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research works

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Preserving a Piece of History

Ajo, Arizona, is a small town 40 miles north of Mexico and approximately 100 miles from both Phoenix and Tucson. Located in one of the border region's colonias, Ajo has long served as a stop for tourists en route to Mexico and the national deserts. With its recent influx of artisans who reside and work at the Curley School, however, Ajo has become more than just a place to stop along the way; it's become a destination in its own right.

Curley School was built in 1919 during the copper mining boom. Now listed on the National Register of Historic Places, the school was part of a planned "company town" that also featured a plaza, shops, housing, and two white adobe churches. The school's 7-acre campus was composed of eight buildings constructed in the Spanish Colonial Revival style, complete with arches, stucco exteriors, red terra cotta roof tiles, copper accents, and domed towers.

Credit: The Architecture Company, Tucson, AZ.
Photographer: Ron McCoy

Rehabilitation of the Curley School has brought an influx of artisans and their families to Ajo, Arizona.

This facility was abandoned and in disrepair when a rural nonprofit, the International Sonoran Desert Alliance, undertook its redevelopment. The rehabilitated mixed-use project offers live/work spaces for 30 artisans and their families. The new apartments, built in a loft style with high ceilings and ample natural light, vary in size from studio to three-bedroom units. In this economically depressed area of Pima County, where half of renters spend at least 30 percent of their income on housing costs, monthly rents for these affordable apartments range from $207 to $625.[1] Priority is given to renters who are artists or who own creative home businesses."[2] In addition to the apartments, amenities include

1. American Community Survey, "Pima County, Arizona Data Profiles-4. Selected Housing Characteristics: 2007" at **http://factfinder.census.gov**.

2. Curley School website **(www.curleyschool.com/2006-curley-artisan-lofts/curley-school-qualifications.htm)**.

continued on page 2

contents

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Preserving a Piece of History *continued from page 1*

classrooms, workshops, an indoor-outdoor auditorium, computer lab, and gymnasium. Residents also have access to services such as business development training, employment counseling, health and youth programs, and homeownership assistance.

Benefits from the rehabilitation project have suffused throughout the community, the most obvious being that the project has inspired the renovation or preservation of other local buildings. The influx of artisan residents and their families also counters a pattern of out-migration, bringing employment opportunities to an area that has long suffered from a dwindling employment base.

The redevelopment of Curley School was a community-wide effort that cost $8.9 million. Funding for the project came from a range of governmental and community-based participants, including HUD ($2.5 million), the National Trust for Historic Preservation, the Federal Home Loan Bank, local community organizations and individuals, the National Bank of Arizona (permanent loan), and the state of Arizona. Types of funding used included Pima County (Arizona) bonds, low-income housing tax credit equity ($5.3 million), historic rehabilitation tax credits ($1.5 million), deferred developer fees, and community donations (derived from a capital campaign that enabled the developer to purchase the property).

Because of these efforts, Curley School received the 2008 HUD Secretary's Award for Excellence in Historic Preservation, given jointly with the National Trust for Historic Preservation. This award honors success in advancing the goals of historic preservation while providing affordable housing or expanded economic opportunities, particularly for low- and moderate-income families and individuals.

Details on the HUD Secretary's Award for Historic Preservation, as well as other HUD Secretary Award programs, are available at **www.huduser.org/research/secaward.html**. Additional information on Curley School can be found at **www.curleyschool.com**.

Sharing the Risks and Rewards of Homeownership

To sustain and increase homeownership opportunities, researchers are evaluating new mechanisms that can help potential homebuyers. Shared equity is one strategy that some communities are implementing to make housing more affordable to moderate- and lower-income households. The appeal of shared equity is threefold: it increases affordable homebuying opportunities, extends the return on public investment, and boosts the long-term supply of affordable housing.

Shared equity strategies vary. In general, the equity or appreciation of a home divides at the time of sale between the seller and the lender (usually a nonprofit or government organization). Depending on the particular shared equity mechanism used, the lender's share lowers the purchase price for the next buyer, and the seller's share expands the assets for that family. In a recent presentation at a NeighborWorks® America/NCB Capital Impact symposium, Rick Jacobus, partner in Burlington Associates in Community Development, and Jeffrey Lubell, executive director of the Center for Housing Policy, explained that, to be attractive, shared equity strategies must achieve a satisfactory balance between affordability and asset building.[1]

One such approach, the shared appreciation loan, works like a silent second mortgage. A nonprofit or government lender subsidizes the buyer for the difference between the purchase price and what the buyer can afford. At the time of sale, the seller reimburses the lender for the subsidy and yields an agreed-on portion of the home's appreciation. Jacobus and Lubell gave an example of a home purchased for $250,000 with the help of a subsidy for 20 percent of the price ($50,000). The purchase agreement specified that at the point of sale, the owner would repay the subsidy, plus an amount equivalent to 20 percent of the accrued appreciation. Several years later, the home sold for $375,000. The subsidy that made the home affordable, plus 20 percent of the appreciation of $125,000 (a total of $75,000) went to the lender, leaving a profit of $50,000 for the seller. The lender then applied this $75,000 toward making the home affordable to the next owner, thus preserving the subsidy investment.

Subsidy retention, another commonly used model, ties the subsidy to the housing unit, rather than conveying it to the buyer. This lowers the selling price to make it affordable to households of a targeted income level, such as those who earn 80 percent of the area median income (AMI). The home in the example above would receive a subsidy of $50,000, thus lowering the price to $200,000. The buyer would agree upfront to a formula-determined resale price designed to keep the house affordable for the next family. The long-term advantage of this subsidy retention strategy is that, as long as it continues, the home will remain affordable to eligible families.

Communities across the country are implementing shared equity strategies based on one of these models, and on others. They can also take the form of deed-restricted homeownerships, limited equity cooperatives, and community land trusts. Resale formulas might be based on appraised value, indexed to area median income or consumer price index, or conformed to affordable housing costs. Three examples of shared equity applications are described below:

- Howard County, Maryland, where the average sales price is $430,000, is selling three new homes. These homes, worth roughly $345,000, are available to limited-income buyers for $167,655 under a shared equity program in which the nonprofit builder will retain a 40 percent share, with a right of first option to repurchase if the owner decides to sell. The buyer will pay closing costs and the property taxes on his or her share of the home. The

continued on page 5

1. Rick Jacobus and Jeffrey Lubell, "Shared Equity Homeownership: An Effective Strategy for Balancing Affordability and Asset-Building Objectives," Center for Housing Policy, November 2007.

Shared equity can help make housing more affordable for low- and moderate-income households.

Excelling in Housing and Community Design

Good design is a cornerstone of solid homes and thriving communities, regardless of residents' income levels and backgrounds. The Housing and Custom Residential Committee Knowledge Community of the American Institute of Architects, in conjunction with the Office of the Secretary of Housing and Urban Development, recognizes excellence in affordable housing, community-based design, participatory design, and accessibility with four annual awards. The awards not only demonstrate that design matters, they highlight important benchmarks in the housing industry. The four 2008 award winners also embrace and demonstrate the revitalizing potential of mixed-use and mixed-income housing developments.

Community-Informed Design Award

Greenbridge in White Center, Washington, received the Community-Informed Design Award. This honor recognizes design that supports physical communities as they rebuild social structures and relationships weakened by out-migration, disinvestment, and isolation of inner-city areas. Residents, community stakeholders, local government officials, and designers are all involved in creating buildings and institutions with purposes that enhance community life. Thus, the design process is emphasized as much as the resulting physical structures that are developed in lower- or mixed-income communities.

Greenbridge is a 100-acre HOPE VI redevelopment of 1,000 low-income, workforce, rental, and for-sale homes. It replaces 568 units of World War II-era, low-income public housing. This green-built community is a product of an intensive master planning process that required nine months and over 100 meetings with residents, neighbors, and representatives of the local community. The resulting redevelopment is seen as an engine for transformational change in the larger community, in that it provides affordable housing at multiple income levels and replaces a project known for its high crime rate with a neighborhood built around parks and open spaces.

Creating Community Connection Award

Valencia Gardens, in San Francisco, California, was honored with the Creating Community Connection award that recognizes projects that incorporate housing within other community amenities for the purposes of revitalization or planned growth. Valencia Gardens is another HOPE VI development located on

Credit: Rick Keating

Greenbridge offers 1,000 low-income, workforce, rental, and for-sale homes in White Center, Washington.

a five-acre site in San Francisco's Mission District. The primary goals were to connect the project with the surrounding urban fabric, reestablish a strong sense of place among members of the community at large, and provide a safe defensible space, while acknowledging household independence. Valencia Gardens accomplishes these objectives, and instills a sense of pride among its residents through well-designed, community-oriented space and public art.

Excellence in Affordable Housing Design

K Lofts—located in urban San Diego, California—was honored with the Excellence in Affordable Housing Design Award, specifically for architecture that responds to the needs and constraints of affordable housing. This was achieved with a participatory design process that forged positive connections between and among residents, community stakeholders, local government officials, and civic groups. The result is a building that integrates public and private spaces in ways that enhance human scale and promote social interaction. K Lofts also uses defensible space principles to help revitalize this at-risk community, in conjunction with efforts to enhance the neighborhood's physical fabric.

Housing Accessibility—Alan J. Rothman Award

An exemplary project demonstrating excellence in improving housing accessibility for people with disabilities, Patrolia Loft was honored with the Alan J. Rothman Award.

This award is named in remembrance of Alan J. Rothman, HUD's late senior policy analyst on housing

continued on page 7

downpayment is provided through a county-arranged federal loan that will be forgiven if the owner occupies the home for 15 years.[2]

- The Housing Authority of San Bernardino County, California is making homes affordable to low-income families through a community land trust. A nonprofit group owns the land and sells new 3-bedroom homes with upgraded amenities for $132,000 to $160,000, or about two-thirds of their market value. Eligible households earn no more than 80 percent of the AMI, pay a 3-percent down payment, lease the land for $50 a month, and agree to keep no more than 24 percent of any increase in the appraised value when they sell the home, which must be sold to other income-qualified households.[3]
- Arlington County, Virginia offers limited equity homeownership opportunities to income-eligible families (earning less than 80% of AMI). Potential purchasers are chosen by lottery from a pool of eligible applicants. The county retains a perpetual right of first refusal to repurchase the property at a set price, or to identify another qualified household to buy the home for this amount. This price is calculated as the original sum paid, plus annual appreciation based on increases in the AMI (averaging 2 to 3%), plus the cost of any capital improvements made to the property. A modest profit in appreciation or equity for the homeowner is permitted.[4]

Shared equity as a strategy is also visible at the national level. Local communities using Neighborhood Stabilization Program funds from HUD to purchase and redevelop abandoned and foreclosed residential properties may include shared-equity loan assistance for low- and moderate-income homebuyers in their plans.[5] The HOPE for Homeowners program, created by Congress to help those in danger of default and foreclosure to refinance into more affordable loans, features shared equity and appreciation between the Federal Housing Administration and participating owners.[6]

Although every shared equity program has unique advantages and disadvantages to consider in the local context (such as how increases in home prices relate

Shared equity is helping homeowners and potential homeowners at the local and national level to find affordable housing.

to income growth), this mechanism can potentially increase homeownership, lower risk for borrowers and lenders, add stability to housing finance, preserve affordability, and enhance the housing supply for low- and moderate-income households. Such benefits have to be weighed against the plans' limits on economic gains accrued by homeowners, as well as the reluctance of the market to embrace an unfamiliar product. In addition, government agencies will need to make legislative and regulatory changes, and assign administrative responsibility for managing these programs. HLI

2. Larry Carson, "Homes Looking for Good Owners," *The Baltimore Sun*, 30 October 2008 **(www.baltimoresun.com)**.

3. Duane W. Gang, "Emerald Empire Homes Land Trust Looks to Make Homeownership Affordable," *The Press-Enterprise*, 15 June 2008 **(www.pe.com)**.

4. Arlington County Department of Community Planning, Housing and Development, *Homebuyer Information Packet* **(www.arlingtonva.us/Departments/CPHD/Documents/11121Homebuyer%20Packet.pdf)**.

5. See "Neighborhood Stabilization Program Grants" at **www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/**.

6. See "Hope for Homeowners" at **www.hud.gov/hopeforhomeowners/index.cfm**.

Housing Counseling with HUD Support

In response to the current foreclosure crisis, Congress has increased HUD's appropriation for housing counseling from $41.6 million to $50 million. NeighborWorks® America also received two appropriations totaling $360 million to provide foreclosure mitigation counseling; $336 million of this total will pass through intermediaries to agencies that provide these services.

The Housing and Urban Development Act of 1968 authorizes HUD to provide housing counseling services directly or through private or public organizations with special competence and knowledge in counseling low- and moderate-income families. In 2007, HUD-approved agencies offered housing education or counseling sessions to approximately 1.7 million individuals and families throughout the country. Organizations applying for designation as HUD-approved agencies must provide evidence of sufficient resources to implement their proposed counseling plans. These organizations have nonprofit status and have successfully administered a housing counseling program for at least one year in their proposed service areas. HUD-approved counseling agencies gain access to competitive grant funds and training scholarships. HUD-approved agencies also meet certain standards and federal guidelines that have increasingly become benchmarks for participation in other public/private housing programs.

A recently completed study commissioned by HUD's Office of Policy Development and Research, *The State of the Housing Counseling Industry: 2008 Report*, found that HUD-approved agencies are meeting the legislative mandate to serve individuals with lower incomes.

HUD-approved housing counseling agencies provided housing education or counseling to more than 1.7 million people in 2007.

In 2007, half of the counseling recipients had incomes below 50 percent of the area median income (AMI) and another 30 percent earned from 50 to 80 percent of AMI.

The organizations providing these services are mostly small nonprofits that vary substantially in their missions, range of services, and the number and types of clients counseled. Although the primary mission of one-fourth of these agencies is housing counseling, the others direct their energies primarily toward housing and neighborhood development, social services, consumer credit counseling, or legal assistance. Most have modest budgets for housing counseling and education. The average agency relies on 3.6 different funding sources. HUD is the single largest source of funding for housing counseling services, accounting for 14 percent of the total. Much of HUD's funds flow to local agencies through intermediaries and state housing finance agencies, some of which also provide counseling.

The study found that costs ranged from a low of $200 to more than $1,000 per client, with an average per capita outlay of $431. Clients who attended group sessions received 4 to 10 hours of counseling; recipients of individual counseling services averaged between 3 and 8 hours. The time required depends on the type of housing issue; for example, homebuyer education workshops took longer than home equity reverse mortgage (HECM) counseling. Housing counseling covers an array of issues, including:

- Prepurchase homebuying;
- Resolving or preventing mortgage delinquency;
- Help with home maintenance or financial management for homeowners;
- Help in locating, securing, or maintaining residence in rental housing; and
- Seeking shelter or services for people who are homeless.

A majority of housing counselors at HUD-approved agencies were college educated—65 percent held a 2- or 4-year college degree—and have an average of 8 years of work experience. Most had some formal training in housing counseling. Yet the level of staff expertise posed a significant problem for about two-thirds of the provider agencies, frequently

continued on page 7

Excelling in Housing and Community Design *continued from page 4*

disability issues, who devoted his life to championing housing accessibility for the disabled.

Patrolia Loft is an interior fit-out of an existing concrete-shell apartment in Boston, Massachussetts that is specifically designed for a wheelchair-bound resident owner. The project began with the proposition that accessible design should first and foremost be *good design*. Specific accommodations were made for the mobility limitations and accessibility needs of the owner. The result is a well-designed, open, and dramatic home that quickly became the focus of the resident's busy life.

Other awards in the HUD Secretary's Program include the Award for Excellence in Historic Preservation, Opportunity and Empowerment Award, and Best in American Living Awards. Complete information about these programs, past winners, and submission requirements is available at **www.huduser.org/research/secaward.html#des**.

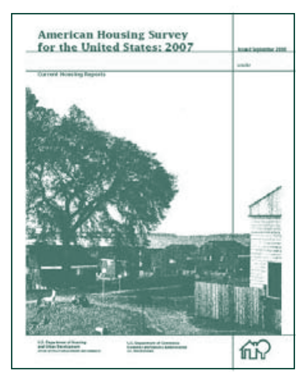
Housing Counseling with HUD Support *continued from page 6*

because of staff turnover; the costs of, and limited access to, training; and inadequate compensation.

Most counseling, intermediary, and state housing finance agencies agree that the industry needs to increase its capacity to offer foreclosure mitigation and HECM counseling services, as well as to foresee, prevent, and quickly respond to client needs. These agencies also emphasized the need for higher funding levels to ensure satisfactory continuity of service and adequately trained personnel. The agencies are engaged in an important debate over industry-wide standards that will ensure consistently high-quality services to all clients everywhere.

Researchers found that the major industry players agreed that HUD could help address the challenges confronting housing counseling providers. Their suggestions included buttressing efforts to improve funding levels for housing counseling and counselor training, helping develop national counseling standards, increasing counseling requirements for FHA loan products, and improving public awareness of the value of prepurchase counseling. Other suggestions included encouraging lenders and loan servicers to become more responsive to the requests of counselors working on foreclosure mitigation, and promoting widespread adoption of technology in the counseling industry. *The State of the Housing Counseling Industry: 2008 Report* is available online at **www.huduser.org/publications/affhsg/hsg_counseling.html** and can be downloaded at no charge.

Accessing AHS Data



HUD and the Census Bureau give high priority to making data from the American Housing Survey (AHS) available to a wide range of interested users. AHS information can be downloaded in tabular and microdata formats from **www.huduser.org/datasets/ahs.html** or can be purchased on CD-ROM. The data can also be downloaded in PDF format or purchased as a complete report. Other AHS data at this site include summary statistics for the 2007 AHS; line-by-line comparisons of the 2005 estimates and the 2007 initial estimates for an array of housing and occupant characteristics; the revised codebook for the 2007 survey; and microdata for the national surveys completed in odd-numbered years from 1995 to 2007, as well as metropolitan surveys from 1995 through 2004. Additional data, including the AHS national and metropolitan reports from 1975 through 2007 in PDF; other AHS and housing reports; access to the microdata files for extracts and analyses using automated systems; and a description of relevant changes in the survey are available at **www.census.gov/hhes/www/ahs.html**.

U.S. Department of Housing and Urban Development
HUD USER
P.O. Box 23268
Washington, DC 20026—3268

In the Next Issue of... research*works*

- The latest issue of *Cityscape* features a symposium that explores how higher education institutions have stepped forward to facilitate rebuilding in the storm-damaged Gulf Coast region. We'll take a brief look at the advocacy research and service-learning projects described in the symposium that are contributing to the education of students and faculty, building local capacity, and increasing knowledge of effective strategies for community development.
- HUD's Housing Opportunities for Persons with Aids (HOPWA) program recently awarded $10.4 million in grants to organizations in nine states that help families affected by HIV/AIDS. In this article, Research*Works* will briefly describe the HOPWA program and how grantees assist individuals with HIV/AIDS and their families in finding stable homes—through transitional and permanent supportive housing—and in managing their illness.
- Gosnold Apartments and Cloverleaf Apartments in Norfolk, Virginia are regional supportive housing complexes that provide permanent housing for homeless individuals from the Norfolk, Virginia Beach, and Portsmouth communities. Developed as part of the region's 10-year plan to end homelessness, the two complexes were financed and supported by three local cities, with funding assistance from a variety of federal, state, and local sources, including HUD rental assistance. Each complex—one a former bottling plant and the other a former skating rink—provides housing and supportive services to 60 formerly homeless individuals. We'll look at how the jurisdictions worked cooperatively to renovate the structures and the funding sources that made it possible.
- Some jurisdictions are now turning to accessory dwelling units (ADUs)—also referred to as granny flats, accessory apartments, or second units—as an inexpensive way to increase their housing supply. Development of these units requires revision of restrictive zoning policies, and may be met with community opposition from residents concerned that ADUs will change their neighborhood's character, promote overcrowding, and increase traffic congestion. We'll review a case study that examines the history and benefits of ADUs, and highlights six communities that have successfully implemented ADU ordinances.

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