



research works

A bridge linking housing research and practice

Volume 2, number 8

Forging Partnerships, Maximizing Resources

Low- and moderate-income families, teachers, firefighters, police officers, government employees, and service industry workers throughout Virginia are able to buy affordable homes because of innovative state, federal, and local partnerships that reduce housing costs and increase homeownership opportunities. This was certainly the case for a disabled couple in Waynesboro, who recently moved into their new home thanks to a unique collaboration involving the Sponsoring Partnerships and Revitalizing Communities (SPARC) program, low-interest construction financing from the Waynesboro Redevelopment and Housing Authority, hands-on housing construction by the



Teachers, firefighters, and police officers with low and moderate income in Virginia can afford housing with the help of collaborating local, state, and federal agencies.

YouthBuild program, HOME downpayment assistance, and last but not least, a Housing Choice Voucher.

Virginia Housing Development Authority Brings it All Together

The facilitator of this collaborative effort is Virginia's housing finance agency, Virginia Housing Development Authority (VHDA). The Authority was established in 1972 to address the affordable housing needs of low- and moderate-income residents by lending money to first-time and repeat homebuyers and for the development and preservation of affordable housing. Since its inception, VHDA has made financing available for approximately 131,000 single-family homes and 96,000 multifamily apartments.

This high level of success is due to the support of many strategic partners, including private lenders, developers, REALTORS®, local governments, human service providers, and community-based nonprofit

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organizations. VHDA also works with federal and state housing organizations, local housing authorities, and the industry to meet the affordable housing needs of Virginia residents.

VHDA issues both taxable and tax-exempt mortgage revenue bonds (MRBs) to support its lending programs. The private sector purchases these bonds, generating VHDA's principle source of capital. Indeed, VHDA does not use tax dollars to fund its lending programs. Its consumer-lending products help remove barriers to homeownership, provide homeownership education, correct past credit problems, and enable buyers to make accessibility modifications. VHDA provides loans to consumers for the purchase or renovation of homes, as well as to developers who build, rehabilitate, and renovate affordable rental apartments. VHDA also administers programs that target low-income households, such as the Low-Income Housing Tax Credit program and Housing Choice Vouchers.

Spotlight on SPARC

The SPARC program is funded by the Virginia Housing Fund from VHDA operating funds. Since January 2002, SPARC serves very low-income individuals with incomes of 50 to 60 percent of the local area median income. Through SPARC, VHDA has provided close to \$284 million in funding to 130 local governments, redevelopment and housing authorities, nonprofit housing advocates, and for-profit developers to help produce affordable housing in their communities. As a result, approximately 2,500 individuals have purchased homes. In 2005 alone, 38 organizations received \$113 million in financing to provide affordable homeownership for approximately 1,000 people.

"We developed the SPARC program so that our housing partners could bring us customized programs that generally are not available from private lenders or through VHDA's regular lending programs," said Don Ritenour, VHDA's managing director of development. "Our partners have the knowledge and direct insight into the unmet needs in their communities. They are in the best position to design programs that combine the local, state, or federal funding they receive with our SPARC monies to make every dollar count."

The mechanism for SPARC's homeownership program is a once-a-year competitive allocation. Proposals are scored, based on VHDA's focus on...

- Increased service to low-income households;



Innovative partnerships make housing in Virginia more affordable for low- and moderate-income families.

- Increased service to minorities, new immigrants, or persons with disabilities;
- Local revitalization efforts;
- Remedying housing stock inadequacies; and
- Closing housing affordability gaps not being addressed by traditional lenders.

Proposals that leverage funds from federal, state, and local entities receive higher scores.

SPARC funds are also disbursed with a high degree of flexibility. Tax-exempt, permanent mortgage financing of local homeownership initiatives carries an interest rate 0.5 to 1.0 percent below VHDA's regular first-time homebuyer's rate. The mortgage funds are allocated on a competitive basis to encourage local innovation and maximize the use of non-VHDA funds.

Building New Affordable Homes

New, affordable housing units in extremely difficult, high-cost markets are proof of SPARC's success. SPARC supports construction of new affordable homes in three ways. First, it provides incentives and supports local government and housing authority partnerships with homebuilders. For example, Arlington County plans to assist 50 low- and moderate-income families to become homeowners through innovative partnerships. Coupled with VHDA/SPARC financing, the county contributed \$1.25 million through its Moderate Income Purchase Assistance program, in the form of a forgivable loan of \$3,700 per unit for borrowers participating in its Live Near Your Work initiative. The county works with local developers to build affordable dwelling units, subsidized at \$75,000

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How do people choose where to live? How do people living in poor urban areas feel about homeownership, saving, investing, and neighborhood involvement? Does the financial outlook of families who use Section 8 subsidies to relocate to better neighborhoods improve as a result of the move? As these research questions imply, finding solutions to some of the more pressing affordable housing problems requires detailed, accurate information about people, their values, their habits, and their attitudes. More importantly, we need to know what does and does not work, which brings us to another, more challenging line of inquiry: What is the best way to help a neighborhood revitalize itself? Can anything really be done about urban underemployment? Can community-based organizations (CBOs) become better advocates by using information technology? How does federal policy and regulation shape

local political decisions? Researchers sought answers to these tough questions in preparing a special edition of *Cityscape*, a journal of policy development and research published by HUD's Office of Policy Development and Research.

Released last year, this issue of *Cityscape* (Volume 7, No. 1) offers a kind of 'Whitman's Sampler' of housing research taking place on university campuses today. Despite the diversity of topics, approaches, and findings, the articles are strikingly complementary. A recurring theme throughout the issue is that, to be effective, policy relating to housing and community development must take a number of factors into account and be tailored to specific target groups or locations.

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per unit to offset the high cost of housing in the Northern Virginia suburbs.

SPARC also leverages a full array of affordable housing resources and tools (HOME and CDBG funds, local trust funds, zoning/land use incentives, fee waivers, etc.) to create homebuying opportunities that would not otherwise be available using only mortgage revenue bonds. Alexandria, Virginia, has committed \$200,000 toward its Employee Homeownership Program, which provides up to \$5,000 to government and public school employees purchasing their first homes. Alexandria is also expanding homeownership opportunities for residents of public housing and holders of Housing Choice Vouchers. SPARC financing, coupled with federal HOME and CDBG funds, makes up to \$20,000 per unit available for persons participating in the Moderate Income Homeownership Program and up to \$50,000 per unit for the Homeownership Assistance Program. Alexandria also established an Individual Development Account (IDA) program that will match participants' savings up to \$4,000.

In addition, SPARC provides incentives for removal of regulatory barriers. SPARC funding facilitates the use of local Affordable Dwelling Unit (ADU) ordinances that allow developers to make use of density bonuses. The Fairfax Redevelopment and Housing

Authority uses SPARC financing to support its Neighborhood Revitalization Finance Program that targets new and existing homes adjacent to seven revitalization areas. By combining SPARC's low-interest financing with additional resources for downpayment and closing cost assistance and with Housing Choice Vouchers, Fairfax County has come up with a creative package for financing affordable homes.

Local organizations who receive SPARC funds like the program because it gives them more of a say in meeting local needs. "It has positioned VHDA as a partner with localities, a mobilizing force for affordable housing," says Toni Ostrowski, Senior Community Housing Officer at VHDA.

The notice of funding availability for the fifth annual round of SPARC is scheduled for release in October 2005. Applications are due in mid-December, and allocations will be announced in January 2006. For additional information about VHDA and SPARC, visit www.vhda.com or contact Toni Ostrowski at (804) 343-5982 or toni.ostrowski@vhda.com. ■■



Counties work with local developers to grow the affordable housing stock.

HUD Releases Study on Discrimination Against Persons with Disabilities

On July 25, 2005, HUD Secretary Alphonso Jackson released the study *Discrimination Against Persons with Disabilities: Barriers at Every Step*. He also released a companion report, *Discrimination Against Persons with Disabilities: Guidance for Practitioners*, that uses the lessons from the research study to offer guidance to practitioners on how to conduct disability discrimination testing.

These are the last in a series of reports assigned to HUD by Congress to use paired testing to measure the level of discrimination in the United States. The three previous reports showed the level of discrimination experienced by African Americans, Hispanics, Asians, and Native Americans when they inquired about a unit advertised for sale or rent. As a body of work, the series of reports is commonly referred to as the Housing Discrimination Study 2000 (see the April 2005 *ResearchWorks* for additional information).

In paired testing, two equally qualified home-seekers, one with a disability, the other non-disabled, inquire about a unit advertised for rent. They then independently record their treatment and analysts make comparisons based on such indicators as whether or not they were told the unit was available. The new report, *Barriers at Every Step*, shows the level of discrimination faced by two groups in the Chicago metropolitan area: persons who are deaf and use a telephone relay service to inquire about a rental unit, and persons using wheelchairs who visit rental providers in person.

The analysis of 200 paired tests yielded three key findings:

- In one of four calls, landlords who advertised units for rent refused to speak to deaf persons while non-disabled callers were given information. For people who are deaf, the telephone relay service is a primary means of communicating with hearing persons. When landlords refuse to use the relay

system, the units are effectively unavailable to those who are deaf.

- In a quarter of the tests, when deaf persons and wheelchair users were able to obtain information, they did not receive the same level of encouragement as non-disabled persons. Under the *Fair Housing Act*, if a landlord asks non-disabled persons to complete an application or invites non-disabled persons to come and visit the property, they need to do the same for customers with disabilities.
- Beyond equal treatment, the *Fair Housing Act* calls for landlords to agree to reasonable requests from persons with disabilities to make it possible for them to enjoy their housing. A reasonable accommodation might be giving a resident with a mobility impairment a parking spot near their unit. Another might be permitting installation of a ramp paid for by the tenant. The study shows that the majority of landlords agree to these types of requests. Nonetheless, about 19 percent of landlords refused a request for a reasonable accommodation and 16 percent said they would not permit a reasonable modification.

The study breaks new ground in using paired tests to identify discrimination against persons with disabilities. Paired testing is a feasible and effective tool for detecting and measuring discrimination by rental housing providers against persons with disabilities. It can be used to capture both differential treatment discrimination and refusal to make reasonable accommodations or permit reasonable modifications, and the paired testing methodology can be adapted to suit a wide variety of disabilities and housing circumstances. Prior to the study, very little paired testing had been conducted for measuring differences in treatment for persons with disabilities.

In releasing the report, Secretary Jackson commented, "We would all like to think we have made more progress in educating landlords about the *Fair Housing Act*, but this study paints a different picture of the problems faced daily by people with disabilities. It is imperative that landlords provide people with disabilities the same attention and respect afforded all other potential renters."

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One author seeks to demonstrate how it's necessary to leverage specific neighborhood strengths and assets with other resources, such as federal funds, to successfully revitalize those neighborhoods. In another article titled "The Struggle for Housing Equality," the researcher demonstrates how the principles of the *Fair Housing Act* and the *Community Reinvestment Act* come to life through local community activism and political processes in the unique urban contexts of Denver and Minneapolis. The author observes that, "If a national policy is to work, it is usually local groups that must respond to it..." Therefore, "To reduce housing discrimination...it is necessary to think about how and whether policies generate, sustain, and strengthen local advocacy."

In another thoughtful examination of the various factors that can influence policy formulation, the researcher demonstrates how crucial an accurate and thorough needs assessment can be in the formation of housing policy. When facing displacement due to demolished public housing, 41 low-income Philadelphia families chose to use Section 8 subsidies to relocate to better neighborhoods. The author follows up with these families two years after their move to see how things turned out. Had their overall financial situations improved as a result of leaving an environment of concentrated poverty? Unfortunately, few of the families had yet been able to capitalize on opportunities present in their new neighborhoods. They had not built new social ties, nor integrated with the existing social structure. Obviously, these relocating families needed additional help in adapting to, and becoming a part of, their new neighborhoods.

One asset that's worth exploring in any effort to improve conditions in poor urban neighborhoods is the set of values and attitudes held by the residents of these areas. One *Cityscape* researcher discovered a wealth of "positive attitudes and behavior" regarding homeownership, saving and investing, and neighborhood involvement among the urban poor in Chicago in the late 1980s. This author found that "The importance of optimism, religion, thrift, and household context suggest hidden resources," if teamed with private-sector support, can stimulate economic growth.

Projected outcomes of any policy initiative, such as affordable housing, must also consider structural factors, as we see in one researcher's investigation of low-income employment. This article suggests that

underemployment is largely due to structural factors, which are far more influential than personal or family characteristics. The author finds the flattening and spreading of a heretofore hierarchically structured business configuration carries new expectations about labor. Workers are increasingly redistributed across an array of small businesses in a new division of labor that "pries apart, elevates, and subordinates workers, even as it renders them increasingly interdependent." This restructuring is an industry phenomenon felt most keenly by the vulnerable worker at the lower end of the wage scale.

Who are the researchers whose work appears in the Office of University Partnerships edition of *Cityscape*? Most are now teaching and researching on university campuses across the South, Midwest, and Northeast, but they were doctoral students when they first set about answering the questions posed above – with grant assistance from HUD. They have since earned their Ph.D.s and are furthering the cause of building a body of knowledge and competence to entrust



HUD sponsors neighborhood revitalization working at the grassroots level, literally.

to future generations. One researcher observed that, "HUD doctoral dissertation grant funding afforded me the opportunity to quickly complete my dissertation research. It also helped spur my interest in linking scholarly research in planning and economics to public policymaking at the local, state, and national levels." The author is now an Assistant Professor of Public Policy and Political Economy at the University of Texas at Dallas, where her research is expanding a relatively new frontier concerning the "effects of private governments (e.g., homeowner associations)

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Project Size Not a Strong Influence

In recent years, people and organizations serving persons with disabilities have sought to expand mainstream housing opportunities for those they serve. In keeping with this effort, in 2000, Congress mandated an evaluation of Section 811 and 202 housing projects for persons with disabilities. This study—which focuses on project size—finds that size does not strongly influence either cost or supportive service availability and that meeting residents' needs for these services is more important to their satisfaction than project size.

Programs Evolve to Meet Needs

The federal government began funding housing programs for persons with disabilities in the mid-1960s through the Section 202 Direct Loan Program for the Elderly. People with developmental disabilities became eligible for the program in 1974, and eight years later, people with chronic mental illness became eligible. By 1990, HUD had funded more than 2,100 projects, with over 36,000 units completed under Section 202. Over the years, these projects have evolved from primarily large, congregate projects to smaller, community-based complexes.

Starting in 1990, Section 202 changed from a direct loan program with Section 8 rental assistance to a capital-advance program with project rental assistance contract funds, and was limited to elderly people with very low incomes. The Section 811 Supportive Housing for Persons with Disabilities Program was also developed to meet the housing needs of very low-income adults with disabilities mostly through small, independent-living projects and small group homes, with supportive services available on- or off-site to help residents live as independently as possible.



Section 811 and 202 significantly expand housing opportunities for disabled persons. © Van Osdol.com, United Cerebral Palsy of Texas, Tekoa Boulevard Partners.

Throughout the programs' histories, the trend has been to reduce Section 811 and 202 project size, mainly in response to recommendations from national disability advocacy organizations and changes in state policies. Since 2003, most independent-living projects are limited to 14 persons with disabilities, and all group homes are limited to 6 persons. A lively debate continues about the optimal size of housing communities for independent living. Some advocate small developments that fit into surrounding neighborhoods, while others argue that larger projects are less expensive to build and operate. Still others suggest that housing vouchers would better serve the needs of persons with disabilities. HUD's recent study has useful implications for resolving these issues, in that it explores five main questions:

- *What are the characteristics of projects and their residents?*

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on local governments, housing prices and quality of life." Another author/Office of University Partnerships grant recipient is an Associate Professor of Sociology at Tulane University, who notes that HUD support played "a critical role in my professional development as student of urban change and social inequality." He mentors several graduate students with similar interests in urban inequality, who "have seen how much HUD support has helped me, and they are eager to pursue similar opportunities."

This is but a brief glimpse of academic research on housing and community development that is flourishing in the academic community. To download this issue, go to www.huduser.org/periodicals/cityscape/vol7num1/index.html or contact HUD USER at 1-800-245-2691 to obtain a printed copy for a nominal fee. To learn more about HUD's doctoral research grant program, see HUD's Office of University Partnerships website, www.oup.org. **HUD**

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The companion report, *Guidance for Practitioners*, provides much more detail about the fair housing law as it relates to persons with disabilities, provides a step-by-step approach to testing and issues of special concern when conducting tests for disability discrimination, explains the details of the testing

procedures used in the study, and discusses how findings might be used in carrying out enforcement. The guidance for practitioners will be provided to fair housing agencies and groups nationwide, and will be used at HUD's just-opened National Fair Housing Training Academy. **HJ**

Project Size Not a Strong Influence continued from page 6

- *What role does project size play in the types and locations of services provided to residents?*
- *How does project size affect neighborhood relations, both before the project is developed and after it's occupied? What are the economic and social relationships between projects and their immediate neighborhoods?*
- *What are residents' experiences in Section 811 housing?*
- *What is the role of project size in project development and operating costs?*

To answer these questions, researchers visited 50 projects in 10 metropolitan areas, interviewed residents and project sponsors, and spoke with state policy-makers. Researchers found that priorities for the projects include: locations in safe, attractive residential or mixed residential and commercial neighborhoods; an emphasis on independent living; the provision of community-based (rather than on-site) support services; and good relationships with local neighbors and businesses. The physical appearance of a project, including small size, is a significant factor in promoting local acceptance, and a project that architecturally blends into the neighborhood is seen as most desirable.

The study reports a number of key findings concerning the actual delivery of housing and supportive services in existing Section 811 and 202 projects. These findings fall into four categories: the role of project size in housing and service delivery; project size and neighborhood relations; resident experiences in Section 811 projects; and project size in relation to development and operating costs.

Let's look at a few highlights. First, with respect to project size in housing and service delivery, the study finds that these "projects. . . are important sources of affordable housing in their communities [and that] vacancies are rare." Second, with respect to project

size and neighborhood relations, "for the most part, the projects visited for this study fit in well with. . . the surrounding neighborhoods. Site selection often includes such factors as proximity to public transit, supportive and commercial services, and other neighborhood amenities." Yet, in about a third of the projects, site visitors noted that the developments were isolated from shopping and services, and in some instances, criminal activity was observed in the neighborhood.

With respect to project size and development in relation to operating costs, the study finds evidence of economies of scale in some regions. The effect is strongest in lower cost regions of the country (the Midwest and South) compared to the Northeast and West.

Because project size does not strongly affect either costs or the availability of services, the study suggests that HUD should continue to encourage the development of projects with fewer units, which are easier to site, and whose residents express high rates of satisfaction. The study also suggests that HUD needs to "maintain flexibility to permit sponsors to develop larger projects where suitable sites are available and sponsors can demonstrate the demand for the housing."

For more information, please see *Implications of Project Size in Section 811 and Section 202 Assisted Projects for Persons with Disabilities*, available as a free download at www.huduser.org/publications/pubasst/sec811-202.html or in printed form for a nominal cost by calling 1-800-245-2691. **HJ**



Supportive service availability comes with more housing opportunities for the elderly, thanks to Section 811 and 202.

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

- Reverse mortgages are gaining in popularity in America. HUD's Home Equity Conversion Mortgage Program (HECM) is a form of reverse mortgage wherein the homeowner receives payments from the lender. Many seniors use it to supplement social security, meet unexpected medical expenses, make home improvements, and more. We'll describe the HECM program, provide examples of how it's used, and examine program updates and refinements.
- Four years ago, HUD began a concerted research effort to discover ways to automate the home construction process, improve construction workflows, and coordinate construction sites. So far, we've looked at the status of residential construction industrialization, models of information flow used in production, and prefab framing processes used by builders. The most recent phase features development of a computerized simulation model of framing processes based on current field practices. We'll discuss key findings and implications.
- Working families are experiencing increasing difficulty in achieving homeownership. Many of the affected workers are in service occupations, such as firefighting, law enforcement, emergency medical services, and teaching. We look at the kinds of assistance that are needed, and increasingly made available, to workers by their employers and through publicly funded programs.

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