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A Bridge Linking Housing Research and Practice

New Approach To Serving Vulnerable Families

Public housing is changing in appearance as aging, distressed, crowded, and unsafe conditions give way to mixed-income developments and more housing choices for recipients of housing assistance. At a congressional committee hearing on the future of public housing, Urban Institute researcher Susan Popkin testified that many former public housing residents now live in better, safer housing. She noted, however, that the challenge remains of helping "the most vulnerable families — those 'hard to house' families with multiple, complex problems that make them ineligible for mixed-income housing or unable to cope with the challenges of negotiating the private market with a Housing Choice Voucher."[1]

The Chicago Housing Authority (CHA) is stepping up to meet this challenge by testing a new model designed for serving such hard to house families: the Chicago Family Case Management Demonstration.[2] At the heart of CHA's innovative service model is a form of case management that is both intensive and comprehensive, customized to help families establish safe, stable housing. The underlying premise is that these families can build on their inherent strengths and capacities while an engaged case manager works with them to overcome difficult circumstances, thereby building motivation and support. The new model features several key differences from the usual service delivery model:

- Family caseload management replaces a focus on individual heads of household. Family is understood to include relatives, close friends, and significant others.

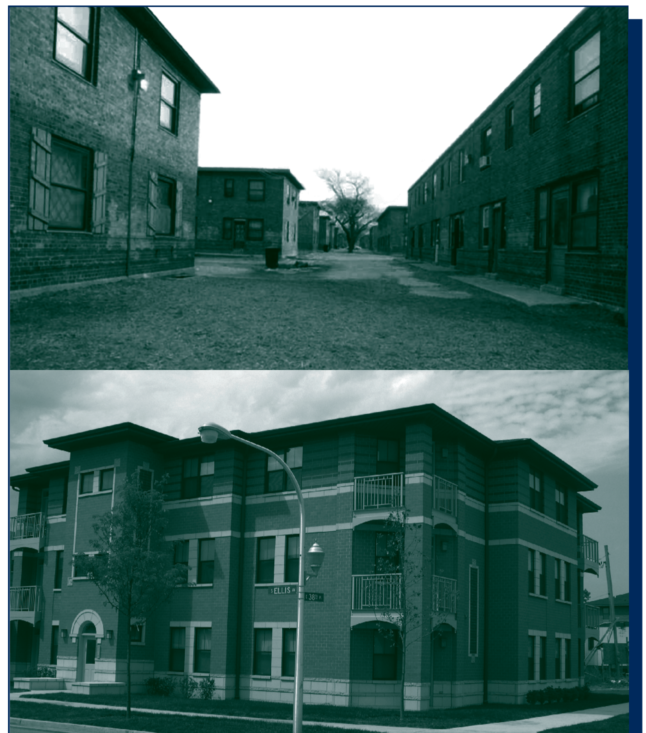

Photo Credit: Chicago Housing Authority

Public housing is changing in appearance and offering more housing choices for assistance recipients.

- Caseloads are smaller (25, not 55), thus allowing case managers to visit families in their own homes and make weekly (rather than monthly) visits.
- Case managers remain engaged with a family, even after a relocation, for at least three years, rather than as little as three months.
- Case managers have the support of a clinical case supervisor in adjusting to the new model and developing needed skills.
- Supplemental services in the form of a transitional jobs program, a financial literacy program, and a matched savings plan help strengthen residents' life skills.

- **New Approach To Serving Vulnerable Families pg. 1**
- **Foreclosure Risk Lowered With Downpayment Assistance pg. 3**
- **Stabilizing Communities With NSP Dollars pg. 4**
- **Models of Sustainable Affordable Housing pg. 6**

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New Approach To Serving Vulnerable Families

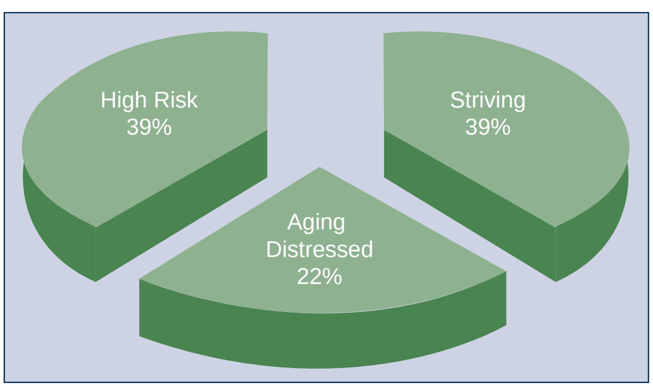
(continued from pg. 1)

- Enhanced relocation counseling assists residents in understanding their housing options, selecting an alternative housing unit, and negotiating their move, with follow-up afterwards.
- Agencies involved in service delivery and program evaluation closely coordinate their efforts.

CHA is testing this model with 475 hard to house families who were living in two of the city's largest public housing developments, Wells/Madden and Dearborn, in March 2007. At the time, Wells/Madden was about to be closed, with many families having already left the sadly deteriorated units. More than 200 families still resided in Dearborn, whose buildings were being either renovated or demolished. These households had arrived at a decision point brought about by external circumstances: Would they continue to live in traditional public housing, turn to the private market with vouchers in hand, or move to new, mixed-income developments?

A baseline survey of the heads of these 475 households indicated that more than half had children under the age of 18 and 12 percent were over the age of 62. The median length of tenure in CHA housing was 28 years. Seventy percent had an annual household income of less than $10,000; 31 percent had paying jobs, 47 percent received some type of public assistance, and 71 percent qualified for food stamps. Four out of every 10 did not have a high school diploma. More than half of the residents described their health as fair or poor, reporting diagnoses of obesity, hypertension, asthma, depression, and anxiety.

Clusters of Residents in the Chicago Family Case Management Demonstration



Susan Popkin, "Public Housing's Hard to House: Lessons from the Chicago Family Case Management Demonstration, powerpoint presentation provided by author.

Researchers are monitoring the outcomes of this demonstration to see if and to what extent these families will be able to improve their housing opportunities. They found that after the first year:

- Resident/case manager engagement improved markedly compared with a year earlier. The engagement rate in Wells/Madden rose from 43 to 79 percent; in Dearborn, it rose from 56 to 80 percent.
- Of 75 households referred for relocation counseling during the first year, 63 moved to private market units using Housing Choice Voucher program assistance and 12 moved to other public housing units. The neighborhood poverty rate improved for 13 families, and one moved to a neighborhood that seemed to offer significant opportunity.
- 5 clients participated in a Transitional Jobs program and 15 became employed.
- 21 households enrolled in a Get Paid To Save program, and two-thirds were able to save regularly.

The first year's experience with the model pointed to several emergent lessons. Additional support for case managers was necessary because of the intensive needs of hard to house families. Communication and coordination among the multiple agencies that delivered services were seen as critical. The employment and literacy programs needed a closer fit to the needs of clients experiencing significant barriers to education and employment. Finally, many clients were unready to move, despite the relocation services and workshops available.

Researchers continue to monitor outcomes and progress, remaining alert to whatever program adjustments and solutions are needed to overcome the multiple barriers faced by this extremely vulnerable population. The program has already produced a valuable tool that offers the needed means and methods to effectively target resources and services — a resident typology. This typology recognizes three target groups (striving, aging and distressed, and high risk), each with unique characteristics that point to particular service needs.

Now in its third year, the demonstration program is being thoroughly evaluated, and results will be available in 2010. According to Popkin, the evaluation will include an analysis of administrative data, results from baseline and follow-up resident surveys, a comparison with residents in other CHA developments, an analysis of cost-effectiveness, and a determination of the best way to serve each of the identified resident types.

[1]Susan J. Popkin, testimony prepared for the hearing on Academic Perspectives on the Future of Public Housing, U.S. House of Representatives Committee on Financial Services, Subcommittee on Housing and Community Opportunity, 29 July 2009.

[2]Susan J. Popkin, Brett Theodos, Caterina Roman, Elizabeth Guernsey, and Liza Getsinger, "The Chicago Family Case Management Demonstration: Developing a New Model for Serving 'Hard to House' Public Housing Families," Urban Institute, Washington DC, June 2008.

Foreclosure Risk Lowered With Downpayment Assistance

The recent housing crisis has made clear the importance of ensuring that when a family achieves homeownership, it is a sustainable homeownership. There is always a tension when attempting to expand homeownership, with the risk that households will be unable to meet mortgage obligations and remain in the homes they purchased. This was the concern Congress had in 2006 when it directed HUD to determine foreclosure and delinquency rates for those who received assistance through the American Dream Downpayment Initiative (ADDI), a program designed to help expand homeownership among lower-income households.

According to the resulting study, *Rates of Foreclosure in HOME and ADDI Programs*, such difficulties seem to be the exception, not the rule.[1] This study finds that foreclosure rates among homebuyers assisted through the HOME and ADDI programs were lower when compared with the subprime market and with overall foreclosure rates for buyers with loans insured by the Federal Housing Administration (FHA). Established by the American Dream Downpayment Act of 2003, the ADDI program was funded in fiscal years 2004–2007. ADDI provided assistance with downpayments, closing costs, and rehabilitation associated with a home purchase. ADDI was not subsequently funded because

HOME/ADDI downpayment assistance boosted eligible families' transition to homeownership

HOME programs also offered the kind of assistance that made homeownership affordable and sustainable for low-income families. The funding was allocated to existing HOME programs created under Title II of the National Affordable Housing Act of 1990.[2]

Because both programs served lower-income homebuyers, researchers combined data from the two programs to obtain a larger study group. Researchers gathered information from a representative sample of more than 4,000 homebuyers identified by state and local governments that administered the program. The estimated annual foreclosure rates of HOME and ADDI participants from 2001 through 2005 were then compared with those of the FHA-insured mortgage portfolio as of early 2008 — a similar population of homeowners, many of whom have low incomes and are first-time homebuyers. The differences were statistically significant. Between 2001 and 2005, foreclosure rates among HOME and ADDI participants were 25 percent lower than the rates found among all FHA-insured borrowers. Loans originating in earlier years (2000–2002) had higher rates of foreclosure than those in more recent originations (2003–2005), in part because the longer a loan is in existence, the more time it has to experience a foreclosure.

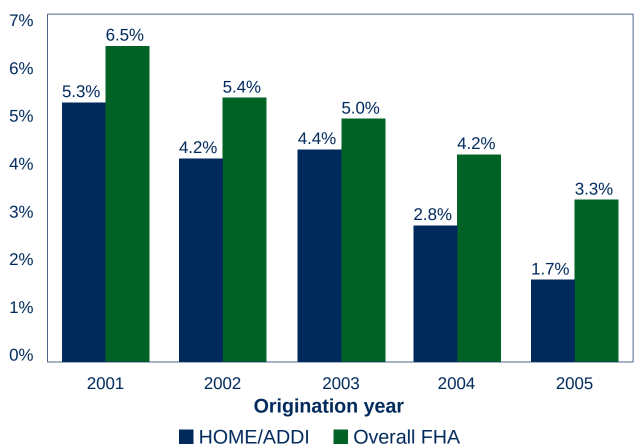
The study explored the effects of a number of other variables on delinquency, default, and foreclosure rates. Stricter credit eligibility requirements and greater equity through homebuyer assistance and borrower cash were related to lower foreclosure rates. Adjustable-rate mortgages, high-cost loans, reliance on lenders to keep interest rates down, nonprofit

Foreclosure Risk Lowered With Downpayment Assistance

(continued from pg. 3)

seller-funded downpayment programs, and declining prices of surrounding homes, on the other hand, were all associated with higher foreclosure rates.

Comparison of HOME/ADDI and FHA-Insured Portfolio Foreclosure Rates



Note: FHA foreclosure rates are based on fiscal year of origination, whereas HOME/ADDI foreclosure rates are based on calendar year of origination.

Source: *Rates of Foreclosure in HOME and ADDI Programs*, p. 15.

A factor that is strongly linked with higher foreclosure rates among HOME- and ADDI-assisted homebuyers was the use of FHA-insured mortgages. The researchers hypothesize that HOME- and ADDI-assisted homebuyers who had "poorer credit histories were more likely to rely on FHA-insured mortgages" and less likely to obtain prime mortgages. The prevalence of these riskier homeowners in the FHA portfolio resulted in these homebuyers having higher rates of foreclosure in comparison to HOME- and ADDI-assisted buyers. Nevertheless, "their foreclosure rate was still much lower than the rates experienced by buyers using seller-provided downpayment assistance and only slightly higher than the foreclosure rates of the overall FHA-insured portfolio."[3]

Overall, the study concludes that the HOME and ADDI programs succeeded in making sustainable homeownership possible among low-income households. However, because the study period ended before the mortgage crisis began in earnest, and because these mortgages were not significantly involved in the subprime market, an analysis of their subsequent performance is not yet available.

[1]Karmen Carr, Christopher Herbert, Ken Lam, and Yusuf Makhkamov, *Rates of Foreclosure in HOME and ADDI Programs*, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 2008. The report can be downloaded at **www.huduser.org/publications/hsgfin/addi.html**. Print copies can be ordered by calling HUD USER at 800.245.2691, option 1.

[2]For information on the HOME Investment Partnerships Program, click on **www.fhasecure.gov/offices/cpd/affordablehousing/programs/home**.

[3]Carr, et al., p. 41.

Stabilizing Communities With NSP Dollars

Housing prices fell by 20 percent between 2008 and 2009 in Los Angeles, where the foreclosure rate is among the highest in the nation. Los Angeles is fighting the fallout by using $32 million in Neighborhood Stabilization Program (NSP) funds to provide homebuyers with purchase and rehabilitation assistance. Los Angeles is also using NSP dollars to underwrite the acquisition and rehabilitation of rental units with a 25 percent set-aside for households at or below 50 percent of the area median income. Communities across the country that have been crippled by the economic crisis are receiving a similar NSP boost.

By allocating funds for the purchase and rehabilitation of foreclosed and vacant properties, this federally funded program administered by HUD aims to quickly mitigate the effects of foreclosure, create more affordable housing, and renew neighborhoods. In September 2008, HUD distributed $3.92 billion from the Housing and Economic Recovery Act by formula to 309 NSP1 grantees — 55 states and territories and 254 local governments — in areas hardest hit by foreclosures and abandoned properties. In a second round of funding (NSP2) in December 2009, $1.93 billion in American Recovery and Reinvestment Act dollars were allocated through competitive awards to states, local governments, and nonprofit housing developers.

To understand how communities have been planning to counter destabilization, Enterprise Community

Many NSP1 grantees are acquiring and rehabilitating abandoned or foreclosed homes that will house persons or families with incomes no more than 50 percent of area median income.

Partners, in collaboration with NeighborWorks® America, analyzed a sample of 87 state and local NSP1 action plans.[1] By reviewing these plans (from 22 states, 24 counties, and 41 cities), researchers sought to identify priorities that local communities selected for use in stabilizing their neighborhoods and to aggregate the strategies, financing mechanisms, and program models currently under adoption. Of the planned and eligible activities for NSP1, the dollars are targeted as follows:

- 56 percent will purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed on to sell, rent, or redevelop these homes and properties;
- 21 percent will establish financing mechanisms for the purchase and redevelopment of foreclosed homes and residential properties, including such mechanisms as soft-seconds (subsidized second mortgages that spur low- and moderate-income homeownership), loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers;
- 12.6 percent will redevelop demolished or vacant properties;
- 6 percent will demolish blighted structures; and
- 4.2 percent will establish land banks for homes whose mortgages have been foreclosed.

A comparison of how states, counties, and cities elect to spend their NSP dollars revealed some variation across jurisdictional types. Although purchasing and rehabilitation was the largest planned expenditure for all three types of localities, cities budgeted a larger proportion (63.5%) of their funds for this activity than did counties (55%) and states (44.4%). Establishing financing mechanisms for buying and redeveloping eligible properties was the second priority for all three jurisdictions. As to program use, 58.1 percent of funds were aimed at facilitating homeownership and 27.7 percent were devoted to rental housing initiatives.

An internal analysis of 300 plans that HUD's Office of Policy Development and Research (PD&R) completed in February 2009 also provides insight into local priorities. The legislation requires that at least 25 percent of any NSP1 appropriations be used to purchase and redevelop abandoned or foreclosed residences to house individuals or families with incomes at or below 50 percent of the area median income. PD&R found that to meet this obligation, most grantees budgeted for a combination of activities that addressed the need for rental housing (74%), homeownership (53%), and permanent housing for the homeless (12%). When PD&R looked at the activities that these 300 grantees had included in their budgets, they found that most grantees (97%) planned for acquisition and rehabilitation along with other activities: demolition (66%), homeownership assistance (70%), land banking (35%), new housing construction (36%), and energy-efficiency improvements (12%).

Enterprise Community Partners found many promising ideas that localities plan to use in stabilizing their neighborhoods. The state of Michigan is preventing displacement of homeowners facing foreclosure with a program in which the owner deeds the home to the lender. In turn, the lender agrees to sell the property to a nonprofit who then leases the property back to the occupant for an affordable rent. This approach avoids foreclosure and allows the household to stay in place. A repurchase

Stabilizing Communities With NSP Dollars

(continued from pg. 5)

option remains available to the previous owner if mortgage eligibility requirements can be met later on. Columbus, Ohio requires its NSP subrecipients to implement waste and deconstruction management plans before starting renovations so as to reduce the burden on landfills and increase reuse of materials. Officials in Detroit thought of using NSP funds to make up the difference in financing gaps caused by a decline in the tax credit market that held up a number of LIHTC projects. Ontario, California set aside funds for a partnership that will create supportive housing for homeless people with disabilities.

This inquiry into the approaches planned for stabilizing local communities helps formulate a picture of what policymakers at federal, state, and local levels believe will be most productive. The picture will become more complete as PD&R collects NSP data each quarter from grant recipients. For example, Los Angeles reported the amount of project funds drawn down at the end of the second quarter (September 30, 2009) and the progress made in each planned activity. The city's homeownership assistance program had helped five homebuyers make their purchases, and had purchased two vacant Real Estate Owned properties to rehabilitate and sell.

Policymakers are eager to learn how effective the priorities and activities set in motion by the enabling legislation have been in alleviating the housing crisis while strengthening communities. As results accrue with the quarterly reports filed by NSP recipients, PD&R will gather summary data on program beneficiaries; number of housing units; location of properties acquired and rehabilitated; dollars budgeted, obligated, and expended; and changes in occupancy, tenure, and property values in NSP neighborhoods.

More information, as well as links to the enabling legislation for NSP1 and NSP2, is available at **www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/**.

[1] Amanda Sheldon, Phillip Bush, Aaron Kearsley and Anne Gass, "The Challenge of Foreclosed Properties: An Analysis of State and Local Plans to use the Neighborhood Stabilization Program," Enterprise Community Partners, Inc., 2009, Columbia, Maryland, **www.enterprisecommunity.org/resources/publications_catalog/#housing**.

Models of Sustainable Affordable Housing

In October, HUD co-hosted World Habitat Day 2009 at the National Building Museum in Washington, DC. This year's event focused on planning for affordable and sustainable urban communities in the face of rapid urbanization and its challenges, a theme that resonates with a guiding principle of the American Recovery and Reinvestment Act of 2009: promoting sustainable, stable communities. An American finalist in the 2009 World Habitat Awards competition for innovative and sustainable housing solutions, ecoMOD, is doing exactly that with its production of affordable and environmentally sustainable housing for low-income households.

ecoMOD, a University of Virginia partnership between the School of Architecture and the School of Engineering and Applied Science, is "investigating the different ways in which prefabricated housing can be socially, environmentally, and economically responsible." The result of this collaboration is a series of replicable models of affordable housing.[1]

An integral part of the curriculum, ecoMOD is a multidisciplinary team effort between students, faculty, outside experts, and nonprofit partners such as Piedmont Housing Alliance, Habitat for Humanity International, and local Habitat for Humanity affiliates. Each home is student-designed and takes multiple factors (such as budget, site design, and energy usage) into account. The designs, which reflect knowledge learned from the development and evaluation of previous ecoMOD homes, range from a historically preserved home to condominium units and single-family houses, and are oriented to location, land topography, and exposure to sun and wind. To date, ecoMOD has produced five housing units over the course of three projects. In yet a fourth project, a sixth home is currently under evaluation.

The first project is a two-unit condominium with a three-bedroom apartment and a studio unit. Named OUTin because it blends indoor and outdoor spaces, this Charlottesville, Virginia project cost $250,000. Affordable (after subsidies) to households earning $46,000, OUTin features a rainwater collection system, solar hot water panels, low-impact finishes, *Photo Credit: Scott Smith*

Photo Credit: ecoMOD 4 Team

Photo Credit: Scott Smith

The SEAM house (top), the THRU house in production (bottom), and the preHAB house (right) are all innovative, replicable models of sustainable housing for low-income families.

and sustainable wood floors. The upper unit uses about 55 percent less energy than does a comparable home, saving its residents $28 to $93 a month.

ecoMOD's second project, located in Gautier, Mississippi, had a tight budget of $85,000. Called preHAB, this home was built from a manufacturer's excess prefabricated panels that were purchased at a reduced cost and cut to the required specifications. Building costs were further minimized by using reclaimed materials, some of which came from buildings destroyed by Hurricane Katrina. Good site design emphasizing solar orientation and cross ventilation allowed the team to include a more costly heat pump/heat recovery system. This home also has a photovoltaic (solar panel) system, which was installed with funding secured by the university team. ecoMOD estimates that this system will produce enough electricity to meet the home's usage requirements (excluding the air conditioner, which the home is designed to need only minimally).

The third ecoMOD project entailed a $261,000 renovation of a 19th-century home in Charlottesville, Virginia. Thought to be slave quarters at one time, the home received a modular addition and a detached accessory rental unit. Called SEAM, this project blends historic renovation with modular housing. The homes feature universal design, a solar hot water system with on-demand (tankless) water heating, green roofs, steel and foam walls (which are highly energy efficient), and reclaimed materials. This project meets both EarthCraft and Leadership in Energy Efficiency and Design (LEED) for Homes standards; the accessory unit is expected to achieve a LEED Platinum certification. The team estimates that the historic home will be 55 to 60 percent more efficient — and the accessory unit 60 to 65 percent more efficient — than comparable homes.

ecoMOD's most recent project, built in the Fifeville neighborhood of Charlottesville, cost $150,000 to construct. This 1,100 square foot, single-family detached home has a superinsulated building envelope, a small greywater system, geothermal heating, and solar panels. Named the THRU house, the home's windows and doors are aligned so that the occupants can see through the house, linking it to the surrounding landscape and making it feel more spacious. Currently under evaluation, ecoMOD estimates that the THRU house will consume about 60 percent less energy than a similar home and that the renewable energy features will probably meet the remaining demand. This home, which is expected to earn a LEED Gold- or Platinum-level certification, has become a prototype for a developer that may construct multifamily homes using a variation on the design.

Because of its dual focus on education and practice (and in light of the results achieved), ecoMOD has received many honors. In 2007, ecoMOD received the $25,000 grand prize from the National Council of Architectural Registration Boards, the Education Honor Award from the American Institute of Architects, and the Association of Collegiate Schools of Architecture Award.

More information on ecoMOD and its projects can be found at **www.ecomod.virginia.edu** or by contacting ecoMOD's Project Director, John Quale, at quale@virginia.edu.

[1]University of Virginia, ecoMOD, **www.ecomod.virginia.edu/intro/design.php** and **www.ecomod.virginia.edu/intro/descript.php**.

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In the next issue of … RESEARCH Works

CHANGE IS COMING

- HUD's Office of Policy Development and Research has issued a report on *Revitalizing Foreclosed Properties with Land Banks* that features the experiences of three communities with land banking programs: Genesee County, Michigan; Atlanta, Georgia; and Baltimore, Maryland. We will discuss the study and review its key findings.
- The foreclosure crisis has resulted in a number of abandoned and vacant properties that heighten the inherent risks associated with urban blight. Communities are stepping up efforts to remove blight, and at the same time, many see that this is an opportunity to implement "greening" of their cities. We will examine the efforts of one city that has a record of confronting property blight with cleanup and greening activities.
- Pennsylvania's First Judicial District's Mortgage Foreclosure Diversion Pilot Program, Chicago's Homeownership Preservation Initiative, and Cuyahoga County, Ohio's Foreclosure Prevention Initiative Pilot Program have something in common. Each of them is demonstrating proactive and innovative approaches to preventing foreclosures. We will see what they are doing and how their initiatives are working.
- What does it take for a community to bounce back from negative impacts of the foreclosure crisis? We will learn from what researchers from the Institute of Urban and Regional Development at the University of California-Berkeley have concluded in a study of six large metropolitan areas that vary in the capacity to respond effectively to the crisis. We will examine the significant differences in housing markets and response capacities the research team found in these metro areas and explore the implications of the results for state and federal policy.

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