JUNE 04

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A bridge linking housing research and practice

volume 1, number 4

Welfare Reform Brings Housing to Austin

Residents receive returned wage earnings from an escrow account upon graduation from HACA's Family Self Sufficiency Program.

When U.S. Welfare reform began in the mid-1990s, the Housing Authority of the City of Austin (HACA) was among the lowest performing metropolitan agencies in the country. Basic housing assistance and welfare services provided solely by HACA were not meeting the community's needs. Today, HACA boasts a top-six U.S. ranking in housing assistance management based on a lofty family self sufficiency objective that weaves the threads of Ausin's housing and welfare reform efforts into a seamless—and highly durable—fabric.

HACA's transformation began over six years ago with the appointment of a new Executive Director who was determined to set things right. Then in 1999, a $1.7 million U.S. Department of Labor Welfare-to-Work grant to the local workforce investment board provided a much-needed infusion of working capital. The workforce board established a partnership with HACA, and their combined efforts became known as the Austin Works Together (AWT) Project. Over the next three years, AWT lost its name, but HACA has retained those partnerships and strategies that made AWT an initial success in the form of the Family Self Sufficiency (FSS) Program.

FSS is a HUD-mandated program for housing authorities nationwide; its intent is to move families from public assistance to employment. Funding from the Resident Opportunity for Self Sufficiency (ROSS) Resident Service Delivery Model has revolutionized HACA's job training and supportive services. ROSS funds allow HACA to strengthen existing and create new community partnerships, preserve and enhance their local workforce relationships, hire project coordinators, and recruit program participants.

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PATH Offers New Perspectives on Affordability

How much home can a low-income family afford to buy? More than they're currently buying, according to the Partnership for Advancing Technology in Housing (PATH).

When it comes to calculating buying power, little has changed in the last half-century in the way homebuyers and their lenders size up housing options. A simple PITI calculation — principal, interest, taxes, and insurance — brought everyone to the same "first cost"; a hard number quantifying the financial commitment home-ownership demands. For years, PITI remained unchallenged as the yardstick used for measuring the cost of a home, while the bidder's financial profile provided a more or less obvious answer about ability to buy.

But as every homeowner knows, mortgages don't exist in a vacuum. The true cost of owning a home includes monthly energy bills and maintenance costs, over and above the monthly mortgage payment. This more inclusive monthly figure is sometimes referred to as the "life cycle cost" of owning a home.

Homes that include innovative technologies to improve energy efficiency can be significantly more affordable on a monthly basis, despite a somewhat higher first cost. To demonstrate this concept, PATH sponsored the 2004 NextGen Demonstration Home at the International Builders' Show in Las Vegas earlier this year.

The energy efficiency of the PATH-sponsored NextGen Demonstration Home, shown here at IBS 2004 in Las Vegas, makes it more affordable to operate on a monthly basis.

The NextGen Home featured multiple innovative technologies and building practices, including:

- Smart framing to reduce materials and waste;
- Advanced piping that eliminates unnecessary materials and roof penetrations;
- Durable roofing and siding;
- An energy-efficient HVAC system and spray foam insulation;
- Water conservation systems, including a tankless hot water heater;
- Recycled building materials; and
- ENERGY STAR® qualified appliances, which use substantially less energy than conventional models.

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Projected Yearly Energy Costs

Energy Consumption Source	Code Home	NextGen Home
Heating	$328	$117
Cooling	$524	$324
Hot water	$289	$245
Major appliances	$431	$371
Annual energy costs:	**$1,572**	**$1,057**

With its energy-efficient features, the NextGen Home pays back the additional first cost in about five years, while offering increased comfort and enhanced resale value.

Stepping Up to High Performance

Code Home Specs	NextGen Home Specs	Estimated Cost of Upgrade
10 SEER Heat Pump	12 SEER Heat Pump	$600
Tank water heater	Tankless water heater	$630
Code double-paned windows	ENERGY STAR qualified windows	$315
R-25 ceiling insulation	R-38 ceiling insulation	$525
R-11 wall insulation	R-13 wall insulation	$54
R-11 floor insulation	R-19 floor insulation	$414
Standard refrigerator	ENERGY STAR qualified refrigerator	$30
	Total additional cost:	**$2,663**

Financial Education and Asset Building 101 for Welfare Recipients

Welfare recipients and low-income workers need more than a well-paid job to break away from poverty and the deeply rooted habits associated therewith. Money management skills are required to build savings, establish good credit, make sound financial decisions, and own a home, car, or business.

Living from paycheck to paycheck, low-income workers and welfare recipients have little or no savings, use check cashers rather than banks, often carry debts from abusive or unscrupulous lenders, and are often unaware of consumer rights and protections. Such factors make it nearly impossible to become financially stable, and keep the American Dream just out of reach.

For the past two years, the public/private partnership between the Illinois Department of Human Services (IDHS) and the Financial Links for Low-Income People (FLLIP), has led the way in delivering financial education and asset building for low-income earners. This statewide coalition teaches money management skills, enables participants to gain work support skills, and build their savings through the use of regular bank accounts and restricted, matched savings accounts called Individual Development Accounts (IDAs). Many FLLIP graduates have saved enough to buy or repair a home or car, start a business, or pursue education or training, thus increasing both their assets and their asset-building capabilities.

Recognizing the need for financial education and sound asset management for low-income workers and public assistance recipients, FLLIP targets those with income up to 200 percent of the federal poverty level. FLLIP developed out of a working group which embraced a suggestion from the Sargent Shriver National Center on Poverty Law for IDHS to incorporate financial education in its welfare-to-work program. They also welcomed a suggestion from IDA program representatives to start IDAs for low-income workers. Under Illinois law at the time, low-income workers participating in Temporary Assistance for Needy Families (TANF)-funded IDA programs could receive public and private matching funds for savings in IDAs toward first-time home purchases, small business start-ups, or post-secondary education.

In pursuing these suggestions, the FLLIP coalition garnered broad-based support from a range of organizations: faith-based and secular groups, representatives from legal and social service agencies, community groups, IDA programs, banks and credit unions, investment and insurance firms, state and federal agencies, foundations, adult educators, financial planners, certified public accountants, researchers, and volunteers.

FLLIP receives grants from their partners, including IDHS, private foundations, and banks, to fund the financial education and IDA programs. The University of Illinois Extension and FLLIP members collaborated to develop *Your Money & Your Life*, the curriculum used for the financial education program. Using a hands-on approach, FLLIP trained and paid its non-profit partners to offer financial education classes and IDA programs at the local level.

"Many sites partnered with local financial institutions to help teach classes or provide other support, such as graduation gifts, food for graduation or classes, waiver of fees, and initial deposits into graduates' accounts," said Dory Rand, coordinator of the FLLIP coalition.

Since its inception in 2002, FLLIP has produced significant results. Most FLLIP graduates changed their financial behavior, with over 80 percent of the FLLIP Financial Education Program graduates improving their skills and performance in tracking expenditures and budgeting for their households. More than 70 percent of participants increased the amount of their savings and better managed their credit card debt.

The FLLIP IDA Program graduates save about $40 per month, and some now use direct deposit for their savings and tax refunds. Many of the FLLIP IDA Program graduates made major asset purchases six to 12 months after completing the program. Money management knowledge and skills increased for over 600 FLLIP participants.

Because many of the FLLIP graduates took the first step toward establishing credit, saving money, and building assets, many non-profits, government agencies, researchers, and policy makers outside Illinois have

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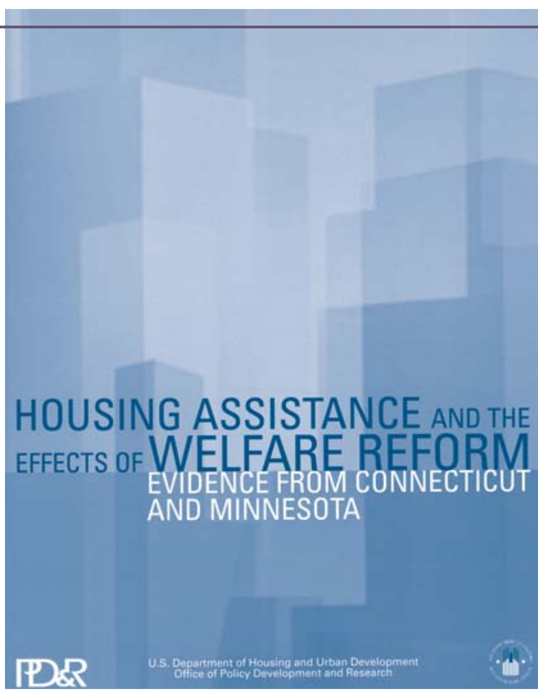
The Relationship between Welfare Policy and Housing Assistance — A New Study from HUD

A recent study commissioned by HUD's Office of Policy Development and Research (PD&R) explores the relationship between housing status and the effectiveness of welfare policy. The study, titled "Housing Assistance and the Effects of Welfare Reform: Evidence from Connecticut and Minnesota," takes aim at the following five targeted questions:

- *Are the welfare recipients who receive housing assistance a harder-to-employ group than the recipients who do not receive housing subsidies?*
- *Are the welfare reform initiatives any more effective or less effective for welfare recipients who receive housing assistance than for those who do not?*
- *Does the effectiveness of the welfare reform initiatives vary for recipients who receive different types of housing subsidies?*
- *Is there a statistical relationship between receipt of housing assistance for welfare recipients and subsequent success in the labor market?*



Although welfare and housing assistance often function in separate worlds in terms of U.S. public policy, the two are inextricably linked. Almost half of all families with children who receive federal housing assistance also receive some income from welfare. Moreover, approximately 30 percent of families who receive welfare also receive federal housing assistance.[1] This means that the progress subsidized housing tenants make toward self-sufficiency may be substantially influenced by the performance of welfare policies and programs. Similarly, the responses of tenants of subsidized housing to welfare reform initiatives may influence the overall accomplishments of those initiatives.

The study uses data from two welfare reform initiatives: the Connecticut Jobs First program (Jobs First) and the Minnesota Family Investment Program (MFIP). Both initiatives sought to increase self-sufficiency among recipients of cash assistance under the federal Temporary Assistance for Needy Families (TANF) program, which replaced Aid to Families with Dependent Children (AFDC) in 1996. In both of these experiments, thousands of families were randomly assigned either to the welfare reform program or to the traditional welfare program that was in place prior to 1996. This level of control means that any significant differences in the outcomes for the two groups can be chalked up to the change in policy.

The study yields some compelling results. First, the study showed no major differences between HUD-assisted and unassisted welfare families in education or prior employment. Almost 55 percent of those with and without housing assistance previously worked full-time for at least six months. Almost 60 percent of both groups have their GED.

Second, the impacts of welfare reform on employment and earnings were consistently larger for recipients with housing assistance than for those without assistance. In Connecticut, welfare reform had a $3,965 impact on the average four-year earnings of the assisted housing group, but only a $1,658 impact for the unassisted group. In Minnesota, the MFIP impact over the three-year follow-up period was $5,473 for the assisted group, versus only $603 for the unassisted group. Similarly, welfare reform produced larger gains in income for recipients with housing assistance than for

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PATH Offers New Perspectives on Affordability *cont. from page 2*

Another NextGen Demonstration Home shown at IBS in 2004 in Las Vegas spotlights how these homes can look nice and save owners money all at the same time.

By meeting strict energy efficiency criteria, the 2,400-square-foot, single-story home qualified for an ENERGY STAR certification from the U.S. Environmental Protection Agency (EPA). Homes that qualify for the ENERGY STAR label are at least 30% more energy efficient than homes built to the 1993 Model Energy Code or 15% more efficient than the state energy code, whichever is more rigorous. According to EPA, ENERGY STAR-qualified new homes use significantly less energy for heating, cooling, and water heating, so homeowners can expect to save about $200–$400 annually on their utility bills. While these savings are attractive for all homebuyers, they are especially important to low-income buyers, whose need for more manageable monthly costs is often a deciding factor in homeownership.

Buyers of energy-efficient homes not only save money on long-term operating costs, but can also qualify for energy-efficient mortgages (EEMs). Backed by the federal government, EEMs allow homebuyers to qualify for larger loans at their present income level by incorporating the projected monthly energy savings into the maximum allowable housing expense, or PITI.

Homebuyers can use their increased purchasing power to buy a more energy-efficient home, or choose to make an older, less efficient home more comfortable and affordable. Through EEMs backed by the Federal Housing Administration (FHA), homebuyers can finance 100% of their energy upgrades. Loans are available for as much as 15% of an existing home's value and 5% of a new home's value. EEMs require that a Home Energy Rating System assessment be performed on the house, which can cost $300 to $800, but the math makes sense for homeowners who expect to live in their home for at least five years. As energy prices continue to rise, the break even point could easily occur sooner than that.

But a homebuyer doesn't need an EEM to reap the benefits of the higher performance, higher first-cost home. It represents the best value, no matter the financing option.

For more information on the NextGen Home and its innovative technologies, visit the PATH Web site at www.pathnet.org. For more information on EEMs, visit www.efanniemae.com and follow the link to single family mortgage products.

Life Cycle Cost Comparisons

Life cycle cost comparisons also work with individual items in the home. For example, faced with the decision to replace a 100-watt light bulb with a 27-watt compact fluorescent bulb, looking at the life cycle cost makes the decision very easy. In this example, the 100-watt bulb costs $0.50 (and lasts 1,000 hours), the 27-watt compact fluorescent bulb costs $8.00 (and lasts 10,000 hours), electricity costs $0.08 per kilowatt-hour, and you will use the bulbs for four hours per day.

Cost of Lamps	**100 Watt Incandescent**	**27 Watt Compact Fluorescent**
Lamp Life	1,000 hours (250 days)	10,000 hours (2,500 days)
Annual Energy Cost	$14.60	$3.94
Lamps Purchased in life of compact fluorescent (6.8 years)	10	1 (one bulb lasts the entire time)
Bulb Costs	$5.00	$8.00
Energy Costs	$99.28	$26.81
Total Cost	$104.28	$34.81
Savings Over Lamp Life		**$69.47 savings**

This simple life cycle cost model does not include the cost (or inconvenience) of actually changing the bulb. In the model shown above, based on the energy savings alone, you save the cost of the compact fluorescent bulb in nine months.

Welfare Reform Brings Housing to Austin *cont. from page 1*

Numerous public-private partnerships are what make HACA's FSS Program a success. Austin's Community Action Network, a nonprofit organization dedicated to sustaining community collaborative efforts, provided technical assistance in bringing these partners to HACA. According to James L. Hargrove, HACA Executive Director, "HACA has leveraged themselves into the Austin community by partnering with the best in the nation." Goodwill Industries, HACA's largest partner, is effectively meeting the employment and training needs of public housing residents through the Job Source Center. Other paid and non-paid partners, including the Austin Academy, Austin Community College, and the Austin Baptist Association's Mission Baptist, provide GED assistance, continuing education, job placement, entrepreneurial training, small business loans, and a summer youth employment program for kids ages 14–17. A collection of other partners, Southwest Housing Compliance Corporation (SHCC), Capital Metro, and various faith-based groups, provide transit assistance, childcare vouchers, and reimbursement.

Not only do program residents and the community benefit from HACA's collaborative efforts, but so do the partners themselves. Program facilities provided in Austin's 19 public housing sites and by the Health and Human Services Department are also available for HACA's partners to use in providing services outside the FSS Program. Director Hargrove observed that "We want the influx of people who would not normally come onto the Housing Authority's property to learn about public housing, but also provide different perspective to residents."

In addition to cultivating partner relationships, it's important for HACA to preserve their affiliation with the local workforce board, WorkSource. WorkSource is a business-led board that plans and oversees local workforce development and job training programs. By using performance initiatives, "We've taken the program and capitalized on the ability to make sure we have good attendance in classes," Wood reports. HACA representatives continue to meet with WorkSource on a quarterly basis to discuss community needs.

While HACA provides 5,000 housing vouchers each year (a number that's been on the rise since 1997), their homeownership program is still in development. HACA believes that the greatest vehicles for upward mobility are education, employment, and professional growth.

Through these avenues, residents of public assisted housing can become financially independent, which in turn can lead to homeownership. This strategy has earned HACA both state and national and recognition. The National Association of Housing Redevelopment Officials (NAHRO) has awarded HACA the Commissioner of the Year Award for its leadership in education and faith-based partnerships. Both NAHRO and SHCC award over $50,000 in scholarships for high school graduates in the FSS program to attend college or trade school.

For more information regarding HACA's FSS Program, you may contact Veronica Wood, Director of Community Development, at VERONICAW@hacanet.org or by calling (512) 477-4488. For more information on welfare reform's effect on housing, PD&R offers a new report, *Housing Assistance and the Effects of Welfare Reform: Evidence from Connecticut and Minnesota*, which is covered elsewhere in this issue and is available at www.huduser.org/publications/pubasst/housingAsst.html or in printed form for $5 by calling 800-245-2691.

FFS participants use vocational training they receive through the program to gain employment.

Relationship between Welfare Policy and Housing Assistance *cont. from page 4*

those without housing assistance in both Connecticut and Minnesota.

Finally, in a series of nonexperimental analyses, the study found evidence that receiving housing assistance yields better economic outcomes for families in general. However, this relationship appears to hold only in the context of welfare reform. Among members of the Minnesota program group, the employment rate over the three-year follow-up period for those with housing assistance was 12 percentage points higher than for those with no housing assistance. Moreover, their average earnings were $3,637 higher, and their average total measured income was greater by $3,167. All of these estimates are statistically significant. In Connecticut, the rate of employment during the four-year follow-up to the Jobs First program was nearly seven percentage points higher for the assisted housing group than for the unassisted group. This, too, was statistically significant. Housing assistance was also associated with substantially higher earnings and total measured income, though not by a statistically significant amount.

The findings of this study are consistent with other recent studies showing that welfare reforms are more effective in increasing the self-sufficiency of welfare recipients with housing assistance than increasing the self-sufficiency of those without it. According to this study, eight out of ten analyses done on a range of states and reform initiatives found similar patterns.

The study concludes that the reasons behind the consistent pattern of results remain unclear. One possible explanation is the role that housing assistance might play in fostering conditions that help or encourage people to take advantage of the employment services and incentives offered by welfare reforms. For example, some experts believe that the greater housing stability that can result from housing assistance might make it easier for people who are not regularly working to take advantage of programs designed to help them prepare for and hold a job.

Although patterns of recent analysis suggest that welfare reform is more effective when combined with housing subsidies, the study qualifies that welfare reform can be highly successful for recipients without housing assistance. There are a number of welfare-to-work programs that produced statistically significant earnings impacts for recipients who do not receive housing assistance.

"Housing Assistance and the Effects of Welfare Reform: Evidence from Connecticut and Minnesota" is available as a free download from HUD USER at http://www.huduser.org/publications/pubasst/housingAsst.html or in printed form for a nominal charge by calling HUD USER at 1-800-245-2691.

[1] "Housing Assistance and the Effects of Welfare Reform: Evidence from Connecticut and Minnesota," citing Sard, Barbara 2003, "Housing and Working Families – Background Data." Microsoft PowerPoint presentation given at a forum sponsored by the Brookings Institution Center on Urban and Metropolitan Policy and Harvard's Joint Center for Housing.

Financial Education and Asset Building 101 for Welfare Recipients *cont. from page 3*

begun to contact the FLLIP program to learn the secrets of their success. The State of Delaware followed FLLIP's lead in counting financial education as a work activity for TANF. New Jersey has proposed legislation requiring that states include financial education in their TANF plans. Non-profit staff from New York, Louisiana, and other states around the country have come to Chicago for training. Dozens of agencies have sought grants to conduct financial education using FLLIP's curriculum, *Your Money & Your Life*. FLLIP personnel have been generous in lending their support, so that now, many other communities are in the process of replicating their success. "It's all about relationships. Developing trust. Being persistent. Showing all parties what's in it for them. Recognizing contributions. Doing media outreach. It may take a long time to get a program off the ground, but don't give up! It's worth it," said Rand.

While the partnership between the IDHS and the FLLIP is fairly new, the group has already achieved great results, and is well on its way to helping many more people move into the financial mainstream, and eventually achieve financial security.

For more information about the Financial Links for Low-Income People, visit http://www.povertylaw.org/advocacy/community_investment/fllip_report.cfm or contact Dory Rand, FLLIP Coordinator, at 312.368.2007.

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In the Next Issue of research works ...

- An in-depth story about HUD's quarterly "U.S. Housing Market Conditions," a periodical that HUD has published since 1994 which compiles and presents data about the national housing market, as well as information that's specific to ten geographic regions.

- An article highlighting the work of Michigan Suburbs Alliance (MSA), a nonprofit organization created to seek a fair share of state funds for first-ring communities. MSA is working to create a statewide coalition of older metropolitan areas hit hard by population loss due to sprawl, revenue shortfall, and infrastructure deficiencies.

- A closer look at HUD's Comprehensive Market Analysis Reports—analyses prepared to assist HUD in its operations and also useful to builders, mortgagees, and others concerned with local housing conditions and trends. These reports currently cover over 30 locales with more to come.

- A look at how the University of New Mexico has used a HUD Hispanic Serving Institutions for Assisting Communities (HSIAC) grant to help small businesses and improve the economic outlook of the local community.

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