



A bridge linking housing research and practice

Volume 3, number 4

The Drive to End Homelessness: Supporting People and Prevention

HUD is attacking the nation's homelessness problem with fiscal support to local programs and by funding research on prevention. In the past five years, HUD has awarded \$6 billion to states and communities for housing and services to homeless persons and families. Emergency Shelter Grants assist homeless shelters and related programs, and the Continuum of Care initiative provides permanent and transitional housing, as well as social and economic assistance. Recipients of this assistance include chronically homeless individuals, mothers and their children, victims of domestic violence, veterans, severely mentally ill people, and individuals with substance abuse problems.

Recently, the Department announced grants totaling \$1.33 billion to support nearly 5,000 local programs that house and serve homeless people.

Photo credit: Aaron Logan



HUD programs fund state and local programs that work to end homelessness in America.

These new grants will sustain a wide variety of efforts to end homelessness and care for homeless people. In announcing the grants, HUD Secretary Alphonso Jackson noted, "This funding will help provide homes and vital services to those who need them most—persons and families who deserve a place they can call home."

In addition to subsidizing service providers who alleviate suffering, HUD is also concentrating on prevention. In 2003, HUD undertook a study of community strategies that have been shown to be effective in preventing homelessness. The study was designed to "identify communities that have implemented community-wide strategies to prevent homelessness and can document their effectiveness," "describe these strategies and their component activities for other communities and the field at large," and "review community data that measure achievements in preventing homelessness and provide evidence that the prevention activities were effective."

The study team identified and analyzed the approaches of six agencies with community-wide

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strategies that have documented program effectiveness. They were:

- Hennepin County Human Services Department in Minnesota;
- Montgomery County Department of Health and Human Services in Maryland;
- Mid-America Assistance Coalition serving Kansas City, Kansas, and Kansas City, Missouri;
- Massachusetts Department of Mental Health;
- Philadelphia Office of Behavioral Health; and
- Urban Peak, a private nonprofit agency in Denver.

Approaches that have worked well for these agencies suggest that communities seeking to prevent homelessness would be well advised to do two important things. First, localities should determine which homelessness prevention activities are most effective. The next step is to develop a *system* for delivering services efficiently, particularly to those households with a very high risk of becoming homeless without assistance.

The research found several types of promising homelessness prevention activities that could be implemented alone or together as part of a coherent community-wide strategy:

- Supportive services coupled with permanent housing, particularly when combined with effective discharge from institutions, especially mental hospitals;
- Mediation in housing courts;
- Cash assistance for rent or mortgage in arrears; and
- Rapid exit from shelter.


Quick intervention and selective targeting policies seem to be especially effective in preventing homelessness. Communities should quickly intervene to enable newly homeless people to rapidly leave temporary shelter and assist them in avoiding long or repeated homeless spells, which obviously have very negative consequences. Moreover, it's important to screen households in order to identify those likely to return to homelessness if they do not receive help. The evidence suggests that about two-thirds can exit homelessness without experiencing repeated homeless episodes.

The evidence also suggests that communities should focus on helping people with disabilities as

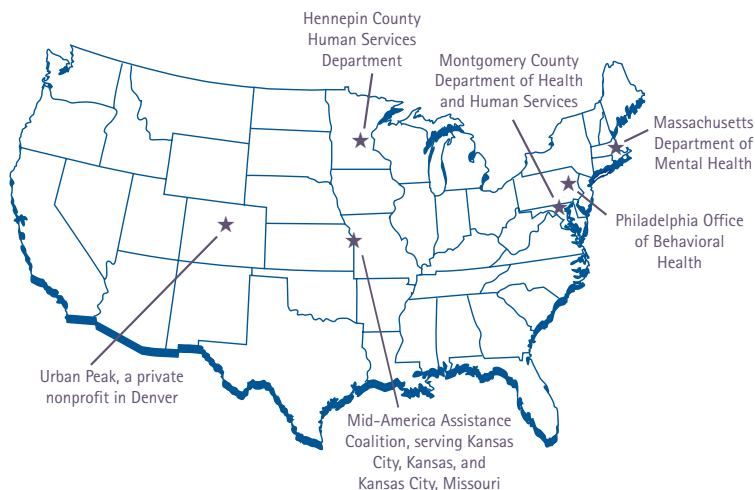
"...any homelessness prevention activities will have the greatest chance of success if they are part of a coherent, multiyear approach supported by strong leadership, adequate resources, and mainstream agency commitments..."

— from *Strategies for Preventing Homelessness*

they leave psychiatric and correctional institutions—a time of very high risk for homelessness. Providing these individuals with community-based housing and supportive services as they exit institutional care can keep them from becoming homeless and from returning to an institution.

Finally, the study found that "any homelessness prevention activities will have the greatest chance of success if they are part of a coherent, multiyear approach supported by strong leadership, adequate resources, and mainstream agency commitments, particularly for the policies involving populations with chronically disabling conditions." *Strategies for Preventing Homelessness* is available as a free download at www.huduser.org/publications/homeless/prevent_homelessness.html or in print for a nominal cost by calling 1.800.245.2691. For more information about the types of programs that HUD supports, visit the section of the HUD website on homelessness at www.hud.gov/homeless/index.cfm 

Programs Reviewed in *Strategies for Preventing Homelessness*



Rapidly rising prices and a lack of affordable housing are deferring the dream of homeownership for many low- and moderate-income households. The Homeownership Alliance recently surveyed the top 20 metropolitan statistical areas (MSAs) in the U.S. to determine how they are expanding affordable housing opportunities in their communities.¹ The result is *Affordable Homes: Best Practices for America*, a report that highlights solutions that make homeownership more affordable in communities with some of the highest housing costs in the nation. The report is offered as a resource for state and local governments working to meet the demand for more affordable homeownership.

Offering Assistance and Incentives

Many local governments have programs to help make homeownership more affordable and attainable. Some use demand-side initiatives to help first-time homebuyers with financing; others use supply-side initiatives to increase the supply of affordable homes. Still others combine supply- and demand-side initiatives.

Demand-side initiatives include *homeownership tax credits* that grant up to \$5,000 to first-time buyers with low and moderate incomes. This is one tool in Washington, D.C.'s toolkit for expanding affordable housing. Over three-quarters of first-time homebuyers in this MSA availed themselves of homeownership tax credits between 1997 and 2001. A large portion of the communities surveyed offered *housing cost assistance* programs, which provide funds (such as downpayment assistance and closing costs) for eligible individuals to use toward the purchase of a home. Riverside, California, for example, has a unique housing cost assistance program in the form of a Public Lease-to-Purchase program, in which the purchaser selects a home, a nonprofit regional housing agency purchases the home, and the potential owner's lease payment is applied toward the mortgage for a period of up to 72 months. Both Philadelphia and Pittsburgh demonstrate the use of a third type of demand-side initiative, *voucher assistance* programs, in which federally funded housing subsidies are applied to the mortgage



State and local programs are helping more families achieve the American dream of homeownership.

payments of those who meet income eligibility requirements.

Supply-side initiatives generally take the form of *agency development initiatives* or *developer incentives*. Housing agencies and other organizations that help increase the affordable housing stock are central to Minneapolis, Minnesota's program. One tool this community uses is its Home Ownership Works (HOW) Program, which assists new homebuyers at or below 80 percent of the area median income in purchasing a rehabilitated home, using HUD HOME Investment Partnerships Program monies and the cooperation of local lenders. Chicago, Illinois, relies on several types of developer incentives that commonly include land subsidies, financial assistance, or fast track permit approvals. One of Chicago's policies is to discount city land or financial assistance if housing developers will set aside some portion of a project as affordable housing. Another incentive comes in the form of a bonus of square footage to developers who will either include affordable units in a project or contribute funds to affordable housing in lieu of units.

In a demonstration that combines supply and demand initiatives, Philadelphia is integrating housing cost assistance, agency development initiatives, and voucher assistance. The Housing Authority of the City of Philadelphia (PHA) has built homes for first-time buyers, offered mortgage payment assistance with the use of HUD Section 8 vouchers, and kept mortgage payments as low as \$700 for first-time homebuyers with steady employment, who are able to make a downpayment of 1 percent or \$1,000, and who earn

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1. The Homeownership Alliance is a coalition of nonprofit groups, community bankers, homebuilders, realtors, consumer advocates, minority-focused real estate and mortgage professionals, and housing industry organizations dedicated to expanding homeownership opportunities for all Americans.

In 1990, Congress directed HUD to conduct an “annual compilation of a worst case housing needs survey of the United States ... [to estimate] the number of families and individuals whose incomes fall below 50 percent of an area’s median income, who either pay 50 percent or more of their monthly income for rent, or who live in substandard housing.” Released in December 2005, the most recent *Affordable Housing Needs: A Report to Congress on the Significant Need for Housing* examines the experiences of renters, their incomes, and the amounts they pay in rent. It also looks at the availability of affordable rental housing and how supply issues may affect worst case housing needs. The source of information for this report is the American Housing Survey (AHS), sponsored by HUD and conducted by the U.S. Census Bureau.

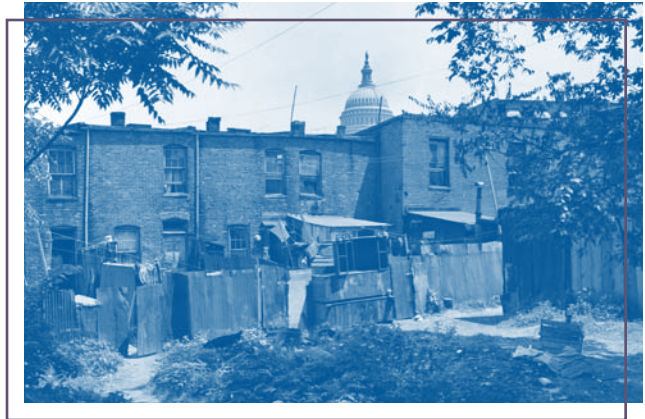
The Extent of Worst Case Needs

In 2003, 5.18 million, or 4.89 percent of all U.S. households, had worst case housing needs. These were renter households with incomes at or below 50 percent of their area median income, who received no housing assistance, and had a severe housing problem.¹ By definition, a severe housing problem is severely inadequate housing or severe cost burdens due to housing costs that exceed 50 percent of the household income. Severely inadequate housing was the primary qualifier for 3.9 percent of worst case need households in 2003, while a severe rent burden was the major issue for 91 percent.

What Do We Know About Worst Case Need Households?

Close scrutiny of the data tell us some important details about these worst case need households. Most are at the bottom of the income scale with incomes below 30 percent of area median income, which qualifies them as extremely-low-income households. To get a sense of what this means in real terms, those with severe rent burdens in 2003 had incomes averaging \$10,600 annually, or \$883 per month. With average gross rents (including utilities) of \$669 per month, the average rent-to-income ratio for these households is 76 percent—substantially higher than the 50 percent

1. The report uses the following definitions of HUD income limits: low-income (not more than 80 percent of area median income); very-low-income (not more than 50 percent of area median income); extremely-low-income (not more than 30 percent of area median income).



More than 5 million Americans experience worst case housing needs, paying more than 50 percent of their monthly income for rent.

that qualifies as worst case need. In addition, the survey also established the following about these households:

- Over one-third are families with children.
- Many are fully employed in low-wage work.
- Nearly one-fourth are elderly households.
- One out of ten has non-elderly members with disabilities.
- Over half are white non-Hispanic; one-fifth are black non-Hispanic; and one-fifth are Hispanic.
- They are located across all regions of the country, with a slightly higher percentage located in the West, where construction of public housing, in proportion to growth, is less.
- They are significantly represented in central city, suburban, and rural areas, with the lowest proportion in rural areas.

Availability of Affordable Rental Housing

The report looks at the availability of affordable rental housing and how that affects worst case needs. An *affordable rental housing unit* is one where rent does not exceed 30 percent of the income of very-low- and extremely-low-income households. An *available unit* is an affordable rental housing unit that has become vacant or is occupied by families at the same income levels. The report found that affordable housing continues to be in short supply to both very-low-income and extremely-low-income renters. To illustrate, in 2003 there were 78 rental units affordable to extremely-low-income renters for every 100 extremely-low-income households. However, only

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Expanding Opportunities for Affordable Homeownership continued from page 3

between \$21,000 and \$55,000 a year. Washington, D.C. also combines supply and demand initiatives. Besides homeownership tax credits, the community uses housing cost assistance and developer incentives.

This *Affordable Homes* overview of best practices in metropolitan communities across the nation takes stock of the major initiatives currently in use, as well as of the major players making the dream of homeownership possible for more Americans. Many resources used in these localities demonstrate how HUD assistance can be integrated into locally designed programs. HUD's HOME Investment Partnerships Program, for example, is the largest federal block



A variety of homeownership assistance programs are opening doors for new homeowners.

grant to state and local governments, allocating approximately \$2 billion annually to create affordable housing for low-income individuals. HOME provides formula grants that states and localities use—often in conjunction with local nonprofit groups—to fund activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership, or in some instances, to provide rental assistance to low-income people. The American Dream Downpayment Initiative (ADDI), administered as part of the HOME program, seeks to increase the homeownership rate, especially among lower income and minority households, and to revitalize and stabilize deserving communities. ADDI monies are available for downpayment and closing costs to eligible first-time purchasers of one- to four-family housing, condominiums, cooperative units, or manufactured housing.

For more information and to download a copy of *Affordable Homes: Best Practices for America*, visit www.homeownershipalliance.org. Information about the HOME Investment Partnerships Program can be found at www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm. For additional information about the American Dream Downpayment Initiative, visit the website at www.hud.gov/offices/cpd/affordablehousing/programs/home/addi/index.cfm **HI**

Affordable Housing and Worst Case Needs continued from page 4

44 units were actually available to these households, because the rest were occupied by higher income households.

Change in Worst Case Need

The proportion of U.S. households with worst case needs hovered near five percent throughout the last decade. HUD found the number of worst case needs households grew slightly from 5.01 million in 2001 to 5.18 million in 2003. Although not a big difference, this change is attributed largely to an increase in the number of very-low-income renters. Also, a significant trend to note is that the number of Hispanic households with worst case needs increased by 31 percent.

Other Housing Problems

In conclusion, HUD cautions that the number of households experiencing worst case needs does not necessarily measure the need for housing assistance. For example, the data exclude the homeless and

families who are in various degrees of overcrowded living arrangements. The report finds that further study of the duration of rent burden periods would deepen the understanding of housing needs, and it notes that there are other solutions to worst case need besides public rental subsidies. Building new subsidized housing using Low Income Housing Tax Credits or the HOME Investment Partnerships Program, for example, may be effective alternatives. Eliminating local regulatory barriers to housing development is another way to increase the supply of housing and keep rents affordable. Other kinds of assistance, such as that which can help families expand their income through education or job training, might well be more cost-effective and enduring. *Affordable Housing Needs: A Report to Congress on the Significant Need for Housing* can be downloaded at no cost from the HUD USER website at www.huduser.org/publications/affhsg/affhsgneed.html **HI**

Good design is no longer the exclusive domain of those with substantial incomes. High quality architectural design is entering the daily lives of low-income individuals and communities previously unaccustomed to attention from design professionals. Some call it a movement, others a new type of design. Still others argue that it's the natural growth and development of architecture as a profession. However viewed, a growing awareness of social need is reflected in the work of many leading architects today.

A case in point is the San Francisco firm that formed a nonprofit organization — Public Architecture — from which it practices on behalf of the public interest. Among its projects is a shelter for day laborers, an accessory dwelling unit, and an experimental home built from salvaged scrap materials. Close to 50 other architectural firms have accepted this firm's challenge to devote at least one percent of their working hours to public-interest design; an initiative called the 1% Solution. Although this might seem like a small commitment, the founder observes, "If all members of the architecture profession were to contribute just 20 hours per year, the aggregate contribution would approach 5,000,000 hours — this is the equivalent of a 2,500-person firm working full time for the public good."¹

Another bright light in the egalitarian firmament is Design Corps, a Raleigh, North Carolina nonprofit that provides affordable architectural services.² In contrast to standard design fees that run from 10 to 15 percent of construction costs, Design Corps charges 3 percent and helps its clients locate federal, state, and private subsidies. This organization specializes in designing decent housing for migrant farmworkers. Its designs meet the particular housing needs and cultural expectations of migrant workers, while also producing an affordable and effective recruitment tool for the farmer. The group challenges its own profession to diversify both its clientele and its products by hosting an annual Structures for Inclusion Conference that combines students, young designers, seasoned practitioners, innovative ideas, new technologies, and a commitment to community service.



Neighborhoods thrive here at the intersection of good design and affordable housing.

A cross-country scan spots a number of groups committed to bringing design acumen to bear in affordable housing. One well-known organization is Rural Studio, which uses recyclable and inexpensive building materials to build innovative homes in poor areas of rural Alabama. A recent *New York Times* article titled "A Poor County is Rich in Modern Architecture"³ captures the essence of Rural Studio projects. A typical project described on the Rural Studio's website is Ola Mae's Porch, where an old trailer chassis forms the foundation of a screened porch addition to a single woman's trailer home.⁴ The porch provides shade, protection from insects, and doubles the living space of the trailer at minimal cost.

Michael Pyatok, a past winner of both the HUD Secretary's Best in American Living Award and the American Institute of Architects (AIA)/HUD's Housing and Community Design Award, is a leading designer of low-income, mixed-use housing. Pyatok's designs allow occupants to "conserve their incomes and even expand their buying power while residing within their housing."⁵ For example, Pyatok designed a project in Tacoma, Washington for first-time homebuyers who might run small home-based businesses. The homes have a rear court/entrance for the family and a front room with an entrance facing the street for customers. Pyatok's Prescott Homes project in Oakland, California, consists of infill homes for families earning 70 percent

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1. John Peterson, "Public Citizens: a New Nonprofit Provides a Model for Pro Bono Work," *residential architect magazine*, April 2004.

2. www.designcorps.org

3. by Fred A. Bernstein on 25 December 2005, Travel Section, p.10.

4. www.ruralstudio.com

5. "Design of Affordable Housing: The Return of the Homestead," *Multifamily Trends*, December 2000.

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of median income. In this project, the ground floor can be isolated as a rental unit, while the owner lives above.

There are numerous other examples of how thoughtful design serves affordable housing. Common Ground Community applies architectural design to improving tenants' quality of life by rehabilitating old hotels and flophouses into rental units for low-income and previously homeless persons in New York City.⁶ Chicago Green, an exhibition of environmentally responsible architecture, highlights the applicability of green architecture to affordable housing.⁷ The exhibition's mixed-income, supportive, and grand-family (for seniors with custody of a grandchild or other minor) housing projects all have thermal buffers, green roofs, and other features that allow residents to control the environment of their living spaces for maximum comfort at reduced energy costs.

Such socially aware initiatives illustrate the best in affordable, residential housing design that HUD seeks to encourage, especially through the AIA/HUD Housing and Community Design Award Program.⁸ As HUD Secretary Alphonso Jackson has stated, "Tomorrow's homes will come from the drawing boards of today's architects seeking innovative design solutions to our real-world challenges." HUD also developed

The Affordable Housing Design Advisor, a technical assistance tool at www.designadvisor.org that brings together the ideas, inspiration, and expertise from successfully designed affordable housing projects around the country.⁹ Good design, the Advisor suggests, meets the user's needs, understands and responds to its context, enhances the neighborhood, and is built to last.

According to leading architects, a significant deterrent to the implementation of good design that is accessible to all income levels is a lack of regulatory reform and flexibility. To address this problem, HUD launched America's Affordable Communities Initiative in 2003 to help communities across America identify and overcome regulatory barriers to affordable housing (see www.hud.gov/initiatives/initiativeoverview.cfm). Part of this initiative is the assistance HUD's Office of Policy Development and Research provides to those with an interest in reforming regulatory barriers (visit the Regulatory Barriers Clearinghouse at www.regbarriers.org).

*The Affordable Housing Design Advisor Project Book and CD-ROM are accessible through www.huduser.org/publications/destech/dsnadv.html. The Project Book is available as a free download, or it can be purchased with the CD-ROM from HUD USER for a nominal fee by calling 1.800.245.2691. **HUD USER***

6. www.commonground.org/housing/index.php

7. www.architecture.org/BG/cg0.html

8. www.huduser.org/research/secaward.html

9. Developed in cooperation with the American Institute of Architects, Enterprise Foundation, Federal Home Loan Bank of Boston, Local Initiatives Support Corporation, National Congress for Community Economic Development, and Neighborhood Reinvestment Corporation.



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In the Next Issue of... ^{research} **works**

- The latest volume of *Cityscape* (Vol. 8, No.2) features leading-edge research on assisted housing. We will review this selection of studies, sparked by a wide array of research disciplines and interests, from both policy and practitioner perspectives.
- HUD's URAP (Universities Rebuilding America Partnership) – Historically Black Colleges and Universities (HBCU) program is awarding grants of up to \$350,000 for a two-year period to accredited, historically black colleges and universities that propose to revitalize their communities in the aftermath of Hurricanes Rita and Katrina. We'll look at the recovery initiatives planned and proposed by the successful URAP-HBCU grantees.
- Homeownership rates in the U.S. have increased steadily during the past five years. In 2004 and 2005, HUD commissioned reports on various aspects of homeownership. This article will focus on five reports that trace the post-purchase experiences of low-income homeowners, downpayment assistance to increase minority homeownership, the influence of household formation on homeownership, the role of wealth and income constraints in homeownership, and the extent to which households save or consume as their home values appreciate.
- HUD's Family Self-Sufficiency (FSS) program helps families in subsidized housing reduce their reliance on public assistance and achieve economic independence. FSS programs provide individual case management, supportive services (such as childcare and transportation), and incentives to encourage financial independence. This article reviews the *Evaluation of the Family Self-Sufficiency Program*, which provides an overview of FSS and the change in self-sufficiency that occurred among participants during the period of 1996-2000.

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