89,900 for a family of four). And 60 percent of those 3,500 units are affordable for households making 50 percent or less of area median income ($40,950 for a family of four).

The Centre City Development Corporation (CCDC) is spearheading that growth. The CCDC works on behalf of the Redevelopment Agency of the city of San Diego. The public nonprofit organization promotes public-private partnerships within the city's downtown redevelopment area under California's Community Redevelopment Law (CRL).

The CRL empowers cities to establish redevelopment areas and use tax increment financing to fund public improvements — streets, parks, etc. — plus provide incentives to private developers. With tax increment financing, cities get to capture increases in property taxes that occur as property values rise within a redevelopment area.

One of the CRL's top goals is to generate additional affordable housing. The law requires cities to spend 20 percent of their tax increment money on affordable housing. The threshold for rental units is 110 percent of area median income. That's not all. At least 15 percent of all residential units built in a redevelopment area must be affordable. And 40 percent of those must be reserved for households earning below 50 percent of area median income.

The CRL isn't the only way California encourages communities to boost their affordable housing stock. State law requires cities and counties to establish density bonus programs. At least 10 percent of the units in every new residential development — not just those in redevelopment areas — must be affordable to renters making 110 percent of area median income. In return, cities and counties must give developers certain concessions — most notably the right to increased density. Developers can opt out by paying a fee, but lose the right to concessions.

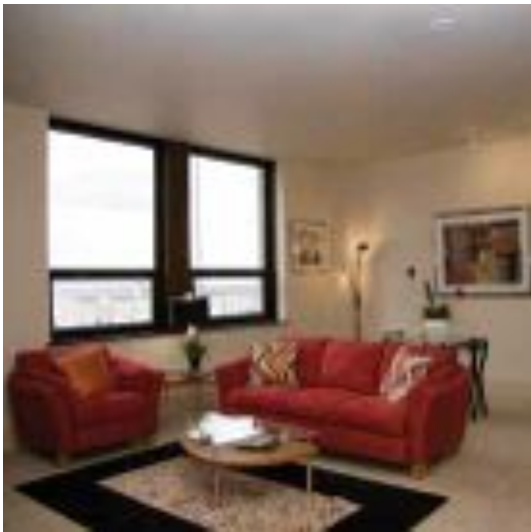
With market rate rents starting at $2,000 a month, the need for both workforce and affordable housing in downtown San Diego is great. Because San Diego is a tourist destination, many people work in the hospitality industry, where the pay is typically modest. "San Diego is a very expensive place to live, but wages aren't what you'd find in other high-cost cities such as Washington, D.C., San Francisco, New York or Boston," says Jeff Graham, vice president of redevelopment with the CCDC.

Proof of the demand occurs every time a new project is announced. The waiting list for one of the most recent developments, Ten Fifty B, topped 8,000, says Graham. The 23-story tower, which was completed last year, contains 226 units that are affordable to people earning between 30-60 percent of area median income.

Ten Fifty B is a good example of the cocktail of incentives needed to finance construction of affordable housing downtown. The developer, Affirmed Housing Group, bought the property from another developer that abandoned plans to build condos there. The redevelopment agency awarded Affirmed Housing Group a $34 million subsidy — the agency's largest ever. The San Diego Housing Commission issued $48.5 million in tax exempt bonds. And the project qualified for a $38 million low-income housing federal tax credit.

At least 10 percent of the units in every new residential development [in California] must be affordable to renters.

Before and after photos of the Kansas City, Mo., Courthouse, which was re-developed by The Alexander Company.



The big question right now is whether those sorts of financing packages will remain available in the future. Legislators in California recently voted to make redevelopment agencies surrender their tax increment revenues to help the state meet a budget shortfall. Agency proponents responded by filing a lawsuit to block that move. "Our major funding source will be gone" if the state prevails, Graham says.

Joe Alexander, president of the Alexander Co., wonders if federal tax credits for low-income housing and historic preservation — two key funding sources for many of the projects his company builds — might also be in jeopardy. "It will be interesting to see what happens in today's political environment," Alexander says. "My impression is that they will continue to enjoy support. They've been going for years and the benefits are obvious to folks on the ground in those communities."

Based in Madison, Wis., the Alexander Co. specializes in downtown revitalization projects that often involve repurposing historic buildings. The company recently transformed a 1930s federal courthouse in downtown Kansas City, Mo., into 176 units of workforce rental housing. Financing included a $9.5 million tax credit, which included a low-income tax credit and historic preservation tax credit. Plus the city expedited the permit review process.

"You can't make these projects pencil out without that kind of public/private partnership," Alexander says.

In New York, the city's Housing Development Corp. makes low-interest loans to developers to construct mixed-income apartment buildings that offer 50 percent of their units at market rates. However, 30 percent must be affordable to tenants making 175-200 percent of area median income and 20 percent must be affordable to tenants making 40-50 percent.

The Jonathan Rose Companies and Lettire Construction used New York's 50/30/20 program and low-income housing tax credits to build Tapestry, a 186-unit building in Harlem. Tapestry was a 2011 winner of a Jack Kemp Models of Excellence Award from the Urban Land Institute. The award recognizes outstanding examples of workforce housing.●

Brad Broberg is a Seattle-based freelance writer specializing in business and development issues. His work appears regularly in the Puget Sound Business Journal and the Seattle Daily Journal of Commerce.

Tapestry in Harlem, N.Y.

Addressing the Rental Boom

Cities respond to increase in rentals with new regulations

By Christine Jordan Sexton

For the last four years economic conditions and a surge in foreclosures have created an ongoing trend in America.

The number of renters is growing, while those owning homes has dropped, according to the 2011 State of the Nation's Housing study published by Joint Center for Housing Studies at Harvard University.

The Harvard study points out that from 2006 to 2010 the number of renting households grew by an average of nearly 700,000 annually, bringing the total number of renters in the nation to 37 million.

But this shift from homeownership to rental properties is creating a tension that appears to be spreading across the country.

Cities and municipalities are responding to the increase in rentals by examining their own policies and moving to either restrict the number of rental properties, ban new rentals, increase the costs with renting property or, in some cases, examine implementing policies when none have existed before.

The activity begs the question: will regulations step on property rights or will they improve the quality of life and provide safer environments by cracking down on absentee landlords?

And what impact, if any, will the ordinances have on smart growth?

"We'll know after the fact, as always," said John McIlwain, who for the last 10 years has been a senior fellow at the Urban Land Institute and has for 40 years worked in the housing industry.

But the battle lines are quickly forming even in relatively small towns.

This past September the tiny town of West St. Paul in Minn., population 19,400, enacted an ordinance to limit rental density in single-family residential communities by limiting the number of rentals per block to no more than 10 percent, effective January 1, 2012.

City officials say a preliminary map of the city showed that five blocks in the northeast area of town exceed the 10 percent cap.

Mayor John Zanmiller said the city is reacting to unscrupulous landlords and investors who have bought foreclosed homes and turned them into rental units. The properties, he said, are not well maintained and residents went to City Hall seeking an answer.

He acknowledges there have been concerns about whether the ordinance infringes on private property rights, but says the objections have been raised by those who live outside the city.

The city has agreed to exclude current rentals from the requirements and also allowed two-year provisional licenses for existing property owners who aren't renting now but may be forced to do so in the future if they are forced to relocate from the area and can't sell their homes. Temporary exclusions are allowed for other hardships.

"We are not arbitrarily prohibiting something. We are exercising some of our rights to regulate," Zanmiller says. Zanmiller also makes clear that the new ordinances don't preclude renting.

"We are going to allow people to rent in town; we just don't want it concentrated in one area," he said, adding that if that were to occur the city would "allow housing values to decrease because of the problems with the bad landlords and bad tenants."

City of West St. Paul Community Development Specialist Susanna Wilson said there are 387 rental dwelling buildings registered with the city, about one-third of which are single-family homes. Since the ordinance was passed in September 2011, there has not been a dash to register any new rentals with the city before the new ordinances take effect.

"Other than having quite a few calls come in, I haven't seen any abnormal number of applications come in as of yet," said Wilson. "That's not to say that may not happen."

John Periard, Government Affairs Director of St. Paul Area Association of REALTORS®, said the association was active in trying to stop the ordinance. His group has

Cities and municipalities are responding to the increase in rentals by examining their own policies.

The expectation of homeowners in suburban communities is that their neighbors will be homeowners as well.

concerns that the ordinance can lead to more foreclosures because it can prevent someone in need of additional revenue from easily renting space in their house. It also could limit someone's ability to sell a home to prevent a foreclosure, he said.

REALTORS® testified at public meetings and were encouraged to contact their city council representative Periard said, but to no avail.

"This is going to cause problems for REALTORS®, and it's bad public policy," he said.

Zanmiller disagrees with Periard and believes the ordinance may be a harbinger of things to come for other suburban areas.

"Representatives from other cities around us are asking us, 'How did you do it? What was your reasoning?'" Zanmiller said.

McIlwain said he understands why the city of West St. Paul passed the ordinance, but predicted that it wouldn't be effective because he says you can't control where foreclosures will occur.

"It's like King Canute trying to tell the tide not to come in," McIlwain said, referencing an apocryphal legend associated with a Danish king."There's no way to control it."

McIlwain said the percentage of homeownership in cities always has been lower than ownership rates in suburban communities and that "the expectation of homeowners in [suburban communities] is that their neighbors will be homeowners as well."

But all that is changing.

In the second quarter of 2011, homeownership rates hovered at just under 66 percent, said McIlwain. That's down from an all-time high of 69.2 percent in 2004 and that figure, McIlwain said, has "been falling steadily since."

At 65.9 percent, homeownership rates still are higher than what they were in the period between the 1970s though the 1990s, where rates oscillated between 62 percent and 64 percent.

McIlwain predicts that rates will eventually return to those figures in part because of the shifting demographics of homeowners. McIlwain said "Generation Y," also known as the "Millenials," aren't as apt to buy homes as the previous generation.

"They are staying in place with Mom and Pop or when they move out, they are renting," he said.

A recent analysis of rental income conducted by the New York City-based Trepp — which analyzes commercial real estate financial data — underscores the shift from homeownership to rentals.

Rental income in 2010 totaled $73.2 billion, a huge spike from the $29.8 billion collected in 2005. The spike in rental income stems mostly from the conversion of owner-occupied residents to rental housing. Between 2005 and the second quarter of 2011 there were 4.25 million conversions from owner-occupied residential spaces to rental spaces.

While rental units may not be the cause of all blighted communities, low-income rentals in disrepair were the impetus behind a six-month moratorium on new rental units passed by the city of Port Huron in Michigan back in the fall of 2010.

On the southern end of Lake Huron, Port Huron draws tourists with money during summer months. But like many areas, the city struggles with a high unemployment rate, higher than the national average. The number of jobs has decreased by 20 percent since November 2009, according to the Internet website simplyhired.com.

At one point, the unemployment rate in the city was 24 percent and when area workers lost their jobs their homes turned to rental units. Investors who were eager to meet the increasing need for rentals, "were purchasing foreclosed property for a song," said Jodi Smith, an associate broker at Bauer Reno and Associates.

The city already had rental dwelling requirements on the books when it moved to place a one-year ban on new rental certificates. Smith, who is also president of the board of directors of the Eastern Thumb Association of REALTORS®, said the city wanted time to study its existing policies and see what could be done to address what she described as "some low-end rentals that were popping up."

Smith likes to believe pressure applied by her association, among others, led the city to reconsider the year-long ban and, instead, ban new rental certificates for six months. And in advance of the city actually approving the moratorium, Smith says the Eastern Thumb Association of REALTORS® advised homeowners to register their homes as potential rentals so they could be exempt from the moratorium as well as any new housing ordinance the city would pass.

Photo by Vito Palmisano
View of the Fort Gratiot Lighthouse near Port Huron.

Photo by Rich Kelly

Photo by Rich Kelly

Port Huron, Mich.

Photo by Waltarrrrr

Courtesy of St. Paul Smart Trip

We [REALTORS®] had a duty to look out for the rights of consumers, investors and property owners.

That, Smith said, protected homeowners who were forced to leave the state for job opportunities, but couldn't sell their homes.

"We had a duty to look out for the rights of consumers, investors and property owners," Smith said. "And there really wasn't any other group standing up to them other than us. We wanted to work with them, but we wanted them to know we are watching."

After a six-month moratorium the city adopted an ordinance that increases to $500 new rental application fees. Under the new ordinance, in order to be certified a rental unit, the space must pass inspection — whether it be a bedroom in a house or an apartment complex, or paid for through cash or barter.

Additionally, a local person responsible for the rental dwelling must be on file with the city and be responsible for giving the city access to the space.

The $500 deposit can be returned to the owner if after two years there are no fines issued against the rental unit.

Smith says she thinks that moratorium has reduced the number of investors looking for property.

"They migrated toward properties in the suburbs, which welcomed them with open arms," she said.

Outside of statewide landlord tenant laws and building and zoning requirements, there are some cities that have no rental dwelling ordinances on the books. Such is Seneca, South Carolina, nine miles outside of the college city, Clemson.

When tenants in Seneca complained to the city about the quality of some of the rental buildings on the market, Seneca Director of Planning and Budget Ed Halbig said the city decided it could be time to implement policies. It borrowed from policies that were in place in nearby Clemson.

It became clear after two public meetings, which were well attended by REALTORS®, that the proposal had little support.

"It's dead," Halbig said of the rental ordinance. "At some point we may have to address it in long term, but in the short term, no."

Halbig said the ordinance would have required all residential rental unit owners to register their rental units with the city and to obtain a residential rental unit permit and a business license. The ordinance also would have required all rental units to be inspected prior to the issuance or renewal of a permit.

Halbig said the ordinance would have precluded property owners from illegally converting space in a single-family home and renting to large numbers of tenants. There are a growing number of homeowners who are illegally renovating and converting spaces in their house to take advantage of what he says is a growing rental demand, said Halbig.

"There just seems to be a number of economic pressures here and people are seeking out cheap housing," said Halbig. "And at the same time you've got folks who see that as an opportunity to take advantage of those people."

Halbig said the proposed ordinance also addressed the sentiment that some investors who owned multiple rental properties should be considered "businesses" and be required to have licenses to operate.

Kevin Cope, a broker with the self named Cope Property Management as well as FirstChoice REALTY, said there were concerns among investors and homeowners that the ordinance would increase the costs of owning and maintaining rental property and that the requirements could also affect the sale of rental property in the area.

Cope, president of the Western Upstate Association of REALTORS®, also said the sentiment in the community was that existing ordinances gave the city the authority to ensure that homes were safe and that a new ordinance wasn't required.

"Ninety-five percent of landlords do a good job because otherwise tenants move out and move somewhere else," he said, adding, rental properties are not the cause of all blighted neighborhoods." ●

Christine Jordan Sexton is a Tallahassee-based freelance reporter who has done correspondent work for the Associated Press, the New York Times, Florida Medical Business and a variety of trade magazines, including Florida Lawyer and National Underwriter.

There were concerns among investors and homeowners that the ordinance would increase the costs of owning and maintaining rental property.

Photo by Dougww

Workforce Housing Solutions: REALTOR® Associations Take the Lead

By Deborah L. Myerson

Housing opportunities for low- and moderate-income working households — often referred to as "workforce housing," for employees such as teachers, nurses, firefighters, police officers, custodial staff and retail clerks — continue to be elusive in many parts of the country. Tight credit, saving for down payments and market uncertainty are among the issues that challenge prospective homebuyers. Combine that with limited housing options, and it creates an unfortunate ripple effect as families move farther away from jobs in search of affordable workforce housing, leading to longer commutes and traffic congestion. A community's quality of life declines when working households struggle to find affordable housing.

REALTORS® are often in direct contact with working households that are facing these difficulties. Recognizing the concerns about the shortage of workforce housing among its members, the National Association of REALTORS® (NAR) has identified workforce housing as a priority issue and established the two-year, $5 million Ira Gribin Workforce Housing Grants program in 2009-2010. The program was named in memory of Ira Gribin, former NAR president and a prominent advocate for fair and affordable housing.

The primary goal of the grant program was "to provide funding support to state and territory REALTOR® associations for their efforts to address workforce housing issues in their communities," according to NAR Housing Opportunity Manager and Program Director Lora McCray. She noted, however, that secondary goals were to encourage REALTOR® associations to work in partnership with non-REALTOR® organizations, as well as to look at their programming strategically and in the context of long-term sustainability. The recently released final program report, "Tackling Workforce Housing State by State," profiles the 52 programs funded by the Ira Gribin Workforce Housing Grants program and offers a valuable resource for associations seeking to address housing needs in their communities.

On the Ground: REALTOR® Workforce Housing Initiatives

Grantees developed a remarkable array of workforce housing initiatives at both the state and local levels. While many initiatives were conducted by the state or territory association, others were implemented by local REALTOR® boards.

Photo courtesy North Carolina Association of REALTORS® Housing Opportunity Foundation

North Carolina's Workforce Housing Program educates the public through local workforce housing fairs.

We wanted to get REALTORS® more involved in housing affordability opportunities, branding them as experts and advocates of housing for everyone.

Professional Development for Workforce Housing

Continuing education initiatives for REALTORS® have commonly been offered through state and local REALTOR® associations to help members meet state licensing requirements. The Ira Gribin Workforce Housing Grants offered associations an opportunity to create professional development materials focusing on workforce housing.

According to Debra Waldman, director of development for the Texas REALTORS®, the Texas workforce housing education program emerged by creating new affordable housing coursework to augment an existing program called United Texas: Housing Initiatives That Work. To develop the new coursework, the association partnered with the regional Federal Housing Administration office and the Texas Department of Housing and Community Affairs Manufactured Housing Division. To date, more than 1,200 REALTORS® have participated in the workforce housing education program, with tuition for many underwritten in part by the $220,000 Ira Gribin Workforce Housing Grant.

The North Carolina Association of REALTORS®, under its Housing Opportunity Foundation, developed a 16-hour Workforce Housing Specialist Certificate program. To date, 245 REALTORS® have achieved certification as North Carolina Workforce Housing Specialists, and more than 1,300 have attended at least one Workforce Housing Specialist class. North Carolina's $140,000 Ira Gribin Grant also helped to bring in Bank of America as a $70,000 signature sponsor for the certification program.

North Carolina joined forces with several partners to produce educational content for its certificate program, including the North Carolina Housing Finance Agency, the Federal Housing Authority/HUD and Bank of America. Four local associations — Asheville, Greensboro, Raleigh and Wilmington — piloted the program in their market areas.

"We wanted to get REALTORS® more involved in housing affordability opportunities, branding them as experts and advocates of housing for everyone," explained Diane Greene, the Foundation's director of community outreach. She added that with the certification program, "We gave REALTORS® the knowledge and connections to channel their efforts more effectively and make a bigger impact on workforce housing in their community."

Homebuyer Education – Face to Face and Online

Homebuyer education is a service that REALTORS® have frequently offered to clients. Grantees that developed professional education programs concentrating on workforce housing often paired the effort with homebuyer and consumer education. For example, Texas REALTORS® who are trained as affordable housing specialists can also offer counseling at local homebuying workshops. "We were able to assist Texas REALTORS® with a new way of approaching homebuyers through home buying workshops," explained Waldman.

To reach consumers online, Texas and NAR also developed a consumer outreach website at www.txhomeprograms.org, partially funded by the Ira Gribin Grant. According to Waldman, the website is "an analysis tool that homebuyers can use to evaluate whether they qualify for homebuyer assistance programs that are available at state, county and city levels."

In North Carolina, the Ira Gribin Grant funded consumer education and marketing to promote its REALTOR® Workforce Housing Specialists, including brochures, banners and handouts, as well as the redesign of the Homes4NC website (http://www.homes4nc.org). The website now serves as a central information hub for all homebuyer related needs, including locating a REALTOR®, finding affordable housing programs and finding certified REALTOR® Workforce Housing Specialists.

The Traverse Area Association of REALTORS® launched a local pilot program to provide micro-grants to 40 families of public safety workers to help offset the cost of local, "green" housing.

Photo courtesy Traverse Area Association of REALTORS®

In Michigan, we believe there is a strong connection between workforce housing and placemaking.

Many Ways to Reach Out to the Community

More than a quarter of the grantees developed projects that contained a community outreach component, a category that includes advocacy, policy development, research and related activities. While a diverse category, community outreach's common strand involves providing information to the general public about workforce housing needs and/or identifying stakeholders with whom to share this information.

Florida REALTORS® spearheaded an advocacy effort to defend the state's affordable housing act and educate Florida legislators on the importance of increased funding for workforce housing. The 1992 legislation established a dedicated revenue source for affordable housing by increasing the transfer tax paid on all real estate transactions and applying the funds to state and local housing trust funds. The $3 billion 2010 state budget shortfall, however, caused the funds to be shifted to the general revenue fund. In the face of this challenge, a diverse coalition organized an intensive campaign to restore the fund to the housing trusts. The diverse coalition — including Florida REALTORS®, Florida Home Builders, League of Cities, Association of Counties, Legal Services, Coalition of Affordable Housing Providers, State Housing Initiatives Partnership — made a strong impression on legislators. The effort succeeded in May 2011 as lawmakers opted to retain the housing trust funds and their dedicated revenue source.

The $75,000 awarded to the education effort from the Ira Gribin Grant helped to jumpstart the campaign, as well as leverage additional funding from coalition partners. "Without a doubt, in the last couple of years — with the help of the Ira Gribin Workforce Housing Grants — the coalition grew stronger," and has worked together more collaboratively, said Trey Price, public policy representative for the Florida REALTORS®.

"The Michigan REALTORS® Association (MAR) applied grant money to both a statewide community outreach initiative and a local pilot program. The statewide effort, 'Placemaking for Prosperity,' seeks to integrate elements such as local character, energy efficiency and walkability with mixed-use real estate development, with the rationale that this practice benefits local quality of life, improves economic outcomes and yields better returns for developers and investors.

The initiative is guided by a broad-based partnership that includes MAR, the University of Michigan, the Michigan Association of Home Builders, the Michigan Municipal League, the Michigan Chamber of Commerce, the Michigan State Housing Development Authority and others. The first phase was underwritten by the $75,000 Ira Gribin Grant, as well as a $5,000 Smart Growth Grant from the NAR, $2,000 from MAR and an additional $50,000 committed to a larger placemaking initiative by the W.K. Kellogg Foundation. Based on the success of the project thus far, the Michigan State Housing Development Authority recently awarded $200,000 in additional funding to expand and enhance the project in its next phase.

"In Michigan, we believe there is a strong connection between workforce housing and placemaking," noted

We can accomplish more on a greater scale when we work together.

Gilbert M. White, broker, REALTOR®, and consultant to the Land Policy Institute at Michigan State University, another partner in the initiative. He added, "As we shift to placemaking, we want to make sure that workforce housing is a component."

The local pilot program, based in the greater Traverse area, aims to demonstrate placemaking with actual home-owners while highlighting the strong need for affordable housing for public safety workers in the resort community.

According to Kathie C. Feldpausch, senior vice president of MAR, "Here's a great example of collaboration between a state and local association. Too many times, people think there's a disconnect. You can't underestimate how the Ira Gribin Workforce Housing Grant elevated the opportunity for us to work together." Additional information is available in the Take Action section, page 64.

Turning Vacant Property into Affordable Housing

"There are tens of thousands of government-owned properties in Pennsylvania," according to Jennifer Shockley, assistant director, public policy and political affairs for the Pennsylvania Association of REALTORS®. She explained that the $120,000 Ira Gribin Workforce Housing Grant offered the state association an excellent starting point to launch the statewide Community Reinvestment Project (CORE). Modeled on a successful similar endeavor introduced by the Greater Baltimore Board of REALTORS®, the project is currently being trialed in the cities of Philadelphia and Reading. The program brings local governments and local REALTORS® together to work on the promotion of publicly-owned properties to prospective buyers who agree to make the property habitable.

According to Shockley, "A lot of municipalities may have one staff person trying to sell properties, but it may be someone without real estate knowledge. The CORE project can turn the process around by having trained and qualified REALTORS® list and sell these government-owned properties." Additional information is available on page 66.

Photo courtesy Pennsylvania Association of REALTORS®

Pennsylvania REALTORS® are excited about the opportunities CORE presents, including providing homeownership to currently underserved groups.

An Ending and a Beginning

The Ira Gribin Workforce Housing Grants program concluded at the end of 2010, but the seeds planted have clearly taken root. Grantees have reported many areas of growth, including newly acquired grant-writing skills, fresh alliances with a wide variety of state and local organizations, and the maximization of resources, especially by leveraging the grant funds to attract other financial and in-kind contributions.

"Local housing organizations in communities around the state all embraced the program," said Diane Greene. She noted that partners were excited to have REALTORS® involved in a coordinated way. "We've found that we can accomplish more and on a greater scale when we work together."

With the Ira Gribin Workforce Housing Grant, Waldman commented, "We were able to build a program with results that we would not have been otherwise able to achieve."

At the national level, workforce housing remains a priority issue. McCray noted, "In 2011, we are focusing on contributing to the broader affordable housing arena and showing what REALTORS® can do." To learn more about the Ira Gribin Workforce Housing Grants program and "Tackling Workforce Housing State By State: The Ira Gribin Workforce Housing Grants Final Report," please see http://www.realtor.org/government_affairs/housing_opportunity/grants/iragribingrants. ●

Deborah L. Myerson is a planning and development consultant based in Bloomington, Ind. She conducted the program evaluation of the Ira Gribin Workforce Housing Grants program for NAR in spring 2011.

Employer Assisted Housing programs are helping to provide homes to working-class families

Photo by Christopher Lark, Inc.; courtesy of Fusco, Shaffer & Pappas, Inc., Architects and Planners

Partnerships at Work

By John Van Gieson

Employers including global corporations, small businesses, nonprofits, hospitals and universities have encountered serious problems attracting and retaining employees because of affordable housing issues, especially in rundown inner cities and pricey suburbs.

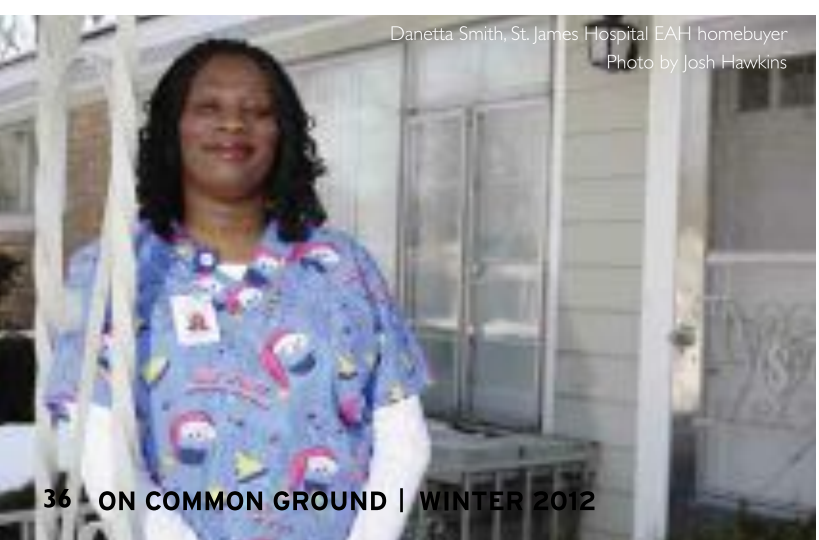
The solution: employer-assisted housing (EAH) programs that teach employees the skills they need to buy a home and provide them with financial assistance to help pay for it.

The benefits of EAH programs include ensuring employers they can recruit and retain good employees; providing employees with decent, affordable housing close to work; stabilizing and upgrading depressed communities; and reducing commuting time. And there are important economic benefits in communities with flourishing EAH programs.

The biggest benefit of the programs, obviously, is giving a community's workforce the knowledge, skills and means they need to buy their first home. Many of the buyers are minorities and single-parent heads of households.

"I consider Aflac the best employer in Columbus, and I thank God for a company that values its employees so highly," said Lasada Williams, an Aflac customer service specialist in Columbus, Ga. "My children and I are very pleased with our home."

Aflac, the insurance company with the famous quacking duck TV ads, has helped 44 employees buy their first homes.



Danetta Smith, St. James Hospital EAH homebuyer
Photo by Josh Hawkins

Edna Foreman Williams, UChicago EAH homebuyer

Photo by Josh Hawkins

Lynn Ross, chief operating officer for the National Housing Conference (NHC) in Washington, D.C., said EAH programs are a "a win-win-win because the employer wins, the employee wins and the community wins."

Raymond Schmidt, executive director of Select Milwaukee, which runs one of the oldest EAH programs in Milwaukee, said it has helped more than 800 families buy homes, generating about $80 million worth of quality mortgages.

The NHC works closely with the NATIONAL ASSOCIATION OF REALTORS® to promote EAH programs, teach classes all over the country and encourage REALTORS® to participate in programs in their communities. Lisa Thompson, a Chicago REALTOR®, is active in locating homes for Chicagoans whose employers participate in the program and trains other REALTORS® all over Illinois on behalf of NAR.

"We've been able to partner with a lot of nonprofits, helping them to go to employers with a plan for employer-assisted housing," Thompson said. "To me the class is very powerful because it's a way for REALTORS® to work with nonprofits so that we can encourage nonprofits to encourage homeownership."

EAH programs are a win-win-win because the employer wins, the employee wins and the community wins.

Nonprofits typically serve as intermediaries between employers and employees, running the programs for the employers and providing the counseling and other educational services employees need to qualify for mortgages. In many cases, an organization that offers an EAH program contracts with a nonprofit to run it and provide the counseling. The programs also partner with other interests, notably financial institutions and REALTORS®, with a stake in the housing market.

"It includes three things really," Schmidt said. "One, they pretty much outsource the administration of the program to us. Two, they allow us to contact their employees in a number of ways. The third piece is we encourage but don't require the employers to make a modest investment in the employee's purchase, almost always to support a down payment."

Select Milwaukee's employer clients include Harley-Davidson, the Aurora Health Care hospital chain, University of Wisconsin–Milwaukee, the United Way of Greater Milwaukee and all of its 67 affiliates, and local Boys and Girls Clubs.

One element of many EAH programs is assistance with the down payments on the homes the employees want to purchase. Many programs also offer various combinations of state and federal loans and grants and bank loans at favorable rates.

Heather Hain, director of the Rogers Park Community Development Corp. (RPCDC) in Chicago, said her program partners with 10 to 14 Chicago banks. "Having our list of partner banks has been real critical to the success of our program," she said.

Baptist Health of Northeast Florida in Jacksonville offers employees $5,000-down payment loans. Camille Cossa, director of employee benefits, said 10 to 12 employees a year participate in the program, a total of about 60 since the hospital started the program in 2006.

Family Foundations, a Jacksonville nonprofit, administers the program and educates hospital employees who enter the home-buying program. "The classes really prepare them and let them know if they're ready or not ready to buy a home," Cossa said.

She said the program gives Baptist Health an advantage over competing hospitals in the Jacksonville market by making it easier to recruit new employees from the managerial level on down.


Courtesy of Long Island Housing Partnership, Inc.


Photo by Christopher Lark, Inc.; courtesy of Fusco, Shaffer & Pappas, Inc., Architects and Planners

One element of many EAH programs is assistance with the down payments on the homes the employees want to purchase.


Courtesy of Long Island Housing Partnership, Inc.

The EAH program through Baptist Health helps to build relationships with employees.

"I think it really helps to build relationships with employees," Cossa said. "It did help with recruiting because Jacksonville is home to a number of large medical centers and it did help to differentiate us in the marketplace."

Several banks provide down payment loans to their employees through the EAH program operated by the Long Island Housing Partnership (LIHP) in New York.

The forgivable loans employers provide to employees to assist with down payments usually range from $3,000 to $5,000. Typically, the loan is forgiven if the employee remains with the company for five years. There are many variations, however, as programs are structured to meet each employer's needs.

Peter Elkowitz, president of the Long Island Housing Partnership in Hauppauge, N.Y., said some of the 120 employers in the LIHP program offer employees up to $10,000 in forgivable loans.

The LIHP serves Nassau and Suffolk counties east of New York City, a high-end housing market where Elkowitz said the median price of homes is about $440,000. Many residents of the area could not afford to buy a house at those prices, he said, so the affordable housing coalition that founded LIHP added an EAH program about 10 years ago.

"We were losing our young," Elkowitz said. "We were having a brain drain."

Northrup Gruman, the defense contractor that manufacturers the B-2 bomber, is one of the biggest companies participating in the Long Island program. The company also provides an EAH program for workers at its Pascagoula, Miss., shipyard.

Courtesy of Long Island Housing Partnership, Inc.

Photo by Christopher Lark, Inc.; courtesy of Fusco, Shaffer & Pappas, Inc., Architects and Planners

"Northrop Grumman was a charter member of the program," LIHP said on its website, www.lihp.org. "Over the past several years they have helped 27 employees purchase homes, contributing over $600,000 … Employees who could not afford to live close to work and faced long commutes or else paid high rents were able to purchase homes on Long Island and put down roots."

"I would say we helped over 233 people get into housing over the last three to five years," Elkowitz said. "The program has been very successful."

A number of EAH programs tap into federal and state programs to provide substantial additional down payment and rehabilitation assistance to homebuyers.

Nassau County, the richest county per capita in New York State, has a median household income of $93,579. A family at 80 percent of median income could qualify for $37,000 in employer, federal and state down payment assistance.

In Milwaukee, according to Select Milwaukee's Raymond Schmidt, theoretically an EAH homebuyer could get as much as $75,000 by layering several programs, but the typical assistance, including employer loans of up to $5,000, averages about $13,000.

An ancillary goal of EAH programs is to improve dilapidated neighborhoods by providing grants to help rehabilitate homes that employees are buying. Samantha DeKoven, EAH project manager for the Metropolitan Planning Council (MPC) in Chicago, said the program benefits from $50,000 to $100,000 federal Neighborhood Stabilization Program grants to communities to rehabilitate homes and put them back on the market.

The MPC has run a large, successful EAH program in the Windy City and its suburbs since 2000. More than 75 employers participate, including the University of Chicago and a number of hospitals.

DeKoven describes the program as a "golden handcuff" that helps employers retain good employees. "The employer says to the employee you're an important employee to us, and we want you to stay employed with us," she said.

LIHP has helped over 233 people get into housing over the last three to five years.

Photo by Christopher Lark, Inc.; courtesy of Fusco, Shaffer & Pappas, Inc., Architects and Planners

Oakwood Shores CHA mixed-income housing

Photo by Tanya Tucker

Right: Edna Foreman Williams, UChicago EAH homebuyer

Photo by Josh Hawkins

Photo by Alan Magayne-Roshak

An EAH customer is securing financing for her home purchase with the help of Select Milwaukee Homeownership Specialist Chuck Rosewicz.

The MPC contracts with the Rogers Park Community Development Corp. on the north side of Chicago to provide counseling to prospective homebuyers. The RPCDC runs EAH programs for the Chicago Public Schools, which suspended its program earlier this year because of budget issues, Loyola University and the City Colleges of Chicago.

"We've helped close to 1,500 teachers over the last five years buy homes," RPCDC Director Heather Hain said. "It's been very popular."

Unlike millions of other Americans, nearly all of the employees who bought their homes with the assistance of EAH programs have stayed above water in the real estate market. A number of older programs report that none of their EAH homeowners have been foreclosed.

"We've had a very low, less than 1 percent, foreclosure rate on teachers," Hain said.

An NHC study of Aurora Health Care employees who bought houses through the Select Milwaukee program concluded that "EAH participants exhibit significantly lower turnover rates than non–participating employees." The study found the annual turnover rate for all Aurora employees was 11.8 percent, but for EAH employees it was just 4.8 percent. ●

John Van Gieson is a freelance writer based in Tallahassee, Fla. He owns and runs Van Gieson Media Relations, Inc.

Photo by Christopher Lark, Inc.; courtesy of Fusco, Shaffer & Pappas, Inc., Architects and Planners

RPCDC has helped close to 1,500 teachers over the last five years buy homes.

FIGHTING FORECLOSURES

Cities learn the ropes of neighborhood stabilization

Auburn Gresham neighborhood in Chicago

By David Goldberg

Three years — and counting — into the foreclosure crisis, cities and suburbs across the country are fighting challenges on a scale not seen since "white flight" from central cities in the 1960s and 70s. In those days, the federal government attempted to help cities recover through programs that promised "urban renewal." Today's federal answer to the cycle of foreclosure, vacancy, vandalism and blight bears a far less ambitious name: Neighborhood Stabilization.

One home in foreclosure is a crisis for a single family. Five in a single block is a crisis for the neighborhood. Multiple neighborhoods in crisis threaten the health of an entire city. And multiple cities with gridlocked housing markets, shrinking budgets, growing blight and persistent unemployment constitute a continued drag on an economy that desperately needs a revivified housing industry for recovery.

Faced with this prospect, Congress in 2008 approved the first installment of the Neighborhood Stabilization Program (NSP), $3.92 billion. At the time, cities and suburbs were beginning to see waves of foreclosed homes coming onto the market with very few buyers. The vacant houses were magnets for vandals and thieves, who smashed windows and stole appliances, copper pipes and wiring. NSP would help the hardest-hit jurisdictions combat blight by acquiring abandoned homes, fixing them up and selling them, or in some cases, demolishing them. Congress approved a second round of $2 billion in the economic stimulus bill of 2009, and a third round in the Consumer Protection Act of 2010, for a total to date of nearly $7 billion.

The problem in the early going, though, was that very few cities and towns had the experience, staffing and resources needed to put the money to effective use. The local nonprofit housing groups who had experience in acquiring and rehabbing homes — when they existed — typically operated at a much smaller scale than the problem called for, said Craig Nickerson, president of the National Community Stabilization Trust. The Trust is a national nonprofit consortium that helps local governments implement stabilization programs.

"Cities have been reeling from the scale of this problem, and we are still in the early stage of cities building sufficient capacity to deal with it," he said. "Three years into this effort to re-stabilize neighborhoods, we've made a good down payment, but we have a long way to go."

Lacking the in-house expertise, and not wanting to create whole new divisions, most cities have contracted with nonprofit organizations to manage the acquisition and renovation of vacant properties. Those organizations have had to scale up to be able to handle dozens of properties a year, where before they may have done a handful each year, Nickerson said. Together, the city and their contractor(s) indentify targeted neighborhoods, those with foreclosure levels that meet federal guidelines and that are most in need of stabilization. The local NSP entities contract with for-profit builders and developers to rehab buildings so that they are sound, energy-efficient investments for prospective buyers, who typically would make less than 80 percent of area median income. The logistical, legal, bureaucratic and organizational hurdles have proved enormous, but more and more local programs are humming along now — up to a point. "We figured out how to do the acquisitions, and we have figured how to do the renovation process," Nickerson said. "Getting them sold is another matter."

And that is where REALTOR® participation is especially critical, he added. "Who better than REALTORS® to help change the way people view those neighborhoods and market them to prospective buyers? We have a partnership with NAR to get state and local REALTOR® associations more in tune with what is happening locally.

REALTORS® help change the way people view challenged neighborhoods and market them to prospective buyers.

New Orleans neighborhoods are slowly being rehabilitated.

Many REALTORS® said they didn't want to be involved in a federal program, because they thought it had too many rules, was too slow. But more and more are seeing it as an opportunity as well as an obligation. Depending on the market, one-third to one-half of all sales are distressed — short sales or foreclosures. It's not a question of waiting out the storm. For the next three to five years, a substantial share of the available commissions is going to come from here."

Brian Bernardoni, the director of governmental affairs at the Chicago Association of REALTORS®, agrees. As a member of the NSP oversight committee for the mayor of Chicago, he helped formulate that city's approach to the program. "REALTORS® need to be involved any time there are state, local or federal funds coming into housing, period," he said. "We have the experience and the local knowledge. Government and advocate groups need the expertise from people who know the dynamics of the local market."

The Chicago program, cited by Nickerson and others as a potential model, allows REALTORS® to apply for the right to handle acquisitions and sales within targeted census tracts. The city of Chicago contracts with Mercy Portfolio Services, a division of Mercy Housing, to manage NSP. So far, the city has received $169 million in federal funds, said William W. Towns, regional vice president of Mercy Portfolio Services.

Towns said the city began by going after one- and two-family homes in targeted census tracts, but then narrowed the focus even further to the most troubled blocks. The idea was to save areas such as Auburn Gresham, a predominantly black neighborhood 9 miles from downtown that had been revitalized during the housing boom. The strategy has helped by preventing physical deterioration from spreading to otherwise healthy parts of the neighborhoods, but selling the properties has proved extremely difficult, and the available money can only help so many neighborhoods going one house at a time. More recently, the program shifted to an emphasis on multi-family buildings, Towns said.

"Multifamily is more viable in this market, and there is a desperate need to rehab these large apartment buildings and busted condo conversions," Towns said. "The economy is down, but people still need a place to live. If they can't own, rental is the next option. In this economy, if we don't do these projects they probably won't get done. For the neighbors, the people who have walked past these vacant buildings with broken windows, seeing them fixed, the grass cut and the units occupied gives them a reason to hold on, to keep maintaining their own property and stay on through the struggle."

For the neighbors, seeing the vacant buildings fixed gives them a reason to hold on and keep maintaining their own properties.

Photo by Adam Jones, Ph. D.

Hyde Park neighborhood in Chicago

Photo by Adam Jones, Ph. D.

Cities need to pro-actively control the destiny of properties even before the foreclosure.

As of the end of September, the Chicago NSP had acquired 812 units in 174 buildings and had rehabbed 55 units in 28 buildings. Eight buildings had been demolished and eight had been sold or leased. Zeke Morris, managing broker for Keller Williams in Chicago's Hyde Park, said he and his team had helped acquire 70 of those properties and are now beginning to work on selling them. "The areas the city has gone in are underserved markets, so the available number of people to make purchases is diminished, because they have trouble getting financing."

Not only that, but the rehab costs typically exceed the market value of the building, often by a lot. In some cases, lower-income buyers can qualify for a "soft second" mortgage. These are forgivable loans that diminish to zero if residents stay put a certain number of years, and must be repaid if the property is sold during that time.

In New Orleans, soft seconds are a crucial tool for neighborhood stabilization, said Mario Washington, a REALTOR® with Keller Williams who has been active in the program in his home region. While people in other cities use "under water" figuratively to describe mortgage debt that is larger than the home value, thousands of homes in New Orleans literally have been under water. Many residents who would like to return to neighborhoods where they lived pre-Katrina have been unable to do so because rehabbing their homes costs more than their potential market value, making financing impossible. With financial support from NAR, the New Orleans program polled a number of experts and potential participants to develop a soft second program that would help spur recovery in targeted neighborhoods suffering from both storm-caused losses, and to a lesser degree, foreclosure troubles.

"For me, this is a civic duty and a business strategy," Washington said. "If you get involved, you help a community and get it redeveloped, and two or three years from now, I will have a leg up in markets that have stabilized."

The problem outruns the resources

Despite some early successes, it has become increasingly clear that the scale of the problem is outpacing federal resources allocated to date. After a slowdown in the middle of this year, a new wave of foreclosures is rising, as prolonged unemployment, tight financing and economic fears continue to suppress the housing market. In Chicago alone, the $169 million federal investment — which will be recycled to some degree as properties are sold and money reused for stabilization projects — pales against a foreclosure problem that has been estimated at $3 billion, according to Towns.

In an acknowledgement of these challenges, President Obama in September included $15 billion in his Jobs Act proposal for a scaled-up NSP, dubbed Project Rebuild. The fund would broaden from residential-only to include stabilizing commercial properties as well.

"There will never be enough money for stabilization if we don't also do what we can to keep people in their homes," Nickerson said. "Cities need to pro-actively control the destiny of properties even before the foreclosure, during the short sale, or doing more loan modifications so we can keep families in those homes without foreclosure." Indeed, Chicago and other cities already are making efforts in this direction, but will need federal support to make it work, he said.

"We've stopped the flood and we're slowly moving back in the positive direction," said Morris, the Chicago REALTOR®. "If over the next two to three years we keep pushing, I believe that it will work. But it's a process, and you can never let up." ●

David A. Goldberg is the communications director for Smart Growth America, a nationwide coalition based in Washington, D.C. that advocates for land-use policy reform. In 2002, Mr. Goldberg was awarded a Loeb Fellowship at Harvard University, where he studied urban policy.

Sustainable Solutions


Courtesy of www.cachecounty.org; © Jay Baker

Shared equity and trusts provide a path to affordable homeownership

By Brad Broberg

A lot of people who bought their first home about the same time as Colin and Sarah Robinson in 2008 — or maybe a little before — have already lost it. Others won't own theirs much longer.

Those are the sad facts of the national foreclosure nightmare, but the Robinsons are confident they won't become another casualty. Although they're not immune to job loss or some other piece of bad luck, the young couple found a way to buy a home without the kind of fast and loose financing that fed the housing crash.

The Robinsons bought their home through the Champlain Housing Trust (CHT), a nonprofit organization in Burlington, Vt., that supports sustainable models of affordable housing. CHT's marquee program gives grants to people with low and moderate incomes who purchase homes on land owned by CHT and who agree to cap their return when they resell.

Everybody wins. The grants create a sizable chunk of instant equity that makes mortgages affordable for people like the Robinsons. And the cap on return helps keep homes bought with CHT assistance affordable for future buyers — who also save because they pay only for the house instead of the house and the land.

It's not a new approach — CHT has been around for 27 years — but it's one example of how to make homeownership more affordable without resorting to the rash practices of the recent past that put people into homes they were destined to lose.

Community housing trusts such as CHT are forms of shared equity ownership. Along with deed restrictions and down payment assistance loans, shared equity offers a sustainable — if still limited — path to an affordable home for people of modest means all across the country. Such strategies also support a key principle of smart growth — providing a range of housing choices for people of all income levels.

"I think these sorts of models are going to be very important going forward," says Brenda Torpy, CEO of CHT. "They're a much better way to get lower-income people into homeownership."

CHT is the largest — and one of the oldest — community housing trusts in the country with 500 owner-occupied

Courtesy of www.cachecounty.org; © Jay Baker

Courtesy of www.cachecounty.org; © Jay Baker

homes and condos permanently preserved as affordable housing in a three-county region. Overall, though, the country's more than 250 community housing trusts account for only about 10,000 owner-occupied homes, according to the National Community Land Trust Network (NCLTN).

Although still microscopic in numbers, community trust homes are greatly appreciated by the people who live in them. "It's a real blessing," says Sarah Robinson.

The Robinsons, both 27, earn steady but modest incomes working in social services. Tired of paying $1,200 a month in rent for a "nothing special" apartment, the couple longed to buy a home but couldn't put enough down to make the mortgage affordable. "The numbers just weren't adding up," Sarah says.

They learned about CHT through word of mouth. "It presented an opportunity for us to get in our first house in a way that was sustainable," Colin says.

No two community housing trusts are exactly alike, but many are based on CHT's proven blueprint. "Ours is the classic community trust model," Torpy says.

Grants create a sizable chunk of instant equity that makes mortgages affordable for people.

Colin and Sarah Robinson purchased their home through CHT.

Champlain Housing Trust units

Trust homes can only be resold to buyers with low and moderate incomes.

CHT assists buyers who make 100 percent or less of the area median income. For a couple like the Robinsons, that's $60,600. Buyers can take two different paths. They can purchase a home that's already part of the trust — provided there's one for sale they like — or they can buy a home on the open market that will then become part of the trust. The Robinsons took the second path.

They received $40,000 from CHT to put down on a $212,000 home. Together with some of their own money, the grant left the Robinsons with a mortgage of $170,000 and a total house payment — including taxes and insurance — that's $200 less than their rent was. They also gained peace of mind from having instant equity in their home and — because they didn't need to resort to a gimmicky loan — a stable monthly payment. "It sets us up on a solid track," Sarah Robinson says.

If the process ended there, the Robinsons would be the only ones to benefit from the grant. However, community housing trusts are all about making sure the homes they help purchase stay affordable forever. They do that in several ways.

Owners can pocket only part of their home's appreciation when they sell. CHT's formula awards owners everything they paid toward the principal and anything spent on home improvements, but only 25 percent of the home's appreciation. By leaving 75 percent of the appreciation on the table, the formula helps keep trust homes affordable for each new buyer.

The other way CHT keeps the homes permanently affordable is to own the land under every home that enters the trust — all part of the grant agreement with the original buyer — and to retain ownership with every future sale. Homeowners pay $25 a month for a 99-year ground lease, but pay nothing else for the land. One last pro-affordability provision: trust homes can only be resold to buyers with low and moderate incomes.

By adjusting its formula as needed, CHT ensures its homes are priced appropriately for buyers and sellers regardless of market conditions. "It's been easy to tweak," Torpy says. "We don't want owners to get stuck, but we need to keep the home affordable for the next buyer. A study of our first 200 resales showed the homes were actually more affordable the second time around."

Sustained affordability is not CHT's only goal, though. It also fosters sustained ownership. Every prospective owner must complete CHT's homeownership class. And every owner can turn to CHT for counseling if they experience financial trouble somewhere down the line.

Even if owners don't inform CHT they're in trouble, lenders automatically alert the trust if owners fall behind on payments. By intervening early, CHT can help owners find a way to remain in the home or — if all else fails — to sell and escape the repercussions of foreclosure. "It's nice to know Champlain Housing Trust is there to work with you if you get in a tight spot," Sarah Robinson says. "They don't want to see you fail."

The St. Joseph Community Land Trust in Lake Tahoe was formed to increase the supply of affordable housing.

Community housing trusts excel in that role. According to a recent NCLTN study, people who bought homes through trusts were 10 times less likely to be in foreclosure proceedings at the end of 2010 than conventional buyers. In addition, just 1.3 percent of trust homeowners were seriously delinquent compared to 8.57 percent of homeowners in the conventional market at the end of 2010.

While community land trusts aren't for everyone, they are another rung on the ladder between renting and conventional homeownership. Two-thirds of CHT's buyers have eventually sold their trust home and used the equity they built to purchase another home on the open market, Torpy says.

The key to the growth of community housing trusts is funding. Tens of thousands of dollars in buyer assistance is typically required each time a home is added to a trust. The rub is that trusts lean heavily on public dollars — a dwindling resource. Another challenge is that banks aren't always willing to make loans for trust homes. "There are regional differences in how banks treat these," Torpy says. "We've made a lot of progress, but every few years we have more people to educate."

The number of community housing trusts grew rapidly during the housing boom when more and more parts of the workforce were being priced out of the market and communities scrambled for solutions. Now that the housing crash has sent prices plunging, some of the air has — at least for now — gone out of the balloon. "It definitely has tempered [the momentum], but we all know things are going to come back and we'll still have the same issue," says Sharon Kerrigan, executive vice president of the South Tahoe Association of REALTORS® (STAR).

Like a lot of tourist destinations, Lake Tahoe struggles to provide affordable housing for the hospitality industry employees who work there. In 2002, the St. Joseph Community Land Trust was formed to increase the supply of affordable housing.

Many trusts — including St. Joseph — acquire and manage apartment complexes as part of their mission. In 2004, St. Joseph was given a vacant lot by the South Tahoe Redevelopment Agency (STRA) on which to build and sell the trust's first owner-occupied home. STAR won a $25,000 grant from the California REALTORS® to support the project.

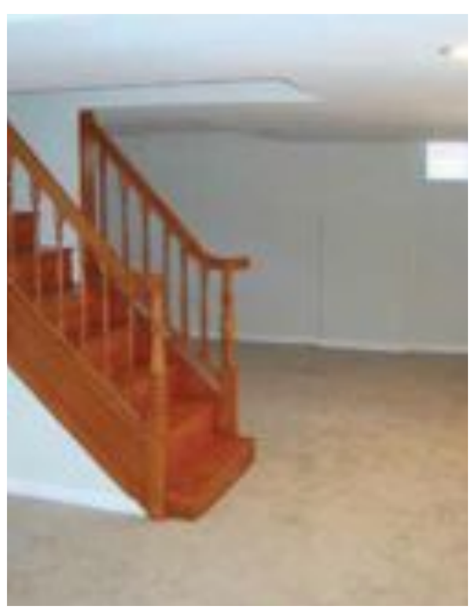
"The hope was it would become the first of many," Kerrigan says. So far, though, it's the only one. "There's not as much urgency right now … but no one is giving up on this," she says.

The Washington, D.C., Association of REALTORS® (WDCAR) is also committed to supporting sustainable affordability, but via a different model. It recently joined with the NATIONAL ASSOCIATION OF REALTORS® (NAR) to provide up to $5,000 in closing cost assistance to people buying homes through City First Homes.

City First Homes makes $75,000 down payment assistance loans to buyers earning up to 120 percent of the area median income. The rate on the loans is fixed at 3.79 percent and buyers make interest-only payments for the first seven years. The loan, which is combined with a conventional first mortgage loan obtained from a bank, reduces the amount of cash required at time of purchase — one of the biggest barriers to homeownership.

This approach, known as shared appreciation, differs from the shared equity model housing trusts use, because buyers own both the house and the land. However, both models limit the appreciation owners can pocket when they sell. In the case of City First Homes, this not only keeps the price down, it shrinks the size of the down payment assistance loan required by the next buyer. In the long run, the amount of appreciation left on the table with each sale — 75 percent — is expected to make the home affordable without a second mortgage.

City First Homes' loans reduce the amount of cash required at time of purchase — one of the biggest barriers to homeownership.



City First Homes' house in Washington, D.C.

Another expectation is that the loans will let buyers choose from a wider range of neighborhoods and thereby increase the number of permanently affordable homes in every corner of the city. That need is what drove the WDCAR to support City First Homes, says Ed Krauze, the association's CEO. "We're very concerned about the workforce housing [supply]," he says.

Most REALTORS® aren't familiar with shared appreciation sales, so the WDCAR plans to educate its members. "Shared appreciation is a good way to get the ball rolling and get into homeownership, but REALTORS® have to understand it well enough to present to their clients," Krauze says.

The Chicago Community Land Trust (CCLT) is yet another example of the different paths cities are taking to support sustainable affordability. The CCLT operates in tandem with the city's inclusionary zoning ordinance. Any developments of 10 or more units that require a rezone, acquire land from the city or receive financial assistance from the city, must write down the price of at least 10 percent of those units. Most are then sold through the CCLT at a price affordable to buyers making 100 percent of the area median income.

The average write down is about $75,000, says Kara Breem, the trust's executive director. To ensure the units remain affordable when resold, the city imposes a deed restriction on every unit that puts a cap (usually 20 percent) on the amount of appreciation the owner gets to keep.

The HomeWorks program in Boulder, Colo., also employs a combination of inclusionary zoning and deed restrictions, but the requirements are more aggressive. One out of five units in every new development — regardless of any city involvement — must be affordable. The program targets people earning between 80 and 120 percent of area median income.

In addition, HomeWorks offers two down payment assistance programs for first-time buyers. Buyers can get a 3-percent grant that is then subtracted from the price of the home when they sell — which in effect passes the grant on to the next buyer. They can also get a deferred payment loan for up to $50,000 that is due in full — along with 15 percent of any appreciation — in 15 years or whenever they sell or refinance. In this case, owners are allowed to sell at full market value. ●

Brad Broberg is a Seattle-based freelance writer specializing in business and development issues. His work appears regularly in the Puget Sound Business Journal and the Seattle Daily Journal of Commerce.

A City First Homes' house

Boulder, Colo.
Courtesy of cachecounty.org; ©Jay Baker

GREENING OF AFFORDABLE HOUSING NOT COSTLY

By Brian E. Clark

Green-built affordable housing is not an oxymoron.

Rather, backers say, it's a common-sense way of constructing single family homes, duplexes, apartment buildings, other dwellings and even whole neighborhoods that conserves energy, water and provides a healthy environment in which to live.

And while it may cost a little bit more up front to build, it saves on utility bills over the long-run. According to a New Ecology study of 16 green affordable housing developments, the average increase in costs over conventional building was only 2.4 percent.

A 2009 study by Enterprise Community Partners pegged the increase in price at 2 percent. And a recent report by the Portland Development Council in Oregon, said costs are dropping as more builders become familiar with the methods.

Still, if you asked most people what they think building using green technology means, they're likely to mention solar panels, geothermal wells or even windmills. All of which can be expensive and have long payback periods.

Talk to affordable housing advocates from the high desert of Idaho to steamy Washington, D.C., however, and you'll get an entirely different picture.

"Green building isn't just a wealthy man's playground, where somebody puts solar panels up on their roof," says Noreen Beatley, a consultant with the U.S. Green Building Council (USGBC). "This is about sustainability, which is why it's such a good fit for affordable housing. It's not a fad."

And that means rather than having so-called green "bling," affordable housing projects are being sited — where possible — to take advantage of the sun and designed to all but eliminate unwanted air leakage. Builders also are using heavy duty insulation; energy efficient appliances; low-flow shower heads; and paints, sealants and carpets that don't emit toxic fumes and aggravate illnesses such as asthma.

These changes can increase the cost of development by several percent, but result in dwellings that use — proponents say — 30 percent less energy, pollute less and are better for the environment and occupants.

"A lot of it is that little things can add up to great big returns," Beatley says. "Many of them really are common sense things that some people have been doing for years. Others come from ongoing improvements in building science."

Beatley, whose organization developed the Leadership in Energy and Environmental Design (LEED) standards and certification program in the late 1990s, says affordable housing and green building and retrofitting techniques are a good fit.

"We work a lot with affordable housing developers," she says. "We even have a program called LEED for Neighborhood Design that gives out grants to organizations that want to get LEED ND in their neighborhoods. Instead of certifying buildings, it certifies whole neighborhoods. We're also working with public agencies that have old housing stock that need to be retrofitted. We want to make sure homes they are updating or replacing are healthy and energy efficient."

Beatley traces the green building movement to the 1970s and the Arab Oil Embargo, when President Carter stressed conservation and installed solar panels on the roof of the White House.

Green building is about sustainability, which is why it's such a good fit for affordable housing.

Progressive cities like Boulder, Colo., and Austin, Texas, adopted energy efficiency standards then and kept them, even after the energy crisis ended and gas prices dropped.

"They said, 'we shouldn't go back to our old, wasteful ways,'" Beatley says. "So those cities have been green for a long time. It's just part of what they do."

The first LEED ratings came out in 2000, but are continually being evaluated. "We are updating and testing LEED constantly," says Beatley, who estimates that now 49 percent of LEED home certifications now go to affordable housing developments.

One of the major financiers and advocates of affordable housing, Enterprise Community Partners, began its Green Communities program in 2004.

Dana Bourland, vice president of green initiatives at Enterprise Community, says the key to keeping green affordable is to think about healthy and energy efficient techniques from the very start of the planning process.

"If you do that, it doesn't have to cost much more at all; you'll save a lot of money down the road," she says, noting that Enterprise has documented energy and water savings of around 30 percent on its green projects.

"The challenges are deciding how to do it and taking the time to start early so that you are integrating green into the project, not adding it on later when it will be more expensive."

Bourland says Enterprise founder Jim Rouse, who began financing and advocating for affordable housing three decades ago in Washington, D.C., had a passion for providing safe and healthy housing for low-income people.

"He understood the impact that the built environment has on the planet, as well as the impact that it has on us as people," she says.

"We've always been aware of those things and tried to figure out how to rehab or build new housing that is well-designed, durable, safe and healthy to live in. We

49 percent of LEED home certifications now go to affordable housing developments.

LEED-certified Enterprise Community green development

Building green and building smart are often the same.

Enterprise Community green development located near transit

founded the National Center for Healthy Housing and have had a strong hand in a lot of smart growth partnerships at the national level."

Bourland says the key to keeping costs down on green-built projects is using a development team that has already worked on similar developments.

"And what really makes a difference is how early they started integrating green into the project and which ones they use," she says. "Obviously, if they are halfway there and decide to throw green on top of an existing project, it is going to add to the cost."

Bourland says renewable energy technologies, while admirable, have much higher up-front costs than simpler things that have to do with the building envelope.

"So the Green Communities Criteria we've developed always looks at cost-effective green methods and materials that can be integrated into properties without a large increase to that first cost," she says.

"And certainly, in markets where there are subsidies or incentives, we encourage exploring renewable technologies," she says.

Beatley agrees and says the USGBC encourages affordable housing developers to make dwellings solar ready so they are able to add photovoltaic cells later on.

"It's set up so the connection can be made and boom, you're done," she says.

Bourland says building green and building smart are often the same.

"A lot of this stuff is not revolutionary at all," she says. "It is really bringing better building science to the table and making sure that someone is really managing the construction process, looking for the details of how insulation is installed, how ducts are sealed, doing a lot of the planning and design upfront to make sure that the mechanics fit the size of the house."

Arch Community Housing Trust is building "green" senior apartments in Haily, Idaho.

Green-built affordable housing is also going up in rural America.

Bourland cites a recently completed green affordable housing development for seniors in New York City called Serviam Gardens that is part existing building and part new construction.

In addition to thick insulation, efficient appliances and low-VOC paints, the $68 million project also has an 8,000-square-foot green roof complete with a garden where the residents can grow flowers and vegetables.

"That's a bonus for sure," says Bourland.

Across the country in Seattle, Enterprise also funded and guided the development of the "Bart Harvey," a 50-unit apartment complex for low-income seniors that also features a garden roof. The project was funded through a combination of funds from the federal department of Housing and Urban Development and low-income tax credit equity.

The project's design was guided by the energy efficiency and green building criteria set forth by Enterprise Green Communities and includes energy efficient electric and HVAC systems and low-or-no-VOC finish materials.

Down in New Orleans, Enterprise is directing the work on a 27-acre development on the site of the former Lafitte public housing complex that will feature 1,500 homes and apartments that will all be built to Green Communities standards that incorporate healthy and energy-efficient building practices, materials and systems.

Green-built affordable housing is also going up in rural America.

Michelle Griffth, executive director of ARCH Community Housing Trust, says her group is building a 24-unit senior apartment project in Hailey, Idaho, that was designed by a LEED-certified architect.

The town of 8,000 is 12 miles south of Sun Valley, one of the country's top ski resorts. Real estate prices are high in the area, Griffith says, and the development fills a much-needed niche.

"The project is on a small lot and by luck was sited to take advantage of sun," she allows. "It also has exceptional energy performance, storm water controls, low-flow toilets and showers, as well as a high-efficiency irrigation system," she says.

Her group considered solar panels and geothermal, but she says it didn't pencil out.

"It all depends on how your project is financed," she says. "We just didn't have the extra money it would have required."

But some affordable housing projects do have solar panels.

In Oakland, the East Bay Habitat for Humanity group recently built the 54-home Edes Avenue development in an economically depressed area near the Oakland Colisuem. Throughout California, all new Habitat homes have solar panels, thanks to an in-kind donation from the Pacific Gas and Electric utility.

The development was built on a brownfield, so first the polluted soil had to be hauled away, says Ben Grubb, construction manager for East Bay Habitat.

"The solar panels may be the flashiest part, but we did lots of other things to make the neighborhood green," he says. "We followed California's Greenpoint system and also built to LEED Platinum standards, though the development was not rated because it costs about $3,000 to have a house certified."

Matt Clark, Habitat's national director of construction technology, says regional affiliates are strongly encouraged to build green, but are allowed to use standards from their area.

"The Energy Star rating system is one we recommend, but here in the Southeast, we have Earthcraft, which was developed in 1999 by the Greater Atlanta Homebuilders Association and Southface," he says.

Grubb says all the houses in the Edes Avenue neighborhood are oriented for passive solar heating and cooling. In addition, many have stained concrete floors that act as a thermal mass to act as a heating and cooling agent. In addition, they have used fly ash in the concrete, recycled from coal-fired power plants, which makes the concrete stronger and keeps the ash from going into landfills.

Some of the homes have no energy bills because the solar panels are creating electricity.

"We also use advanced framing techniques to get more insulation into the walls," he says. "That means using two-by-six studs instead of two-by-fours, which results in a R-21 rating, nearly 50 percent better than the R-13 of a typical two-by-four wall."

In addition, all attics were built with radiant barrier, he says, using a reflective coating to cool down the attics and keep the houses cooler in the summer.

"That's a big deal for us in California," he says.

Because Habitat developments work with a large number of volunteers, the building process is simplified to make things simpler for installers.

"People come out and help, in part, because they want to learn how to put things in their own houses when they do renovations," he says. "Radiant barriers are something that you can buy for $200, put up in your attic and your attic temp drops 10 degrees. That saves you tons of money on your summer air conditioning and lowers heating costs in the winter as well."

For the Edes Avenue development, heating bills are about half the amount for similar-sized homes (roughly 1,200 square feet) in the area.

"And during the summer, some of the homes have no energy bills because the solar panels are creating electricity," he says.

Like other green-built projects, Edes also stressed indoor air quality to reduce asthma and other lung illnesses by using low-VOC paints, stains and finishes. They also took the time to seal and clean air ducts of dust and construction debris before the new owners moved in.

"Green building isn't just about saving money and water, though that's certainly important," he says. "It's about putting up houses and apartments that are healthy to live in. We think that's equally important, too." ●

Brian E. Clark is a Wisconsin-based journalist and a former staff writer on the business desk of The San Diego Union-Tribune. He is a contributor to the Los Angeles Times, Chicago Sun-Times, Milwaukee Journal Sentinel, Dallas Morning News and other publications.

Miller's Court:

Tin can factory reinvented as green, affordable housing for teachers and nonprofits

Beginning in 1874, the H.F. Miller and Sons factory in Baltimore cranked out countless tin boxes and cans from a red brick factory at the corner of North Howard and East 27th streets — just five blocks from what would become Johns Hopkins University and the Baltimore Museum of Art.

But in 1953, the four-story, U-shaped building was sold and began a long, slow decline. After its last tenant, the U.S. Census Bureau, moved out in 1992, the old factory went dark for nearly 17 years and became, to put it mildly, a neighborhood eyesore, home to transients and a den of inequity.

"It was sort of a 'Beirut Massacre,' with people breaking windows, other vandalism and stuff like that," said development veteran Donald Manekin, who, with his son, Thibault, saw potential in the historically significant structure.

The pair created Seawall Development Co. and bought the 80,000-square-foot building out of foreclosure in 2007. Then, with the aid of architect Tom Liebel, they set out renovating it using green building technology.

When they were finished with what they dubbed "Miller's Court," more than 40,000 feet of the structure had been turned into attractive, below-market apartments for teachers. Another 35,000-plus feet were redeveloped as offices for nonprofit groups working with Baltimore's public schools. And it had 5,000 square feet of shared conference space, to say nothing of its LEED Gold certification.

Apartment rents range from $700 to $850 for a one-bedroom apartment, while a two-bedroom unit is around $1,250 and $1,500 for a three-bedroom unit. Those rents are about 20 percent below market, thanks to various tax credits received by the developers to finance the project.

Donald Manekin, 60, spent 25 years in his family real estate development business building mostly midrise office space. But he was drawn to education and even served as chief operating officer for the Baltimore City Public Schools for two years during the past decade.

When Thibault, 33, returned to Baltimore from South Africa — where he spent six years running a program called 'Playing for Peace,' using the sport of basketball to bridge barriers — he told his father he wanted to start a company with him.

But the pair didn't want to simply build more suburban midrise space.

"Because of my engagement in public education, we'd seen a real need to create great housing for teachers new to Baltimore, plus office space for nonprofit organizations," Donald said.

They started the Miller's Court project in March of 2008 and opened up a fully leased building in the summer of 2009, right before new teachers needed to move in.

The goal was to help their hometown by building a supportive environment for new teachers working in the city's schools. They worked closely with Teach for America (TFA), a program that encourages recent college graduates to work in underserved schools across the country for two years. The program has its Baltimore headquarters in Miller's Court.

Nearly two-thirds of the 75 teachers who live in Miller's Court are from TFA. Others who live in the renovated factory were

The development plans required creative thinking by the collective team.

recruited to Baltimore by the New Teacher Project and the Urban Teaching Center.

The Manekins said they were responding, in part, to exit interviews with some teachers who said they felt isolated and depressed after moving to a new city. The teachers also said they sometimes felt overwhelmed as they learned teaching skills and how to engage kids living in poverty.

"The school district hires 750 new teachers a year and a significant number are coming in from someplace else," Donald said. "So our vision was to take the mystery out of where to live in a great city and give them the kind of amenities they need on an ongoing basis.

"We spent a tremendous amount of time listening to the end users," he said. "We knew we weren't building it for ourselves, but for teachers and nonprofits. So one of the things we included in Miller's Court was a copy center, a sort of mini-Kinko's, because they needed a place to copy papers and lesson plans."

Liebel, a partner with Marks, Thomas Architects, said the construction team began the project with green building technology front and center.

"One of the things that was key to the sustainability effort was deciding from the very get-go, this is going to be green," he said. "We set a very aggressive target of saying this will be LEED Gold and on a budget with any number of historic preservation requirements."

"We started with bare brick walls, wood floors and heavy timber framing," he said. "There was nothing much left of value inside because of its years of use as a party spot."

Thanks to some innovative mechanical system work and the building's office and residential mix, he said Miller's Court uses about 30 percent less energy and water than a building of similar size.

"The main thing it required was thinking creatively by the collective team," Liebel said. "Rather than doing the standard system, we said 'why not take

advantage of what we have here to feed this over there,' which is a non-traditional mechanical system approach."

Nearly everything else in the building was built to LEED Gold standards, which includes intense recycling; purchasing locally sourced materials where possible; beefing up insulation; and using low-VOC paints, finishes, sealants, adhesives and green-able carpeting.

"Everything we did was viewed through a green lens," he said. "But frankly, we don't see that as particularly innovative anymore. All of our projects are done that way."

Liebel said he is especially proud that they turned the old loading dock area into a pleasant courtyard where teachers and nonprofit employees gather to socialize. And he said he is pleased that recycled materials from the building were turned into art that graces the building.

"More broadly, this isn't just about economic efficiency or environmental sustainability," he said. "It's about the social sustainability component that's central to the story, too," he said.

"All three reinforce each other," he added.

As a not-so-unintended benefit, Miller's Court has become an anchor in the neighborhood, improving what was once a downtrodden corner of Baltimore.

"The teachers tell us they love living there, the nonprofits like the way it's set up and they all appreciate how green it is," said Manekin. "But perhaps the coolest thing is hearing people who live near Miller's Court refer to it as 'our' building." ●

Not Your Father's

By Paul Bishop

We should focus on the future to assure that homeownership remains an achievable goal for those who choose to pursue it.

To say that today's housing market is marked by turbulence and uncertainty would be one of the great understatements of the past several years. Almost weekly, news about home prices, home sales or foreclosures add to the angst and uncertainty that many homeowners feel about their investment in real estate.

Clearly, homeowners' confidence has been shaken by the financial crisis and severe recession, both of which hit housing directly. Although market conditions vary regionally and often from one neighborhood to the next, most homeowners have experienced some fallout whether it is from diminished home values or more severe distress associated with unemployment and foreclosure.

But, while we should focus on the future to assure that homeownership remains an achievable goal for those who choose to pursue it, looking back helps put the current situation in the proper context and allows us to see how far we must go to assure that confidence in homeownership is sustained.

Homeownership Reversal

From the mid-1980s to the early 1990s, the national homeownership rate was more or less flat at about 64 percent. Beginning in the mid-1990s, the homeownership rate rose each year, peaking at 69 percent in 2004. This remarkable rise was supported by several factors including a secular decline in mortgage interest rates that made homeownership more affordable to a larger segment of a growing population. Rates on 30-year fixed rate mortgages were in the mid-teens in the early 1980s but fell to less than 6 percent by mid-2004. This translated into a significant decline in the relative cost of housing for

Housing Market

Younger generations are likely to be renters either by choice as they look to establish households or out of necessity given a weak economy.

the typical family. For example, the monthly payment on a median priced home (assuming a 30-year fixed rate mortgage at prevailing interest rates) required more than 37 percent of the typical household income in 1981, but less than 15 percent in 2010.

Gains in homeownership were widespread across ethnic groups and income levels beginning in the mid-1990s. For example, among households below the median income, the rate of homeownership rose from less than 50 percent to nearly 53 percent, while for households with higher incomes, it rose from 80 percent to 84 percent.

Since 2004, the homeownership rate has fallen to about 66 percent, or back to the level in early 1998, with declines dispersed across different areas of the country, and among households at all income levels and demographic characteristics. To understand what is behind the decline in the homeownership rate, it is worth looking more closely at ownership levels. Upon rising to slightly less than 75 million homeowners in the mid-1990s from about 60 million in 1990, the number of owners has been relatively flat, remaining more or less at this level for the past seven years. Meanwhile, the number of renter households has climbed by more than 4 million to 38 million during this same period. Some of this shift reflects broad-based demographic trends. Many of today's baby boomers reached their peak home-owning years, contributing less to the overall increase in ownership than they did a decade earlier. Meanwhile, younger generations, including the children and grandchildren of many baby boomers, are likely to be renters either by choice as they look to establish households or out of necessity given a weak economy.

Rising Mortgage Debt

Beyond the demographic drivers, rising distress in the market has forced some households to once again enter the rental market. Some of this distress is linked to rising mortgage debt as homeowners leveraged their real estate investment to what were then unheard of levels. The final straw was the stagnation and ultimate decline in home prices that plunged many homeowners into negative equity — a situation in which the amount owed on their home exceeded its value.

Homeowners place a high value on the intangible and non-financial benefits of owning a home.

Based on data from the Federal Reserve, aggregate home mortgage debt as a percent of home value was 30 percent in 1980. In other words, homeowners collectively had a 70-percent equity stake in their home either because they had paid down their mortgage or owned their home outright. Although the relative mortgage debt burden continued to rise throughout the 1990s and into the early 2000s, it exploded starting in 2006 as mortgage debt continued to rise at the same time that home values weakened and declined in many areas. By 2010, mortgage debt accounted for 70 percent of home value, basically reversing the equity position of homeowners compared to 1980.

Declining home values magnified the mortgage debt burden for homeowners, but the volatility of home values also played a role more recently by making it more likely that homeowners would find themselves with a rising mortgage debt burden or underwater. In the 1970s, the average annual change in nominal single-family home prices was slightly less than 10 percent, driven in part by an overall environment of high inflation. At no time was there a decline in national home prices during the decade. In fact, the lowest annual increase in home prices was 5.3 percent in 1970. Throughout the 1980s and 1990s, home prices rose each year, although the average rate of growth decreased. Entering the 2000s, home prices rose at an accelerated rate reaching 12.8 percent growth in 2005. As affordability declined and the housing crisis developed, prices decelerated and eventually fell for the first time in 2007 and declined by a record 11.9 percent in 2009. Within no decade for which home prices have been consistently recorded, have national home prices been as volatile as during the 2000s.

The combination of highly leveraged homeowners and more volatile home values resulted in an unprecedented increase in financial distress. By way of comparison, the number of mortgages in foreclosure in 1980 was less than 30,000, rising to somewhat more than 350,000 by 2000. As the stresses in the housing market increased, the number of foreclosures rose dramatically beginning in 2006 and ultimately hitting 2 million in 2010. Two states, Florida and California, account for more than one-third of these foreclosures. In 2010, there were more foreclosures in Florida than in the entire U.S. in 2000 or in any prior year at least back as far as 1980.

An Enduring Goal

Although much has changed during the past 40 years, some aspects of homeownership endure. Homeowners, and renters aspiring to be homeowners, place a high value on the intangible and non-financial benefits of owning a home. Even after a tumultuous period in the economy, homeownership still holds a unique place for many. In a recent survey conducted by NAR (see page 18), majorities of both homeowners and renters agreed that owning a home contributes to a family's long-term financial goals and provides a healthy and stable environment for raising a family. Moreover, ownership is valued since it allows families to establish roots in their community, exercise the freedom to improve their property as they see fit, to more easily and readily engage in civic affairs and contribute to the vitality of their neighborhood.

However, today's homeowners also are concerned about their children's opportunity to own a home. In the same survey of both homeowners and renters, more than one quarter of each group felt that homeownership for the next generation would be much more difficult than it was for them, while more than half thought it would be at least somewhat more difficult. Yet, nearly three-fourths of renters and more than nine in 10 homeowners shared the view that over a period of several years it makes more sense to own a home. So while the housing market of the future may not mirror the past, it is still true that the value of homeownership remains in place as a pillar of the American experience, perhaps one of the most important lessons to be drawn from the past four decades.

Return to a Normal Housing Market

Looking back over these decades, it is clear that much of the past 10 years has been a journey through unprecedented events. What is less evident is what we should expect going forward.

There is little reason to believe that we will return to the experience of the 1970s or 1980s when home prices rose rapidly and foreclosure levels were barely noticeable. The economy, financial markets and the demographics of the population have changed too much since that time. First, baby boomers are less of a driving force in the housing market than they were 30 years ago when they were starting families and setting up households. Second, many of today's 20- and 30-somethings are coping with a sluggish economy that may delay their home buying plans. Third, at least in the near-term, mortgage underwriting standards have become more restrictive, although the concern is that standards may have become too restrictive and buyers who would have qualified in the past may not today.

The aftermath of the financial crisis and recession will be with us for some time to come, along with challenges posed by public policy that risk making the purchase and sale of a home more daunting. More encouraging is that during the next decade experts agree that the demand for housing will strengthen as the population grows and the economy regains its dynamism. Like our fathers' era, families of all income levels and backgrounds will continue to recognize the tangible and intangible rewards of owning a home. ●

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REALTORS® Take Action

Making Smart Growth Happen

Placemaking Program Leads to Affordable Housing


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Thirty-two firefighters, police officers and U.S. Coast Guard members tapped into a placemaking program offered by the Michigan Association of REALTORS® (MAR) and the Traverse Area Association of REALTORS® (TAAR) that allows emergency medical providers and other first responders to live where they work.

The initiative was funded in part with Ira Gribin Workforce Housing Grant dollars given by the NATIONAL ASSOCIATION OF REALTORS® to the Michigan Association of REALTORS®, which is participating in a larger placemaking project along with Michigan State University, the Michigan Association of Home Builders, Michigan State Housing Development Authority and others that is called "Building New Places that Create Prosperity in Michigan."

Placemaking is the idea that promoting, creating and even building new walkable mixed-use development will benefit the quality of life, promote energy efficiency and will create an environment that will be attractive for businesses to locate, and more importantly stay, and help drive economic development. Homes at price points the working class can afford is key to any successful placemaking efforts.

Traverse Area Association of REALTORS® Executive Vice President Kimberly Pontius said MAR provided $26,000 from its $75,000 Ira Gribin Workforce Housing Grant. The local Traverse Area Association of REALTORS® kicked in another $7,000 to make the local homeownership program possible.

Kathie Feldpausch, senior vice president of MAR, said the project underscores how well the state association works with its local REALTOR® partners. "It's a great example of collaboration."

Pontius said $1,500 was provided to each family to help with closing costs on houses in the community where they could work and save lives, but until recently couldn't afford to live. While they are educated and "make a good living," Pontius said, "they are just not making a good-enough living" to have afforded the neighborhood where they work.

Instead of calling Grand Traverse home, these vital workers were forced to live 20 or even up to 50 miles away from their work, Pontius said.

Long distances mean long commutes for police officers, firefighters, paramedics and others. In addition to rising fuel costs, wear and tear on vehicles and congestion on roads, traveling long distances also means time delays — which makes no sense, Pontius said.

"It's important for them to be incorporated into the community where they work and be close to their base of operations," Pontius said. "These are the people who are going to come pull you from your house when it's on fire.

You want these people to be as close to you as they can be."

While the TAAR piloted the successful program, it was the brainchild of the Community Housing Choices and the Grand Traverse Region Housing Task Force, which work to ensure sufficient housing choices for working families in the region. The financial assistance was available for about one year, said Pontius, beginning in the second quarter of 2010 and running through the second quarter of 2011.

Pontius said the success of the program showed that there was a need for it in the northwest Michigan community that ranks high on vacation destination hot spot lists for its autumnal foliage and its shorelines in the summer.

"We did it to identify a need, to show a solution to fulfill the need," he said. "It was an idea that was put into play, and we were hoping with its story, with its success, the [county] would review it and say we should continue it," he said.

And so it did. Instead of being funded with grant dollars, future funding for the placemaking initiative will come from the sales of sheriff-owned properties.

While those dollars generally have gone into the county's general fund to be used to help cover the costs of municipal operations, the success of the Grand Traverse placemaking program convinced local officials to direct some of the revenue into what is known as the Grand Traverse Housing Fund.

"It is more and more apparent some solutions are going to have to be locally driven," Pointus said. "Sometimes we are going to have to solve our regional issues within our own region."

MAR directed a little less than one-third of its $75,000 Ira Gribin grant toward the Traverse project and used the remainder of the funding, along with an additional $50,000 contribution from the W.K. Kellogg Foundation, to conduct a hedonic analysis of placemaking attributes on property

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values. The initial analysis was conducted in Lansing and early results show that placemaking attributes that drove value included proximity to water, schools, bookstores, restaurants and Michigan State University. Attributes that decreased value included proximity to sports arenas and locations in commercial areas that included grocery stores as well as being located near a freeway.

The analysis also contained a review of barriers to including workforce housing in placemaking projects. Thirteen developers, 20 bankers and 23 local government officials were interviewed for the analysis. The analysis shows that 70 percent of the bankers agreed that placemaking needs to be an important part of Michigan's future but that just 30 percent of them had actually financed any placemaking projects. Developers were less likely to see the importance of placemaking in Michigan's future with just 61 percent saying it was important. Additionally, 31 percent said they were neutral or not sure that placemaking would play a role in future economic development.

The findings were shared with a legislative forum this summer. MAR will continue its research efforts in this area as its partner in the work, the Michigan Housing Development Authority, just awarded a contract to MAR to continue its work and expand the scope of the analysis.

Interest in and funding for the placemaking analysis, said MAR's Feldpausch, "is growing exponentially."

REALTORS® Take Action

Making Smart Growth Happen

REALTORS® Help Municipalities Turn Vacant Properties into Affordable Homes

Courtesy of Road Less Traveled

Many cities and towns across the U.S. have rules in place today that mandate that their teachers, police officers and other personnel performing core functions actually live in the communities they serve. But homeownership within city limits can be out of reach for many of the people in these positions, especially if they're at entry level.

Some of those very same towns also have homes that were once filled with families but now sit vacant due to back taxes or other payment problems.

Enter CORE, short for the Community Reinvestment Project, now being piloted in Pennsylvania. The program is designed to turn residential properties owned by cities, counties and/or housing and redevelopment authorities into workforce housing for target markets such as first-time homebuyers, teachers, firefighters and police officers. The goal is to help individuals realize the American dream of homeownership, stabilize communities in urban centers and give municipalities a boost in revenue.

"We realized that there were tens of thousands of government-owned properties that are vacant and abandoned that are not bringing in any tax revenue," says Jennifer Shockley, assistant director of public policy and political affairs at the Pennsylvania Association of REALTORS®. "The CORE project rehabilitates properties that are sitting vacant in order to provide housing that might not be available otherwise."

Shockley serves as the initiative's state-level project manager, garnering and administrating funding from the 2010 NATIONAL ASSOCIATION OF REALTORS®' Ira Gribin Workforce Housing Project grant. Two pilot projects, in Philadelphia and Reading, already are successfully underway. While the project's current focus is on residential properties, Shockley says she can forsee a day when it might broaden to include commercial properties as well.

Chuck Liedike is government affairs director for the Reading/Berks Association of REALTORS®. The organization has worked with the project for more than 18 months and was the first local association in the state to get involved with it. He says agents in the area, about an hour northwest of Philadelphia, had been talking about the need for something like CORE for years.

"We've been desiring a program like CORE since before it even was created, primarily because we felt that REALTORS® had an opportunity to help municipalities, in particular the city of Reading, in selling a lot of the vacant properties that they owned," he says. "These vacant properties — frankly, they're not helping the community, because there is likely to be more crime in areas with vacant properties, and that in turn decreases property values.

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Courtesy of Road Less Traveled

"We're trying to look at ways to increase the value of properties, not decrease them," Liedike says of the community of about 89,000 people, according to the 2010 Census. "We wanted to be the first local association to move on this project. It's something we've had our minds on for two and a half years now, so once CORE was created, we hit the ground running."

Between four and six homes will be selected in the coming months for inclusion in the CORE project, and Liedike estimates that one day the initiative could grow to at least 50. He said he's looking forward to the day when new owners claim their rehabbed homes.

"This was a way for the city of Reading, a relatively mid-sized city in Pennsylvania, to take a look at appropriate properties that we feel could potentially be sold to owner-occupants: people who would take pride in those homes, and fix them up if they're not already in good condition," he says.

The first and most important phase of the project, Liedike says, has been due diligence — educating agents and community officials on finding and acquiring residential properties for inclusion in the project. He's had what he calls "countless" meetings with city and county officials to build up support for the program, and is currently at work on passage of a local ordinance designed to establish an active partnership between the REALTORS®' association and the city of Reading and a streamlined, transparent city-to-homeowner sales process.

This being a mayoral election year, the Reading/Berks Association of REALTORS® decided to build support among all future participants by talking not only to sitting officials but also to those running for office. They've also met with the local Habitat for Humanity, architects' groups, lenders, engineers and home inspectors.

"It's really important that we reach out and develop the correct contacts, whether we're talking to local associations in Pennsylvania or throughout the country. We're going to be helping each other in the future, and it's important that we're all on the same page," Liedike says. "We want to make this as flawless as it can be." ●

Courtesy of Road Less Traveled