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A bridge linking housing research and practice

volume 1, number 5

The Resource Center for Raza Planning

A Southwestern Recipe for Small Business & Community Development

Architectural rendering provided by Lee Gamelsky Architects P.C.

This highly realistic architectural rendering depicts what the South Valley Economic Development Center will look like upon completion next year.

Last November, residents of a semi-rural community in New Mexico celebrated the groundbreaking ceremony for the South Valley Economic Development Center, a facility that incorporates a small business 'incubator' and commercial kitchen. By this time next year, residents of Bernalillo County, a community located southwest of Albuquerque, will be able to obtain the Center's help in starting or expanding their businesses. This 17,000-sq. ft. facility will be located in the heart of an historically rich semi-rural corridor. Since 1996, The Rio Grande Community Development Corporation (RGCDC) has steadily worked to make this community project a reality.

The HSIAC grant awarded to the Resource Center for Raza Planning (RCRP) at the University of New Mexico has been critical to advancing the efforts of the community and making this project possible.

The celebration this past November highlighted the importance of small businesses in the South Valley. "Supporting our local businesses helps boost our South Valley economy," says Julia Stephens, Director of the RGCDC. "Local businesses help meet the retail and service needs of our community." A goal of the SVEDC is to increase the number of small businesses, while at the same time providing residents with opportunities for self-employment through productive use of local skills and talents. The South Valley is a rich source of talented and skilled individuals who take pride in their work, and the SVEDC is actively nurturing those talents.

The small business incubator and commercial kitchen are part of a larger strategy being pursued by both the RCRP and RGCDC to promote community economic development in the South Valley. Residents wish to maintain the culture and rural character of the South

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U.S. Department of Housing and Urban Development

PD&R U.S. Department of Housing and Urban Development Office of Policy Development and Research

HUD USER

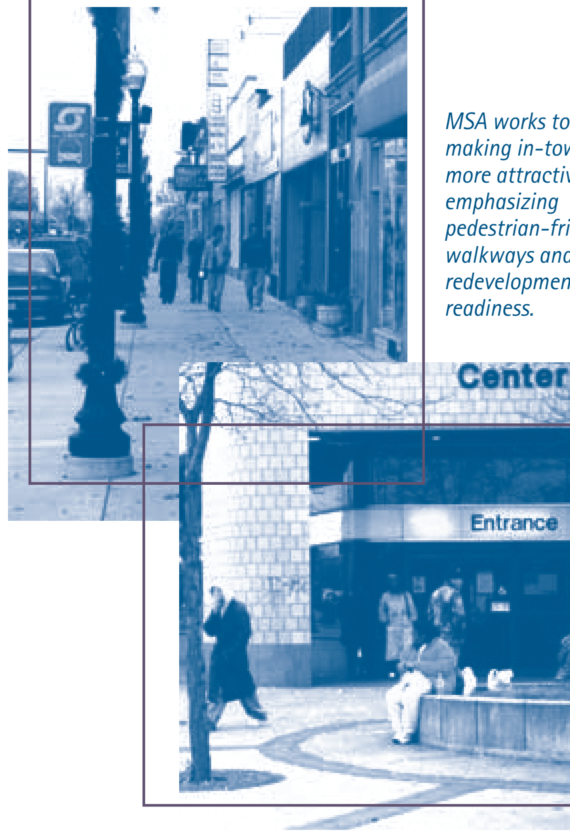
Michigan Communities Align to Preserve & Revitalize Older Suburbs

Housing market trends have long been shifting from America's cities in waves that seem to spread ever further from the urban core. When businesses started following suit, many consumers felt that they might find the best of both worlds by living and working in one of the new, more affordable, more spacious developing suburbs. Despite some promising instances of urban revitalization in recent years, this outward trend has inexorably progressed, extending suburban boundaries ever further, and leaving many inner-ring communities to deteriorate in their wake.

The Michigan Suburbs Alliance (MSA), a nonprofit corporation established by a group of local government officials to preserve Michigan's older suburbs, calls this trend the "build and abandon cycle" and views the process as yet another manifestation of our society's 'use and discard' approach to the material aspects of life. The mayors and city managers from 14 Detroit suburbs who founded MSA in 2002 realized that many of the challenges confronting their communities were beyond local government's control, and have aligned with one another to search for solutions. MSA has grown to encompass representation from 23 Michigan communities with over 90,000 residents. Today, MSA's efforts support communities in Michigan and throughout the country. Their goal is to encourage communities to learn from the past 40 years of development by building on a their existing strengths, rather than continuously starting anew.

Michigan public policy has been MSA's greatest barrier in its efforts to curb the state's rapid suburban growth, which is blamed for the declining population and downward economic spiral of many middle- to lower-income suburbs. In a 2003 report titled Michigan

MSA favors improving existing mass transit systems and facilities over funding transit expansion into the outer suburbs.



MSA works toward making in-town living more attractive, emphasizing pedestrian-friendly walkways and redevelopment readiness.

Metropatterns, author Myron Orfield sites suburban growth at 64% between 1970 and 2000, while population increased by only 5.3%. These numbers show that population growth did not justify suburban growth—certainly not of the magnitude seen here.

Instead, growth can be linked to state tax and spending policies that have encouraged communities to compete with one another for tax base. In largely rural areas with relatively inexpensive land and few issues to complicate development, adding subdivisions and big-box retail became an easy way to increase the tax base, which in turn allows town officials to offer improved services while holding tax rates down. With little or no room to grow, older cities and suburbs generally lost out in this competition. To compound matters, state funds were often used to expand freeways and sewer systems and build new schools, thus further encouraging outward development. MSA Executive Director Jim Townsend believes that "These policy drivers prime the pump for the real estate development market, which has traditionally been more focused on building in undeveloped areas. The combined effect is an epidemic of sprawling, low-density development that is economically and fiscally unsustainable."

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U.S. Housing Market Conditions: Homelife Has Never Been Hotter

Last year was an exceptionally good one for the housing industry. In 2003, records were set for single-family permits, single-family starts, single-family completions, new single-family home sales, existing single-family home sales, mortgage interest rates, and the homeownership rate. The strength of the housing sector contributed heavily to the strength of the overall economy. In 2003, the real gross domestic product (GDP) grew by 3.1 percent in comparison to the 2002 value, while housing or Residential Fixed Investment grew by 7.6 percent and contributed 0.37 percent to the overall growth rate. Other housing market measures, such as total permits, total starts, builders' attitudes, and housing affordability, were at levels not seen in the past 25 to 30 years. However, the manufactured housing industry continues its extended stay in the doldrums, with very low shipments of new manufactured housing units. Some signs of weakness can also be seen in the multifamily sector. While production levels are strong, the rental market faces record high vacancies and very low lease-up rates on new apartments.

If you find this kind of information useful and interesting, you'll probably want to get a copy of *U.S. Housing Market Conditions*, regarded by many as one of U.S. HUD's most eagerly anticipated publications. Each quarterly edition is a compilation of statistical data and written reports that describe national housing trends in the areas of production, marketing, finance, investment, and inventory. In addition, economic and housing market trends are presented for ten geographical regions, each including a profile on a selected housing market. To keep things fresh, every issue also includes a topical piece that describes a noteworthy aspect of housing activity. The new edition is no different, in that it features an update of the 2001 American Housing survey.

Each year, the Census Bureau conducts the American Housing Survey—National Survey. This national sample includes about 60,000 housing units, 43,000 of which are occupied. The November 2001 issue of *U.S. Housing Market Conditions* features an article about the characteristics of first-time homebuyers in the 1990s. The report in the current issue examines the characteristics of the 2001 sample of first-time homebuyers, and compares this group to other recent homebuyers (that is, repeat homebuyers) and to other homeowners (those who had not moved in the year prior to the interview). In comparison to other recent homebuyers and other homeowners, first-time homebuyers are younger, more often foreign born, and more likely to be minorities. In terms of location, they are slightly more likely to live in the West or in central cities of metropolitan areas, and less likely to live in the Northeast or outside of metropolitan areas.

The homes they purchase tend to be townhouses, apartments in multifamily buildings, manufactured (mobile) housing, and units in condominiums or cooperatives. As is traditionally the case, their homes tend to be smaller and of more modest value. First-time homebuyers more often require mortgage-financing, take out smaller mortgages, and more often rely on Federal Housing Administration (FHA) mortgage insurance and Department of Veterans Affairs (VA) guarantees.

The main focus of each quarterly issue of U.S. Housing Market Conditions is a discussion and presentation of recent national data on housing production, housing marketing, housing finance, housing investment, and housing inventory.

In the current issue, we learn that housing production was very strong in the fourth quarter of 2003. New quarterly records were set for single-family permits, single-family starts, and single-family completions. Near-record levels were reported for total permits, total starts, and total completions. The sole exception to the rule in terms of the production sector's strong showing was the record low shipments of new manufactured homes.

Housing sales also continued at very high, near-record levels in the fourth quarter of 2003. Builders of new single-family homes had their second-highest quarterly sales in the fourth quarter, following close on the heels of a record-setting third quarter. Realtors also had their second-best quarter for sales of existing single-family homes, despite the fact that prices have been somewhat mixed. New home prices generally increased in the fourth quarter, while existing home prices declined slightly. The inventory of new homes available for sale at the end of the fourth quarter increased considerably in both absolute terms and relative to sales. Continued strong sales have

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Comprehensive Market Analysis Reports: Helping HUD and Local Communities Make Critical Policy and Business Decisions

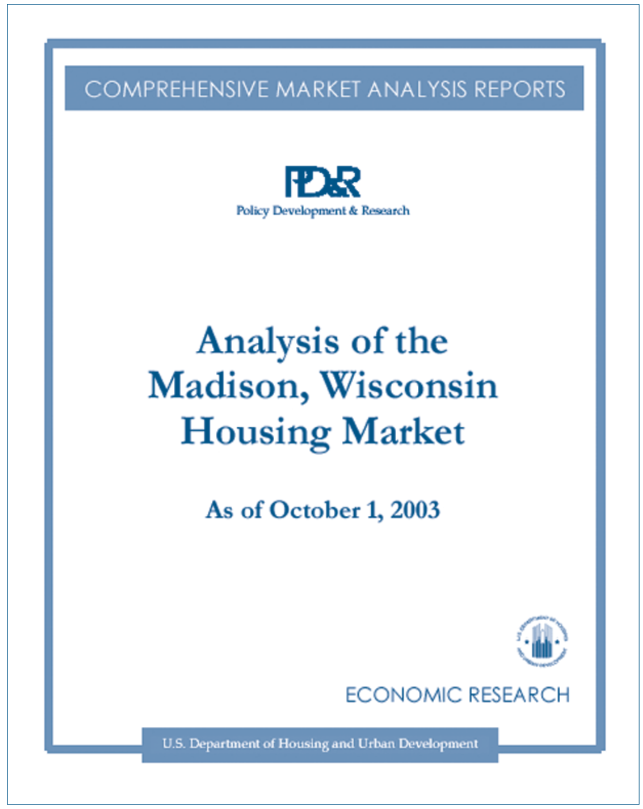
The Economic and Market Analysis Division within PD&R regularly prepares *Comprehensive Market Analysis Reports* on cities across the country. These reports assist and guide HUD in its operations, but the content can also be useful to builders, mortgagees, and others concerned with local housing conditions and trends. Each analysis identifies changes in the economic, demographic, and housing inventory characteristics of a specific housing market area (HMA) during three periods: from 1990 to 2000, from 2000 to the as-of date of the analysis, and from the as-of date to a forecast date. The reports present counts and forecasts of different variables that drive the housing market, such as employment, population, households, and housing inventory. For each HMA under consideration, the report offers fairly detailed analyses of key market indicators, including:

- Overall economy;
- Household incomes;
- Population;
- Households;
- Housing inventory;
- Housing vacancy;
- Sales market conditions;
- Rental market conditions; and
- Forecast of housing demand.

New reports have recently been published for Madison, Wisconsin; Sacramento, California; Salem, Oregon; and Trenton, New Jersey. These reports join the previously published editions, including:

Erie, Pennsylvania; Des Moines, Iowa; Grand Rapids, Michigan; Dutchess County, NY; Lancaster, Pennsylvania; Reading, Pennsylvania; Asheville, North Carolina; Morgantown, West Virginia; Austin-Round Rock, Texas; Bellingham, Washington; Rochester, Minnesota; Fresno, California; Janesville-Beloit, Wisconsin; Orlando, Florida; Lincoln, Nebraska; Wilmington-Newark, Delaware-Maryland; Las Vegas, Nevada; Colorado Springs, Colorado; Albuquerque, New Mexico; Allentown-Bethlehem-Easton, Pennsylvania; Canton, Ohio; Lafayette, Indiana; Boise, Idaho; Athens, Georgia; Caguas, Puerto Rico; Champaign-Urbana, Illinois; Elmira-Corning, New York; Lubbock County, Texas; Monroe, Louisiana; Montgomery, Alabama; and Westchester County, New York.

Each report tells the story of the local housing market. Descriptions follow a logical flow, beginning with a discussion of the local economy, which has a direct effect on population growth or decline, and which in turn exerts a strong influence on the demand for housing and rental properties. To better illustrate how information in these


COMPREHENSIVE MARKET ANALYSIS REPORTS
PD&R
Policy Development & Research
Analysis of the
Madison, Wisconsin
Housing Market
As of October 1, 2003
ECONOMIC RESEARCH
U.S. Department of Housing and Urban Development

publications is structured and presented, we've selected an analysis drawn from a typical midwestern city.

In the recently published *Madison, Wisconsin Comprehensive Housing Market Analysis*, the story line resembles the plot of a feel-good summer movie: increasing employment opportunities are leading to a growth in the population of the area, and therefore strong home sales and an increasing demand for new housing.

Madison has a diverse and vital economy. The HMA is home to both the state capital and the University of Wisconsin, which together account for about a quarter of the jobs in the HMA. From 1990 to 2000, total resident employment increased at a rate of 2.3 percent annually. Between 2000 and 2002, employment increased at a rate of 2.6 percent, and during the most recent 12-month period (as of the date of the analysis), employment has increased by 10,400 jobs.

Between 1990 and 2000, the population in the Madison HMA increased at an annual rate of 1.6 percent, with a resulting population of 426,526 in 2000. Since that time, the population has continued growing at the same 1.6

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Michigan Communities Align to Preserve & Revitalize Older Suburbs *cont. from page 2*

MSA based its 2002-2003 *Fix it First* policy agenda on overcoming these policy barriers. Within the first six months of the agenda's introduction, MSA partnered with MOSES, an interfaith organization that assisted in educating public opinion leaders about the implications that Michigan's public policy was having on older suburbs, and the importance of reinvesting in existing communities. The *Fix it First* agenda was successful in persuading the new Michigan governor, Jennifer Granholm, to create a *Preservation First* policy early in her first year in office. Under this policy, virtually all road building projects involving new construction are postponed until the state can guarantee that 90% of existing roads and bridges in Michigan communities have been brought up to acceptable standards.

The next step for MSA is to focus on developing new market-based strategies that support the shift toward redevelopment. According to MSA Executive Director Townsend, the project, known as Redevelopment Readiness, will be "the defining benchmark for redevelopment excellence in communities." Working with a team of real estate industry professionals, MSA has already drafted standards and lobbied the U.S. Congress. And although Redevelopment Readiness is still in the research and development stage, MSA's goal is to prepare final standards by this summer that communities can follow nationwide.

With support from their members, partners, and a host of charitable organizations, MSA continues to raise public awareness on the plight of Michigan's maturing suburbs. MSA has recently partnered with Michigan State University, where graduate students studying urban planning and geography are assigned to conduct planning studies and create urban designs for MSA member communities. The program provides these communities with high caliber urban planning and design services at no cost, while students gain valuable hands-on experience. MSA is pleased with the results achieved to date, and plans to expand the program to five other universities in Southeast Michigan.

The more successful MSA's initiatives, the greater the number of choices consumers will have in where they want to live and work. Although there has yet to be a formal focus on inclusionary zoning, MSA encourages mixed use redevelopment based on the growing connection between successful commercial development and housing. In future years, MSA hopes to see robust, thriving housing markets in the older suburbs; a tangible realization of their efforts to enhance viability in these areas today.

For more information about Michigan Suburbs Alliance, visit www.michigansa.org or contact Executive Director, Jim Townsend at (248) 546-2380, e-mail info@michigansa.org

U.S. Housing Market Conditions: Homelife Has Never Been Hotter *cont. from page 3*

led to optimism among builders as they gave positive responses to the National Association of Home Builders' Housing Market Index Survey.

According to the index published by the National Association of Realtors®, housing affordability improved slightly in the fourth quarter and remains among the most favorable levels ever seen. Slightly higher interest rates were offset by lower home prices and income growth. The interest rate on closed loans was 5.83 percent; 17 basis points higher than in the third quarter, but 27 basis points below the fourth quarter of 2002. Interest rates for new mortgage commitments in 2003 were the lowest ever reported by Freddie Mac's *Primary Mortgage Market Survey* since it began in 1971. Applications for FHA mortgage insurance on 1–4 family homes were down 34 percent from the third quarter. Endorsements for refinancings were down 25 percent, the number of private mortgage insurers issued was down 28 percent, VA guarantees were down 25 percent, and total delinquencies were down 7 percent from the second quarter of 2003.

At the closing bell of fourth quarter 2003, the estimate of the total housing stock, 121,415,000 units, was up 0.3 percent from third quarter 2003 and increased 1.3 percent above 2002's fourth-quarter level. Rentals decreased 0.3 percent from the previous quarter and decreased 0.7 percent from the fourth quarter of 2002. Vacant units were up 0.2 percent from last quarter and increased 7.0 percent from 2002's fourth-quarter figures. Low interest rates and favorable affordability may account for the fourth quarter surge in the home-ownership rate to 68.6 percent, a new record. The rate is 0.3 percent above the third-quarter 2003 levels and

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The Resource Center for Raza Planning *cont. from page 1*

Valley, and to ensure the economic viability of agricultural production. Many are also interested in seeing their small business sector strengthened and preserved.

Promoting the economic viability of agriculture and the feasibility of local food production by supporting value-added manufacturing and developing markets have been the underpinnings of the small business incubator and commercial kitchen. RGCDC hopes to support local growers by providing a site for food manufacturing, establishing networks among growers and retailers, offering technical assistance to enhance business development, and initiating educational and media campaigns to develop markets for locally grown and produced goods.

The incubator will facilitate the creation of micro-enterprises, provide leases to small businesses, and offer technical assistance to both existing and potential businesses. The Self-Employment Learning for Life (SELL) program will provide incubator clients with the preparation and basic tools for becoming successful self-employed businesspersons.

The program will focus on enhancing employability and economic self-reliance, eventually leading individuals into successful business enterprises while providing products and services to the community and taxes to the local government. Workshops and mentorship programs will also be a part of SVEDC's menu of services.

At full build-out, the facility will include office space for staff and training; additional offices for clients and businesses; shared administrative support areas, computer labs, conference rooms, and classrooms; a commercial kitchen where participants will process food products; an office area where entrepreneurs can lease space for new businesses; and a small retail area that will sell local products, including those made at the incubator.

The Resource Center for Raza Planning in the School of Architecture and Planning received a $400,000 grant from the HUD Hispanic Serving Institutions for Assisting Communities (HSIAC) grant program to assist the RGCDC with development of the incubator. In its initial work in the South Valley, RCRP formed the Agricultural Preservation Project and produced research on land use and subdivision regulations and preliminary market-feasibility studies. RCRP and RGCDC have subsequently embarked on a more formal relationship to carry out research on agriculture in the South Valley and the potential value of the small business incubator and commercial kitchen. RCRP conducted consumer and producer surveys, as well as a series of in-depth interviews to determine how RGCDC's economic development plans could meet the needs of residents in the South Valley. This relationship has continued to grow with the help of the HUD grant, which is being used to assist RGCDC in developing the South Valley Economic Development Center.

RCRP has been successful in raising a large portion of the $2.2 million dollars needed for Phase I construction. In addition, as part of its work on the HSIAC grant, RCRP conducted community and economic assessments in the areas of employment, infrastructure, consumer and business retail and service patterns, and opinions on development. The University of New Mexico Center went door to door for its 95 random sample survey and supplemented this data with interviews and the input of focus groups. RCRP also assisted RGCDC in conducting a door-to-door survey of the surrounding neighborhood to assess the opinions on the impact of this project and to ascertain their interest in the services of the SVEDC. Among respondents, 76% indicated they would use the facilities and 52% said they knew someone else who would. RCRP used this information to develop the Self-Employment Learning for Life Program. In bringing university resources to the community, RCRP has worked closely with neighborhoods, the RGCDC, and the county and state governments.

The efforts undertaken at the University of New Mexico School of Architecture and Planning serves as an excellent model of a university assisting a community-based organization in reaching its stated economic development goals. Unquestionably, the HSIAC award provided to this university/community partnership has made a critical difference in bringing this project to fruition.

The most important outcome of this project, however, may be its contribution to the efforts to preserve the integrity of the South Valley: its cultural resources and climate, its semi-rural character, its agricultural and natural resources, and its small business enterprises. At the same time, the project is enabling community participation in a process that enhances the sense of interdependence and trust, while empowering residents with the capacity to help shape the future of the South Valley.

This article was written by Dr. Teresa Córdova, Director, Resource Center for Raza Planning, University of New Mexico.

Comprehensive Market Analysis Reports *cont. from page 4*

percent rate, reaching an estimated 450,000 people as of October 1, 2003. Since 1990, the number of households in the HMA has increased from 142,766 in 1990 to 173,484 in 2000; an annual rate of 2.1 percent. As of the date of the analysis, there are 186,300 households in the HMA.

Since 1990, Madison's healthy economic conditions in th HMA have led to substantial increases in household growth and demand for new housing. Between 1990 and 2000, the number of housing units increased by an average of 3,205 each year; a rate of 2.2 percent. Since 2000, the inventory has risen by 4,230 units annually. In 1990, housing tenure was 55 percent owner and 45 percent renter. It's estimated that as of the date of the analysis, ownership has increased to nearly 59 percent. From 1990 through 1999, single-family permits averaged 1,770 per year in the HMA, but a sizeable jump occurred in 2002, when a total of 2,472 permits were issued. The strong demand for new homes continued in 2003, when during the first 9 months, 1,761 single-family permits were issued. Multifamily building permit activity between 1990 and 1999 averaged 1,550 units annually. The level of activity increased to an average of 2,150 units a year between 2000 and the date of the analysis.

Sales in the Madison HMA continue to be very strong for both new and existing homes. According to the Realtors® Association of South Central Wisconsin, between 1997 and 2002, on average, 4,750 homes were sold annually in the HMA. During 2002, a record 5,226 homes were sold. In the first 9 months of 2002, sales reached 4,316—on pace to set a new record. The median sales price has increased from $132,900 in 1997 to $178,000 in 2002. The sales vacancy rate for the HMA in 1990 was 0.8 percent; this rate increased slightly to 1.0 in 2000, which is also the estimated sales vacancy rate as of the date of the analysis.

Historically, the rental market has been tight, with a very low vacancy rate. However, a recent surge in the construction of new rental projects, coupled with a growin number of renters taking advantage of low mortgage interest rates to purchase homes, has caused the rate to rise. As of the 2000 Census, the vacancy rate had increased to 4.2 percent. but the market remains tight. According to a local survey, the rate as of the third quarter of 2003 was 5.8 percent.

Based on anticipated household growth and current market conditions, it is projected that there will be a demand for an estimated 8,100 new housing units during the two-year forecast period ending October 1, 2005. It is estimated that sales housing demand will account for 5,700 units, while rental housing demand will account for another 2,400 units.

The *Madison, Wisconsin Housing Market Analysis Report*, and the reports for the areas listed above, are available for free download from HUD USER at http://www.huduser.org/publications/econdev/mkt_analysis.html or in printed form for a nominal charge by calling HUD USER at 1-800-245-2691.

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0.4 percent ahead of the rate seen in fourth quarter 2002. The multifamily (5+units) sector is not faring as well as the single-family sector, with production mixed, absorption of new rental units sluggish, and the vacancy rate at an all-time high of 10.2 percent. The rental vacancy rate exceeded 10 percent for the first time ever and the absorption rate is among the lowest quarterly absorption rates reported in the past 30 years.

In addition to national data, each quarterly report presents data on regional activity. Economists in the HUD field offices prepare these reports, which provide an overview of economic and housing market trends within each region of HUD management. Regional reports include New England, New York/New Jersey, Mid-Atlantic, Southeast/Caribbean, Midwest, Southwest, Great Plains, Rocky Mountain, Pacific, and Northwest. Also included are profiles of selected local housing market areas that offer some perspective on current economic conditions and their impact on the housing market. This quarter's profiles include Austin-Round Rock, Texas; Cedar Rapids, Iowa; Columbus, Ohio; Minneapolis-St. Paul, Minnesota; Orange County, California; Reno, Nevada; Rochester, New York; Salt Lake City-Ogden, Utah; Seattle, Washington; and Wilmington, Delaware.

The 4th Quarter edition of *U.S Housing Market Conditions* is available as a free download from HUD USER at http://www.huduser.org/periodicals/ushmc.html or in printed form for a nominal charge by calling HUD USER at 1-800-245-2691.

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

- A growing body of literature suggests that living in poverty has a serious detrimental affect on a person's health, well-being, and future opportunities. This article will explore this relationship, and look at the *Moving to Opportunity for Fair Housing Demonstration Program*, which examines what happens when very poor families have the chance to move out of subsidized housing in five very large American cities.
- Environmental hazards in the home harm millions of children each year. Several federal agencies, including HUD, EPA and the CDC, are working to help local communities reduce and minimize hazards such as lead-based paint and mold. This article will look at how these agencies are focusing on prevention and planning, and will explore some best practices at the local level.
- In June, PATH unveiled an architectural model of a Concept Home in Washington, DC. This article will profile the model and look at the proposed broad changes in the way the homebuilding industry operates, so that high-quality homes can be built faster, better, with less waste, and at lower cost.
- Another article will focus on the National Center for Healthy Housing, a nonprofit organization working with HUD's Office of Lead Hazard Control Healthy Homes Initiative to eliminate lead hazards in more than 25 home-based childcare programs in Upstate New York.

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