

A unique approach to allow low-income families the opportunity to gain
home ownership access through alternative financing

by

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ABSTRACT

Community and Regional Planning and Landscape Architecture professionals along with state and local politicians need to aid low-income family's by informing them of opportunities that will allow them to become home owners in mixed-use (New Urbanist) communities. In one example a study prepared by the Social Enterprise Fund of Edmonton and Calgary, Canada creates an alternative financing source to help social enterprises provide career and economic services low-income families. The purpose of this study is to 1) illustrate the barriers present to purchase a home for low-income households when there is a lack of economic resources, 2) analyze case studies which present the positive and negative approaches to this type of funding and 3) explore alternative financial opportunities provided by private donors that will allow for home ownership with no upfront capital. The focus of this study is on mixed-use (new-urbanist) communities that have been created to allow home ownership to low-income families throughout the U.S. Bookout (1992a) believes that the real obstacle to NU projects is not with development regulations and approval bureaucracies, but with project financing.

CHAPTER 1. INTRODUCTION

Community and Regional Planning and Landscape Architecture professionals along with state and local politicians' need to aid low-income families by informing them of opportunities that will allow them to become home owners in mixed-use (New Urbanist) communities. Although providing home-ownership for low-income families with no upfront capital is a relatively a new idea, it is a concrete one, and this thesis seeks to show how this exploratorative analysis will suggest that this type of funding is possible. For example a study prepared by the Social Enterprise Fund of Edmonton and Calgary, Canada justifies that such a plan is possible by illustrating an alternative financing source to help social enterprises provide career and economic services to low-income families. A "social enterprise" is a type of business venture that has at its core, a 'social good'. Like any business, a social enterprise is designed to be profitable or at least breakeven, over a given period of time" (Bubel, 2007). 'Patient capital' is a term that is increasingly being used among social enterprises, community organizations and their funders. It describes forms of investment which are intended to achieve social benefits, while also generating a financial return, but which are not straightforward grants—nor are they commercial loan transactions. Specifically they created a justifiable financial source.

The purpose of this study is to 1) illustrate the barriers present to purchase a home for low-income households when there is a lack of economic resources, 2) analyze case studies which present the positive and negative approaches to this type of funding and 3) explore alternative financial opportunities provided by private donors that will allow for home ownership with no upfront capital. As well as to assist the professions of

community and regional planning and landscape architecture with the identification of principles and/or strategies which educate and inform low-income families about ways in which home ownership can be possible. This study is a valid concern for the professions of Landscape Architecture and Community and Regional Planning because it seeks to improve planning opportunities to provide housing to needy families despite politician's historical lack of interest in economic development. Instead of simply addressing ways in which these classes can be aided, this proposal seeks to present an alternative to the present day form of home financing. Ultimately, this study uses case study research to establish alternative forms of financial opportunities, which are available to low-income families.

The scope of this study will focus on case studies of projects throughout the country that have been privately financed by entertainers, philanthropists, educators and others who have the means to develop an alternative approach to this issue. This research also examines policies in nine states that utilize grants and non-profit agencies to provide sources of assistance to low-income families. States have been selected based financial resources available to the less fortunate which will provide home ownership to low-income families. A discussion with Kerry Blind of Ecos Environmental Design and Tom Walsh of Tunnell, Spangler, Walsh and Associates planted the seed for the idea of this study. These two practitioners, who are partners in their own firms, stated to me that they, too, would like to figure out strategies that they could use to design communities that will have alternative financing in place to allow low-income families the opportunity to become a home owner (Personal Conversation with Blind and Walsh, 2007). This study also seeks an explanation as to why low-income families continue to be uneducated

on available financial opportunities and consequently due to families' lack of knowledge, they do not gain access. The focus of this study is on mixed-use (new urbanist) communities that have been created to allow home ownership to low-income families throughout the U.S. Methods of inquiry include phenomenological data and survey research that will allow low-income families a way to gain home ownership.

Although there have been few market studies on consumer demand for New Urbanist developments, a 1989 study sheds light on the fact that mixed use communities are becoming more desirable. A survey of more than 2,000 prospective home buyers from the western and southern United States demonstrates that only 34 percent of respondents preferred mixed-product neighborhoods to communities where expensive homes are separated from less expensive ones and communities where different uses such as retail remain separated (Farnsworth, 1998). A survey conducted in 1995 by American LIVES suggests that although two-thirds of the respondents were dissatisfied with conventional master-planned communities, only 21 percent embraced NU concepts (Rybczynski, 1998). According to Bookout (1992b), overcoming lending standards can be especially problematic for the retail and commercial components of an NU development, particularly with respect to small-scale retail. Fulton (1996) echoes Bookout's concern for NU's economic feasibility: "The traditional neighborhoods that the New Urbanist hopes to replicate are characterized by compactness, small scale and diversity of buildings. But, increasingly, the economic and lifestyle demands of urban and suburban life seem to require facilities on a massive scale" (26). This study clarifies how community and regional planning professional and landscape architects can educate developers on the economic hardships low income working deal with on a daily basis.

By allowing these families the opportunity to live in a high density community where public transportation is abundant.

Bookout (1992a) believes that the real obstacle to NU projects is not with development regulations and approval bureaucracies, but with project financing. Starkie and Yosick (1996) argue that many lenders and developers do not understand the markets, values, and risks inherent in NU projects and assert that the anxiety of real estate development lenders stems from Fannie Mae's "pass through" requirement, which holds the bank responsible for a project through foreclosure of the asset. According to Leinberger (1998), the segmentation of the real estate industry presents an obstacle to financing New Urbanist developments. Dinsmore (1998) maintains that this trend toward market segmentation is compounded by the rise of real estate investment trusts (REITs), which have emerged as major owners of real estate and as the chief real estate investment vehicle for pension funds and insurance companies. Like development companies and most lenders, REITs focus on investing in a single type and class of building. An NU project financier writes that packaging real estate investments so that they can be bought and sold on Wall Street strongly favors product standardization (Chapman, 1998).

RESEARCH QUESTIONS

1. What are alternative funding sources to allow low-income families the opportunity to become a home owner?
2. When investors establish an alternative funding source and a concept for a community how was the money assessed to these families?
3. What are the positives and negatives that have arisen after looking at case studies that have used alternative funding sources as a process to allow low-income families the opportunity to obtain home ownership?
4. What recommendations can be made to increase these opportunities to those who will benefit the most?

CHAPTER 2: REVIEW OF LITERATURE

The dominating issues that plaque the current housing crisis in the U.S. has been created by poor education and lack of resources by our federal government and our countries banking and lending institutions. The banking system and the federal programs which have been set up to aid families and citizens with the opportunity to purchase a home has failed miserably, take into account the recent crisis with Fannie Mae and Freddie Mac. Due the over extension of loans, mismanagement of funds and lack of guidance, two of our country's giants in the mortgage industry, along with the citizens of the U.S., have suffered immensely.

Community and Regional Planning and Landscape Architecture professionals need to aid low-income families need to aid low-income families by informing them of the opportunities that will allow them to become homeowners. This paper looks at literature on current U.S. policies toward home ownership financing in order to illustrate how low-income families are largely prevented from purchasing housing. Current research does not focus so much on low-income households based on social class but more so based on economics. The literature also explains how past concerns of government financing for low income families has drawn major criticism over the last twenty years, and presents problems in many ways today. Judith Siegel, president of Baltimore based Landex Corp says that we should be attempting to obtain tax credits for stand alone apartments, instead we should be creating neighborhoods that will provide sufficient housing for this socially deprived class of people (Murphy, 2003). The Landex Corp. has developing affordable

housing for two decades. The literature will then describe alternative approaches to obtaining financial assistance for home ownership in the U.S., outside of the current policies of today. This in-turn provides other options to future generations of these social classes about which previous generations would have been ignorant too. This paper will conclude with case studies for the purpose exploring and critiquing analyses of alternative financial opportunities available to disadvantage families. Ultimately this review will illustrate that there are potential alternatives available in some states to low-income families, but there still needs to be a lot done to make this funding source available to all states across the nation

U.S. Policies on Current Home Ownership Financing

Buying a home in the U.S is the largest single investment most people will make during their livelihood. “Middle income Americans in many parts of the country are finding that high housing costs deny them the opportunity to own a home the classic and enduring symbol of the American Dream” (Wagman Roisman, 1995). Homeownership is a pillar of America’s healthy, spirited communities. Ownership benefits individual families by helping them build cohesion and continual financial security. Under the Clinton administration, HUD began to work with numerous national leaders to create a National Homeownership Strategy. The strategy cites four fundamental benefits of owning a home in the U.S.:

- “Through homeownership, a family...invests in an asset that can grow in value and...generate financial security.”⁷⁷
- “Homeownership enables people to have greater control and exercise more responsibility over their living environment.”⁷⁷
- “Homeownership helps stabilize neighborhoods and strengthen communities.”⁷⁷
- “Homeownership helps generate jobs and stimulate economic growth.”⁷⁷

According to HUD's (1995) report done under the Clinton administration the advantages of homeownership is more of a social status and is well sought after for those who have the least access to home ownership. For minorities, it has become a symbol of personal wealth to become a homeowner more than that of whites (HUD, 1995). The value of homeownership seems to affect the physical condition of a low-income family and their neighborhood in which they reside. The types of lives that their children tend to have has also been determined by the backgrounds in which they come from. "By improving access to homeownership for those previously underserved, the National Homeownership Strategy can, as Secretary Cisneros has predicted, make a real difference in the lives of millions of American families, and in our communities, for years to come." (U.S. Department of Housing and Urban Development, 1995)

In Morris (1997) *Restructuring the Financial System as If Community Matters* says that according to George Soros and Ralph Nader, the motion of money is having a progressively more harmful significance on our economies and communities. This amplified assumption has been guided by the physical disassociation of our financial institutions from our communities. "The number of independent banks is at the lowest point it has been since 1934 and overflow of unions and additions continues to minimize that number" (Morris, 1997). Banks (depository institutions) which allow deposits are discontinuing operations of branches while the most abundant growth in the financial sector is in Credit Unions (non-depository institutions) like mutual funds and pensions that have never had a physical existence in communities. "This delinking of money from place and productive investment is not the inevitable result of technological advances or

economics that direct its existence are also an invention of the human race the rules we have created evolution” (Morris, 1997). Money is a man made creation and the rules favor flexibility over commonality, assumption over dynamic investment and instability over dependability.

As author David Morris Vice President Institute for Local Self-Reliance, states that “The challenge before us is to develop new rules. We need policies that once again link capital and community, with a special emphasis on those parts of the community that traditionally have been left behind. The title of this conference expresses our goal: "Growing Equity" in both meanings of that term - wealth and fairness” (Morris, 1997)

As stated by President Bush, “Homeownership lies at the heart of the American Dream. It is a key to upward mobility for low- and middle-income Americans. It is an anchor for families and a source of stability for communities. It serves as the foundation of many people's financial security. And it is a source of pride for people who have worked hard to provide for their families” (Bush, 2002).

Alternative ways to improve a neighborhood and prior planning required to achieving this goal

"Public-Private Partnerships" has become popular jargon cited over the past two decades. Whether they are triumphant, who pays, and who benefits have been the subjects of extensive debate. The test for the community development field is to answer to these varying patterns of neighborhood poverty and to continue to work to undo the effects of decades of not investing in low-income and minority communities. Living in immense poverty neighborhoods magnifies the problems faced by the poor, and exacts intensified social and economic costs. Research has shown that:

- Living in extremely poor neighborhoods creates significant barriers to finding and traveling to jobs in other parts of a metropolitan area.³⁹

- Children who live in extremely poor urban neighborhoods are more likely to drop out before receiving a high school diploma, and are at a greater risk of engaging in criminal behavior and drug use.¹⁹
- The incidence of depression, asthma, diabetes, and heart disease are all greater in high poverty neighborhoods.²⁷
- The lack of competition and market information in high poverty neighborhoods results in poor families paying more for basic needs and services, such as groceries, financial services, auto insurance, and home mortgages, making it even more expensive to be poor.³¹

Invigorating neighborhoods and decreasing the concentrated poverty by providing access to superior affordable housing, strong public schools, well-situated and wide-ranging transportation options, living-wage jobs, and even access to supermarkets and parks and public spaces can therefore help to end the inhuman cycles that keep poor families from moving up the economic ladder. Neighborhood poverty is determined by different factors in different places: whereas one neighborhood may be suffering from de-industrialization and the historical legacy of redlining and segregation, another neighborhood may be poor as the result of rapid population growth and the creation of temporary, low-wage jobs. Bruce Katz from the Brookings Institute says “A true rebirth of distressed areas will only occur if we make these places neighborhoods of choice for individuals and families with a broad range of incomes and neighborhoods of connection that are fully linked to metropolitan communities” (Reid, 2006). One key lesson learned from past mistakes is that although community development finance tools don’t vary, neighborhoods do, and projects should be targeted to meet local community development challenges.

Eco-friendly Housing

The term eco-affordable housing is used to describe programs and projects that integrate green building concepts with efforts to provide housing that is affordable to a target market or community. Components which describe the term eco-affordable include the following: Ecologically responsible: As defined by the community, green building guidelines, or other ecological principles, and Affordable: As defined by a specific area, considering community needs or other economic indicators for a target market. It is important to recognize that eco-affordable is “not just about the house.” An eco-affordable housing project can serve as a way to increase community involvement in defining housing needs and identifying local environmental priorities, and can even create opportunities for economic development and local self reliance as people develop new skills related to green building practices.

There is significant variability in eco-affordable housing efforts due to both the relative newness of the formal concept and the need to be flexible in addressing diverse green building goals and specific community housing needs. This variability can create confusion and even conflict over competing definitions of what constitutes an affordable green building program. However, the various approaches also offer a range of models for communities and organizations to learn from as they initiate their own eco-affordable housing project.

The connection between Green Building and Affordable Housing

There are numerous ways in which green designed and constructed structures and affordability intersect. The convergence of these two concepts includes two common

interests local materials, the use of energy efficient appliances and techniques different from what is perceived as normal in the current construction industry.

Energy-Efficiency

In a 2007 survey, sixty-three percent of “green” homebuyers said they were motivated to buy their homes by the lower operating and maintenance costs due to improved energy- and resource efficiency (Lindburg, 2007). A way in which these low maintenance cost can be achieved is to incorporate energy efficient appliances, well insulated structures and natural and local materials. The initial cost of constructing a structure using these resources will be more expensive initially but over time the home owner will see a significant savings, compared to conventional construction. “Homes built in “Prairie Crossing”, a conservation development in Grayslake, Illinois, reportedly need 50% less energy to operate than a traditional home in the area, and yet cost the same to build. Despite the many opportunities for increased home energy-efficiency, since 1970, total household energy use has risen, even as energy use per square foot has declined. This trend leads to the next topic of reduced home size as a tool to increase affordability and reduce environmental impacts.” (Lindburg, 2007).

Efforts to support the Eco-Affordable Housing Movement

“In recent years incentives for integrating green and affordable have increased. Local and national programs and organizations such as the Greater Minnesota Housing Fund, Family Housing Fund, Home Depot Foundation and Enterprise all offer incentives, guidelines or financial support for affordable housing that addresses green building criteria. Green Communities, the first national green building program to focus on affordable housing was started by Enterprise in 2004” (Lindburg, 2007). “The Minnesota

Green Affordable Housing Guide is a web-based resource created to assist designers, builders, homeowners, and organizations to build green affordably and specifically addresses climate concerns for the State of Minnesota” (Lindburg, 2007). “The Affordable Housing Design Advisor, developed by The U.S. Department of Housing and Urban Development (HUD), is free and focuses on green design” (Lindburg, 2007).

With the help of Enterprise and Minnesota’s Green Communities, housing developers with established records of being instrumental in increasing the awareness of constructing affordable homes for deprived families are also increasing their role in creating more eco-friendly dwellings. “The Greater Teton Area’s Habitat for Humanity is nearing completion of its first green affordable home in Teton County, Wyoming. They are establishing their own green building guidelines to work from, and some of the green building practices include energy-efficiency and using recycled or reclaimed materials.” (Lindburg, 2007).

The shared interest of Landscape Architects, Planners and policy makers for creating affordable eco-friendly designed communities is clear. Considerations such as energy efficiency, reduced foot prints of homes, the use of local materials and paying closer attention to the surrounding context of the development has aided in the further progress of this ongoing process to change the present culture of the construction and housing market. Even though these considerations have been deemed pertinent to the success of this movement other considerations have decreased the success of this idea on a broader scale, challenges such as creating green building projects for rural communities who lack a funding source that may be available in a major metropolitan city. “The benefits of completing and incurring the costs of green building certification for

affordable housing projects are also up for debate, but green building programs offer a useful framework for planning and designing affordable housing projects even if certification is not completed” (Lindburg, 2007).

Case Studies Utilizing Alternative forms of Financing to Obtain Home Ownership

Author of Tackling Neighborhood Poverty Carolina Reid states that, “One successful model that has been implemented by The Reinvestment Fund (TRF) as part of Philadelphia’s Neighborhood Transformation Initiative, which seeks to tailor community development strategies to the distinct market conditions of disparate neighborhoods (The Reinvestment Fund’s Approach to Community Development)” (Reid, 2006). She goes on to illustrate the procedures utilized to reveal the indicators studied. These indicators include vacant land, property values, and residents’ credit scores. The reinvestment fund ranks each Philadelphia neighborhood into six categories, from highly desirable “regional choice” areas to distressed “recovery” neighborhoods. These categories are then used to inform neighborhood strategies. Reid then goes on to show examples of how these indicators were used. For the “regional choice” neighborhood (those with high, appreciating property values and often only home to the wealthy); Reid said that it makes more sense to support an employer assisted housing initiative that would help to incorporate additional low-income working families into the community. She then goes to say that in contrast, in “reclamation” neighborhoods (those with high levels of deterioration and little commercial presence) that the market demand for new housing is low. Then it may be better to focus on restoring vacant and dilapidated properties or providing job training and placement services for local residents.

Richard Baron, chairman and CEO of McCormack Baron Salazar, a for-profit housing developer in St. Louis, argues that even though funding for community

development flows vertically, interventions have to happen horizontally. “You can’t redevelop neighborhoods vertically. The only way these areas will ever function successfully is if we start thinking and solving problems horizontally. The design and the reintegration of housing into a community has to be broad—it has to encompass streets and parks, jobs and education—so that the housing itself can begin to re-knit an area” (Great Cities Institute, 1996). While straightforward on its surface, this principle is in fact quite hard to put into practice.

As Jeremy Nowak, CEO of the Reinvestment Fund, has argued, “the community control ideology of neighborhood development often regards locality in strategic isolation from the rest of the economy” (Nowak, 1997). Funding requirements often disallow more incorporated approaches, and some programs provide incentives that perpetuate the mistakes of the past. Forced to compete for limited development funds, most CDCs are left with small, under funded projects that are unable to influence economies of scale or unite poor neighborhoods to regional economies. Constructing reasonably priced housing in better neighborhoods is often disillusioned by NIMBY (Not In My Backyard) sentiments and an increase in land costs. Numerous strategies that try to confront programmatic ideals often quickly bump up against those current policies. Nevertheless, where community development has worked, it has done so by rising market demand in poor neighborhoods. According to Bruce Katz of the Brookings Institution, the goal is to create “neighborhoods of choice and connection.” In other words, to be successful, community development must build neighborhoods in which a range of families including those with higher incomes choose to live, and where all families have access to the amenities good neighborhoods provide, including high quality education,

transportation options, and jobs (Katz, 2004). The HOPE VI experience shows that building mixed-income developments can serve as an important catalyst for this type of neighborhood revitalization (Piper and Turlov, 2005). An early analysis of eight HOPE VI sites found significant improvements in most of the once-distressed neighborhoods, including increased neighborhood income, property values, and private investment (Zielenbach, 2003). There is also increasing evidence that targeting multiple resources in a community can produce a “tipping point” for revitalization, stimulating enough improvement that the private market takes over.

Green Communities: Affordable Housing’s Green Future

Minnesota has become a leader in advocating for eco-affordability throughout its entire state with the creation of two housing initiatives. Both the Family Housing Fund and the Greater Minnesota Housing Fund, these two programs were created under the leadership of the Enterprise group. Enterprise is the leading provider in developing capital and expertise in which aids developers and investors to create and rebuild disenfranchised communities. The mission for the Enterprise group is to allow developers, investors and policy makers the opportunity to create eco-affordable communities utilizing loans, tax credit equity and other technical assistance programs. In *Building a Movement for Durable, Healthier and More Efficient Housing: Lessons from Minnesota and Beyond* Proscio (2007) says that having a twenty five year existence has afforded the Enterprise group with the opportunity to become a pioneer in neighborhood solutions using a public and private partnership. Through their efforts they have raised more than seven billion

dollars in equity grants and loans, and they have around one billion invested in communities on a year to year basis.

Through Green Communities guidelines and resources twenty three states, cities, suburbs and rural communities have utilized this approach. Three key principles must be met for a city, state or community to be characterized as a Green Community project. These three components are: (1) energy and conservation of natural resources, (2) healthy surroundings for residents, and (3) a sustainable relationship with the natural environment. This organization has become a key fixture in the state of Minnesota, attempting to change the regulations and design of affordable housing and ensure that all of the affordable housing in the state is constructed energy efficient and with LEED (Leadership in Energy and Environmental Design) standards.

There were two financial resources utilized to create the Green communities initiative which has been developed for the state of Minnesota. (1) The family housing fund, developed for the twin cities: Minneapolis and Saint Paul, which started in 1980 and was created to services these two major metropolitan areas and the seven counties which they encompass. Created as a public and private effort and has a focus on housing as a top priority. Having invested more than 161 million dollars in resources across the metro area and leveraged approximately 2.4 million in public and private funds in the area of affordable housing has produced more than 31,000 homes during the year of 2006 for this individual fund. (Proscio, 2007)

For the remaining eighty counties throughout the state of Minnesota, the Greater Minnesota Housing Fund, created in 1996, has been incorporated with a current budget of

58.5 million and the ability to create more than four thousand units of affordable housing across the state. The main issue that increases the use of both of these funds for the state of Minnesota are that they both allow for the incorporation of an educational component, which illustrates the key principles that a state, city, or community shall follow in the initial stages of the planning process of an eco-affordable community. From the creation of these two resources Minnesota has created an opportunity to become the nation's leader in eco-affordable housing for low-income families. Due to the popularity of this initiative other resources have been developed to help the homeless and the special needs population; as well as the encouragement of assisted living programs and environmentally sound communities amongst the states employers.

To lessen the financial impact for investors and developers utilizing the Green Communities initiative, the government has provided tax credits and subsidies. The two Minnesota housing funds along with the Federal low-income housing tax credits and the HOME (Investment program) dollars has created a single entity to obtain funding from called a "Super RFP (Request for proposals). HOME provides formula grants to States and localities that communities use-often in partnership with local nonprofit groups-to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people (HOME Investment Partnerships Program). The Greater Minnesota Housing Fund and the Family Housing fund began to create a statewide program called the Minnesota Green Communities in partnership with the Enterprise. Initially the program was started with three hundred thousand dollars and divided amongst all three equally.

Concluding Statement

In Reid's (2006) report, *Tackling Neighborhood Poverty Developing Strategic*

Approaches to Community Development, she says that the “overarching lesson from community development successes and failures is not that every organization must undertake every problem, but rather that the incorporation of efforts through partnerships and the calculated targeting of resources holds much promise for decreasing neighborhood poverty”. Financial institutions are key partners in lessening the impact of this financial burden the consumers face today. “According to one estimate, financial institutions make more than \$100 billion in CRA- (Community Reinvestment Area) related loans and investments each year” (Barr, 2005). “These dollars present possibly one of the largest and most persistent sources of investment to low-income communities and families, and efforts to target these dollars intentionally would have an evident and encouraging impact on neighborhoods and on the bottom line” (Reid, 2006). The use of this resource would encourage developers, investors and policy makers to inquire about proper guidelines to be followed when creating new and old communities for low-income families.

In the words of Mark Willis, executive vice president at JP Morgan Chase, it’s time to work harder towards getting the “biggest bang for our CRA buck” (Willis, 2003). To do this, however, financial institutions will need to stop allowing investors of community projects from out bidding one another to obtain the rights to construct these projects. “It will require a more targeted approach to CRA-related activities, one that uses data, community input, and research to assess the types of projects that should be financed and to say no to those that don’t meet the criteria set for community impact” (Willis, 2003). It may also mean that along with landscape architects and planners, financial institutions will have to take guidance in establishing partnerships with local

community groups and policy makers, which bring their associations to the wider economy to tolerate neighborhood issues.

Anne Kubisch, Co-Director of the Aspen Institute's Roundtable on Community Change, noted that "when financial institutions, planners, and landscape architects' take a leadership role in community development in a neighborhood, it sends a powerful message, one that can bring new partners with real resources to the table" (Reid, 2006). Even with financial institutions, planners and landscape architects taking a lead on this pandemic they are not able to do it alone. "While the private sector is an influential actor in community improvement, government programs at both the federal and local level are vital, both to "soften" the risk of investing in reasonably distraught areas and to make available incentives for improvement" (Reid, 2006). Allowing the private sector the opportunity to coordinate with government programs develops a base for investors to utilize when funding their projects. Another way to fund their projects is to utilize non-profit agencies whose focus is to provide low-income families with resources to become home owners.

Lately the government has been attempting to take apart funding for housing vouchers, the CDBG (Community Development Block Grant) program, HOPE VI, and the CDFI (Community Development Financial Institutions) fund threaten to weaken the positive impacts these programs are having on low-income communities. If policy makers and the private sector allow this to happen the lack of these funding resources may only further prevent the ability of the community development industry to tackle neighborhood poverty in an all-inclusive way. In other words not having proper funding will deprive low-income families from ever feeling as if they belong to a society which

constantly pushes them further and further behind. Without the rigorous efforts of both the public and the private sector, the constant existence of neighborhoods that look like New Orleans' Lower Ninth Ward is an inevitable conclusion.

CHAPTER 3: BARRIERS TO AFFORDABLE HOUSING

The overall purpose of this thesis is to describe and discuss a selection of alternative financial approaches which will make home ownership both more affordable and accessible for low-income households. A large number of secondary information and data from international and national periodicals and publications have been reviewed and analyzed. The main academic contribution of this thesis is that it systematically organizes a wide range of financial opportunities available to Landscape Architects and Planners, to use while in the process of developing communities for low-income families. The report organizes alternative financial policies according to when they have an impact in the home ownership process.

Buying a home is the biggest single investment most people will make in their lives. Homeownership is a cornerstone of America's healthy, vibrant communities, and benefits individual families by helping them build stability and long term financial security. But sadly, homeownership is out of reach for many Americans — especially for minority families. For millions of these families, homeownership is a distant, unreachable dream.

“Barriers to affordable housing, combined with thin profit margins, explain why many developers choose not to build affordable housing. Such barriers also contribute to the reasons many property owners do not renew expiring rental subsidy contracts. Often, property owners instead choose to convert previously affordable units to market-rate sale or rental housing.” (Anchorage Housing and Community Development Consolidated Plan for 2003-2007, 2003)

As Winton Pitcoff states in *Has Home Ownership Been Oversold?*, “discussions about homeownership almost always seem to begin with some reference to owning one's own home being a part of “The American Dream” (Pitcoff, 2003). Pitcoff (2003) raises symbolic issues of what owning a home in America means to numerous families.

Whether it is a symbol of creating wealth or economic stability, owning provides a means for many low-income families the opportunity to get out of poverty. “Whatever the collective and individual benefits of homeownership – and they are still subject to debate – the costs are significant, especially for low-income households whose resources are limited” (Pitcoff, 2003).

Pitcoff says that “low-income homebuyers are limited by the available housing stock and by what they can reasonably afford” (Pitcoff, 2003). During the later part of the 1990’s about 30 percent of new constructions, was affordable to working families make less than 80 percent of the median area income (Pitcoff, 2003). Even though there was a gain the number of homes that became unaffordable lessens the impact due to turbulent conditions in the housing market (Pitcoff, 2003). Nevertheless the homes that were available to low-income buyers were those that were older, in crime oppressed neighborhoods, where there were few jobs and lack of resources to educate families before they made a life changing decision (Pitcoff, 2003).

“The Census Bureau says home ownership is at record high with nearly 69 percent of all Americans owning their own home. Nonetheless, high down payment and closing costs are among the most significant barriers to homeownership for first-time homebuyers.” (Willis, 2004) In 2004, President George W. Bush proposed an initiative called the American Dream Down payment initiative to provide an opportunity for first time low-income home buyers to have the means to purchase a single family home. With this opportunity the family had to earn less than 80 percent of the median household income in their area were they reside. (Willis, 2004) These and other government programs such as the FHA (Federal Housing Administration) and VA (Veterans

Administration) have been provided as a resource to allow families with economic hardships a way to obtain home ownership.

In order for families to obtain the FHA, ADDI, VA and other government loans that will have to meet certain credit qualifications. “To get the HUD-insured loan, you'll need to apply to a HUD-approved bank, mortgage company or savings and loan association” (Willis, 2004). One of the major obstacles that keep the disadvantaged from becoming first-time home buyers is the lack of money to provide a down payment on a mortgage. “A lot of consumers have the income to make mortgage payments and have good credit, but, can't overcome the hurdle of a down payment” (Willis, 2004).

“By breaking down regulatory barriers at all levels of government, we are creating an environment to increase minority homeownership,” said HUD Secretary Mel Martinez. “While nearly 70 percent of all American households are homeowners, less than half of African-American and Hispanic families own their own homes. We are convinced that homeownership strengthens our families and our communities” (Applegate, 2003).

Programs initiated by the Bush Administration have provided resources to aid low-income families who are first time home buyers. The following programs illustrate resources these families have to enable them to make the best decision for their respective households:

- American Dream Down payment Fund. This program provides \$200 million to help an estimated 40,000 low-income families a year to become first-time homeowners.³⁶
- Housing Counseling Assistance Program. This program earmarks \$45 million for counseling services to help an estimated 250,000 lower-income Americans buy and maintain a home or rent affordable housing.³⁸
- Housing Choice Voucher Homeownership. Through this program, HUD allows local housing agencies the flexibility to use rental assistance vouchers toward moving low-income families into homeownership.³⁸

- Single-Family Affordable Tax Credit. To stimulate the production of affordable homes in distressed communities where such housing is scarce, the Administration has proposed a tax credit of up to 50 percent of the cost of new construction or rehabilitation. This tax credit targets low-income households earning less than 80 percent of an area's median income.³⁸
- Self-Help Homeownership Opportunity Program (SHOP). President Bush has proposed \$65 million to fund so-called "sweat equity" homeownership programs. This proposal will provide grants that support nonprofit organizations like Habitat for Humanity, which requires low-income families to help construct the homes they will eventually own.³⁸

In a statement and address Senator Hilary Rodham Clinton reintroduced legislation that will be able to provide home owners with a safer alternative to the sub-prime mortgage crisis. In her speech 21st Century Housing Act she will lay a foundation that will modernize the Federal Housing Administration and allow more homebuyers to take advantage of the FHA mortgage insurance program (Clinton, 2007). Clinton told supporters of the National Community Reinvestment Coalition that when the sub-prime housing market began to collapse, then there were surely guidelines that would need to be put in place to rectify the issue in the future. She went on to state there was going to have to be more alternatives set aside for low-income working families who have the desire to some day own a piece of the American Dream, with out having to apply for loans in which they would not qualify (Clinton, 2007). Senator Clinton said that “Modernizing the FHA will be an effective way of providing that alternative and I will press in the Senate to take this long overdue step for our families” (Clinton, 2007).

The bill that she proposes will modernize the role of the FHA and give access to buying a home for those who would not have the opportunity otherwise. Below is a list of relief approaches the plan will provide:

- Allowing the FHA to make investments in both personnel and its information technology infrastructure to help meet the market demand for affordable mortgage products and work more efficiently with mortgage lenders and borrowers.²⁵

- Increasing the FHA's loan limits for housing in high cost areas which will help create more home buying opportunities in high cost-of-living states like New York so that working families don't get priced out of their own neighborhoods.²⁵
- Allowing the FHA to develop responsible, alternative mortgage products such as reduced down payments and longer term mortgages to meet the demand of lower and moderate income families.²⁵

Pat Vredevoogd who is the President of the National Association of REALTORS told Senator Clinton that “this legislation will strengthen FHA and make it a viable alternative to some of the riskier products that have been marketed to homebuyers” (Clinton, 2007).

"The true test of the American ideal is whether . . . chance of birth or circumstance decides life's big winners and losers, or whether we build a community where, at the very least, everyone had a chance to work hard, get ahead and reach their dreams" (Obama,2005).

There are two major barriers that keep low-income families from obtaining a home. One is not accumulating enough money to put a down payment and the closing cost on a house and the other is that they tend not to earn enough money to pay a mortgage (Katz and Retsinas, 1999). Katz and Retsinas in *Extending the American Dream* says that “About a third of low-income households are limited by a lack of wealth alone, and a mere 2 percent were prevented just by insufficient income. It is a combination of the wealth constraint and the income constraint that trips up sixty-five percent of working families who want to buy a house” (Katz and Retsinas, 1999). Currently there are programs that propose opportunities to aid low-income families in the process of changing them from renters to home-owners, but with these two major barriers in place, the lack of finances and no money for a down payment, there is usually no help given to this social class. There have been government programs designed to provide assistance for low-income families from renters to homeowners, but these programs generally do not help low-income families overcome both the wealth and income

constraints. “Mortgage Revenue Bonds, for example, can reduce down payment requirements, but often require buyers to purchase mortgage insurance. Another program, Mortgage Credit Certificates, uses non-refundable tax credits to spur home ownership, but low-income people often have little or no tax liability, so credits are of limited use to them” (Katz and Retsinas, 1999).

In *Extending the American Dream* (1999), Katz and Retsinas proposed using another option to provide assistance for low-income families. This option is called: The Low-Income Second Mortgage Tax Credit. The purpose of this credit program is to encourage lenders to offer low-income families a second mortgage at below market interest rates (Katz and Retsinas, 1999). The incorporation of this tax credit could address the barriers preventing low-income working families who lack the wealth to obtain a home finally have the means to make this dream come true. As Katz and Retsinas (1999) say the tax credit could be easily administrated by targeting particular neighborhoods that have been disenfranchised. The two say that the most important reason the low-income second mortgage tax credit could help, is that it would close the disparity in home ownership (Katz and Retsinas, 1999).

CHAPTER 4: EXISTING POLICIES

“A major new study released by the Working Poor Families Project, finds a continuing rise in the number of low-income working American families and a staggering increase in income inequality. “Still Working Hard, Still Falling Short: New Findings on the Challenges Confronting America’s Working Families” also provides in-depth national and state data on low-income working families and the challenges they face, including information about education levels, racial makeup, the number of children, housing costs and health insurance coverage” (Saltzman, 2007).

In Saltzman *New Report Finds America’s Working Families Continue to Fall Behind*, in the research that was conducted working families in 2006 in the US had a trend of one in four families that were low-income (Saltzman, 2007). To put that number in perspective that is roughly 9.6 million families with a comprised number of approximately 42 million children and adults. With this statistic far more working families are comprised than what the American governments wants the general public to know (Saltzman, 2007). What Saltzman gets at is that even before the economic crisis that we now face low-income working families were always getting the short end of the stick when it comes to resources to help with homeownership. “During a four year period of robust economic growth, the number and percent of low-income working families increased” (Saltzman, 2007). Inferences can be drawn from this study using the following information:

- The number of low-income working families increased by over 350,000 from 2002 to 2006.⁷²
- The number of children living in low-income working families increased by almost 1 million. This means that one-third of America’s children live in low-income working families putting their economic future at-risk.⁷²
- Income inequality among working families increased by almost 10 percent.⁷²
- The number of jobs in poverty wage occupations increased by 4.7 million.⁷²

Using Tax incentives, rebate loans and other governmental policies

Designers, developers, and investors can utilize a wide array of techniques to include energy efficiency when designing and re developing communities for low-income working families. “Green projects also may require additional expertise and oversight to meet environmental goals, demanding more staff time and overhead in the project budget” (Center for Housing Policy, 2008).²² Recent research has shown that lower operating and maintenance costs to include energy efficiency has been proven to offset upfront expenses over the life cycle of green buildings. Nevertheless if these savings can be included in the initial projects budget the upfront additional costs may present an obstacle for working families or mission-driven developers trying to go green on a tight budget (Center for Housing Policy, 2008).²²

Many state and local governments have developed policies and green building guidelines to incorporate green building practices when designing communities for low-income working families (Center for Housing Policy, 2008).²² The programs these cities use are financed with funding from a variety of resources including federal and states programs which focus on weatherization to revenue collected from residents taxes using local bonds and appropriations (Center for Housing Policy, 2008).²² “According to the Energy Programs Consortium, as of January 2007, some 36 states and the District of Columbia offered one or more loan, grant, rebate, or tax incentive programs to promote and help finance energy-efficient development” (Brown, Pietsch and Wolfe, 2007 p.2).

Using low cost loans to make communities more energy efficient

In New York there is a smart loan fund program which provides an interest rate reduction on loans which provide an energy efficiency measure utilizing renewable resources. “In most parts of the state, borrowers can receive a reduction of 4 percent (400

basis points) below the normal market interest rate over a 10-year loan period” (Center for Housing Policy, 2008).²² The most significant contribution to this program is local banks receiving an incentive to close loans for projects receiving funds from NYSERDA (New York State Research and Development Authority). NYSERDA is a public benefit fund created in 1975, which initially focused on reducing New York’s reliance on petroleum based products. Currently NYSERDA is utilized to provide energy efficient solutions to the wellbeing of the city. Utilizing the funds from NYSERDA, owners of existing single-family homes and multifamily buildings as well as developers of new multifamily construction are eligible to participate and may receive loans in the following amounts¹⁹:

Existing 1-4 family homes	Up to \$20,000 (\$30,000 for Con Ed customers)
Existing multifamily buildings	\$5,000 per unit up to \$2.5 million, plus an additional \$2.5 million for projects with advanced meters that help reduce peak-load use of electricity
New multifamily buildings	Up to \$1 million plus an additional \$500,000 for Green Building Improvements when the building is LEED certified

This chart illustrates how NYSERDA funds are used (Center for Housing Policy, 2008)²².

For a project to be compliant by NYSERDA standards energy efficient appliances have to be used and documentation must be submitted detailing what appliances and materials were incorporated throughout the design.

The Low Income Housing Tax Credit

One of the more sought after programs that developers utilize when creating low cost affordable homes for low-income working families is the Low Income Housing Tax Credit (LIHTC). “The LIHTC entitles recipients to a dollar-for-dollar reduction in federal income tax liability, up to the permissible credit amount, which developers typically

"sell" to investors in exchange for the up-front equity needed to complete their projects” (Center for Housing Policy, 2008)²¹. Even though the IRS is the main contributor of the LIHTC, the funds are administered at the state level through housing agencies who work with local residents to pre-qualify them for this program. State agencies which administer this program are required by law to prepare a QAP (Qualified Allocation Plan), on an annual basis. A QAP shows a detail account of how an applicant will be scored and describes the standard used to show his/her eligibility (Center for Housing Policy, 2008)²¹. “According to the Energy Programs Consortium, in 2007, some 39 states awarded extra points to applicants whose developments included energy-efficient investments” (Brown, Pietsch and Wolfe, 2007 p.5). “The LIHTC program can be extremely competitive, with demand surpassing supply by a ratio of 2-to-1 or even 3-to-1 in some places” (Illinois Housing Development Authority, 2008).

“As a result, rewarding green development with extra points can be a highly effective incentive. Alternative approaches to promoting green development through the LIHTC include setting aside a portion of credits for green buildings and creating threshold requirements that include compliance with specified energy efficiency standards” (Center for Housing Policy).²²

Furthermore some states also use the qualified annual plan to encourage building design and placement which promotes reduced household energy use through smart design, such as pedestrian oriented mixed use communities.

Using projects from around the country to view alternative financial practices to allow low-income families the opportunity to purchase affordable housing, case studies were analyzed to understand the characteristics of these projects that were similar and different. From this analysis connections can be made between the projects that utilized the same funding sources, either the use of federal agencies, private donors or community

groups. Projects were selected based on demographics, economic hardship, and lack of resources to aid low-income households with the opportunity to become a home owner.

CHAPTER 5: ALTERNATIVE APPROACHES

These alternative approaches presented in this thesis will help low-income working families buying and borrowing power through the use of homeownership education programs that are currently in place. Pre-purchase homeownership programs lay out a foundation which in-turn helps families walk through the tough home buying process (Center for Housing Policy, 2008). With the use of these professionals helping in such areas like debt and credit improvement access to more options encourage this class that there are opportunities and professionals who are willing to work with them (Center for Housing Policy, 2008). For these resources to take a stronghold in the community it is important to have professionals in place to aid this social class when needed. “Finally, communities can help families afford the full costs of their homes by reducing the amount of money families spend on home energy needs” (Center for Housing Policy, 2008).

What is homeownership education and counseling?

“In recent years, the home-buying process has grown more and more complicated” (Center for Housing Policy, 2008). Currently prospective home buyers are offered a variety of mortgage products to choose from when purchasing a home even if they don’t have enough capital upfront. Even though some of these products have helped education and counseling can be used to help in the event of those problems. This can occur in cases were “mortgages may offer low starting rates to first-time homeowners that increase to the point where families can no longer afford their homeownership costs” (Center for Housing Policy, 2008). The rising complexity of the mortgage market

enlightens professionals of the opportunity to devise a plan to help families locate aid in the potential time of need.

“The need for pre-purchase homeownership education and counseling to help prospective homeowners assess their options and understand their responsibilities -- as well as for post-purchase homeownership education and counseling to help existing homeowners become savvy about their refinance options” (Center for Housing Policy, 2008).

Classes provided to low-income families after homes are purchased can increase the understanding of the maintenance and up keep that comes from owning their own property. “A third type of homeownership counseling -- foreclosure prevention (or default loan) counseling -- can be distinguished from other forms of post-purchase counseling in that it represents a response to problems rather than an attempt to pre-empt them” (Center for Housing Policy, 2008). As stated on Housing policy.org many homeownership education and counseling programs have been provided in many communities, but much more needs to be included to expand the outreach and effort to provide information to those seeking help (Center for Housing Policy, 2008).

How is homeownership education and counseling a tool for affordability?

Through pre-purchased counseling, low-income working families can make an educated decision on a time frame of when they are ready to purchase a home and have the resources to learn how to budget with the finances they currently receive month to month. This budgeting of funds will help with home repairs and expenses that occur throughout the lifetime of owning a home. “For this reason, pre-purchase homeownership education and counseling is often required for families seeking to participate in affordable mortgage programs” (Center for Housing Policy, 2008). Encouraging low-income working families to attend these counseling and education

classes could lessen the occurrence of predatory lending practices which is one of the major causes of the housing crisis that we currently have.

“A recent Center for Housing Policy study, Impacts of Homeownership Education and Counseling on Homebuyer Purchasing Power, found some evidence that families who attend homeownership education and counseling can significantly increase their credit scores therefore their purchasing power” (Center for Housing Policy, 2008).

With the aid of programs to help families qualify for safer, lower interest rate mortgage products the investment in the homeownership counseling program can provide an increased opportunity for borrowing power and homeownership. This form of education can also help reduce the number of families defaulting on loans and losing their homes to the foreclosure crisis.

“A study by Freddie Mac found that certain types of pre-purchase homeownership education and counseling -- specifically, classroom education and individual counseling, but not telephone education -- significantly reduced mortgage default rates” (Hirad and Zorn, 2001).

Homeownership education is needed by families across the country especially in communities where resources are limited due to high interest rates and high prices of homes where families make less than the median income for the area in which they reside. “Many non-profit homeownership education and counseling organizations lack sufficient resources to respond to all of the individuals seeking assistance” (Center for Housing Policy, 2008). Some states utilize local resources to help these organizations providing this service in some type of capacity to be able to serve more families, others provide the technical and logistical know how to improve the quality of service these families encounter. “Many communities make homeownership education and counseling a prerequisite for obtaining down payment assistance” (Center for Housing Policy, 2008).

How does homeownership education counseling work?

Throughout numerous communities, there are currently non-profit organizations already in existence to provide assistance to families in their local area.

“These organizations, many of which are certified by the U.S. Department of Housing and Urban Development as HUD-approved housing counseling agencies, provide classes and individual counseling to help families build knowledge about one or more of a range of topics such as the home-buying process, mortgages, the responsibilities of homeownership, fair housing laws, and other pre-purchase and post-purchase needs” (Center for Housing Policy, 2008).

HUD provides funding to HUD-approved housing agencies through federal funding resources; many other non-profit counseling and education agencies receive funding from NeighborWorks America or through other HUD-approved organizations. NeighborWorks America is a “US national public/private neighborhood redevelopment organization” (Wikipedia, 2008). Furthermore there are lending institutions which provide education classes, for families who are afraid to speak with these organizations the counseling and education organizations are available.

States and city governments have an important role to play in expanding the reach of homeownership education and counseling to meet the desires and request of inquiring low-income working families. “Supplemental funding from states and localities can help education and counseling providers deliver quality services that families need” (Center for Housing Policy, 2008). Local communities can aid low-income working families to obtain access to educational classes that cover the following main points: “pre-purchase education and counseling, post purchase education and counseling and foreclosure prevention counseling” (Center for Housing Policy, 2008).

How to prevent foreclosure and help working families

While reviewing Chicago's Home ownership Preservation Initiative (HOPI) as a precedent to helping prevent foreclosure for working families inferences can be drawn to show that this case study provides assistance using the following four strategies:

1. Pre-purchase and post counseling and education²⁰
2. Direct intervention with delinquent borrowers²⁰
3. Rehabilitation of foreclosed properties²⁰
4. Research and analysis of best practices for the mortgage and servicing industry²⁰

The HOPI began in 2003 due to high foreclosure rate in Chicago during the past ten years. The City of Chicago, the Neighborhood Housing Services (NHS) of Chicago and the Federal Reserve Bank of Chicago developed and implemented an initiative which brought together partners from lending, investing and servicing firms as well as non-profit organizations and the public sector. In the first three years in which this initiative was in effect the NHS help prevent more the 1,300 foreclosures.

What HOPI used that has helped them engage their constituents was a 311 non-emergency phone number in which home owners who were delinquent with their mortgage, could have professionals help them deal with the financial burden, and develop a workout plan to help them overcome this dyer situation. The City of Chicago is currently one of the few cities which utilize a non-emergency hotline to provide homeowners aid in the prevention of foreclosure. For communities who do not utilize a hotline they can point home owners to the national HOPE hotline, this hotline is used to help home owners prevent foreclosure. The HOPE hotline has been provided to the general public by the Center for Foreclosure Solutions, this center was created by NeighborWorks America. With relationships between the City of Chicago and corporate lenders and servers resources have been created to help families restructure their loans as

needed. Whether it is to lower interest rates and payments these resources have become a major reason why this initiative continues to work and be used as a precedent for other communities around the nation.

Second Mortgage Tax Credit

Utilizing the second mortgage tax credit low-income working families are afforded the opportunity to utilize the annual tax returns as tax credits to purchase single family homes. Families with minimal taxes do not benefit from this resource. “And it might be difficult to estimate, and more important to limit, the impact of a refundable credit on the U.S. Treasury. A refundable credit would also reach low-income families after they had made a down payment—too late to be of use in overcoming the wealth constraint” (Katz and Retsinas, 1999). The upside of using a second mortgage is that it could cover the closing cost and approximately 22 percent of the house value, this would in turn lower the monthly payments, and the amount the low-income working family has to use for a down payment. Also this resource could keep this social class from losing needed income on purchasing mortgage insurance, the advantage of this approach will allow the homeowner the opportunity to have more income to use in other areas of home maintenance (Katz and Retsinas, 1999).

Nevertheless the second mortgage tax credit can be targeted to those who need it the most the urban and rural communities previously have been ignored. This class of people has been “underserved by the traditional mortgage market, so it would support home purchases in areas with low home ownership rates and high proportion of low-income families” (Katz and Retsinas, 1999). Under this principal numerous communities obtain the reward of utilizing the strategy. This strategy has been able to produce “stable

families, citizen involvement, and economic activity—that home ownership provides” (Katz and Retsinas, 1999). What this tax credit would mean to the average low-income working family is that with little upfront capital they would be able to purchase a home with the aid of the second mortgage tax credit. In an example illustrated by Bruce Katz and Nicolas P. Retsinas in the article *Extending the American Dream*, an example of a family earning \$20,000 a year in the Northeast could purchase a house for “72,550, with a \$1,000 down payment, and monthly mortgage payments of \$592 a month” (Katz and Retsinas, 1999).

The low-income second mortgage tax credit has been designed to provide tax assistance for low-income working families to obtain the opportunity of owning a piece of the American Dream, which is to become a homeowner. Katz and Retsinas stated that “if \$1billion is allocated over the next ten years then, 66,000 low-income families could enjoy the benefits” of becoming home owners, some for the first time ever (Katz and Retsinas, 1999). One of the major reasons why Katz and Retsinas proposed this idea back in 1999 was because we were living in the time when this country had a financial surplus and interest rates were lower. Currently our housing market has taken a major hit and homes do not have the same low interest rate that they once had, for this to work in our current situation resources will need to be tapped into utilizing homeowner’s education and mortgage counseling seminars.

Reducing household energy cost

“According to a 2006 study of 28 metropolitan areas conducted by the Center for Housing Policy, housing, transportation and utility costs together accounted for some 57 percent of a working household income; with rising fuel prices, this share has likely

gone up in recent months” (Lipman, 2006). The financial significance of these solutions in large part is dependent on the families’ income and expenditures, which allow them the income to afford this type of aid from the federal and local government. “Households that move into outlying areas in order to save housing costs may find that any savings are offset by increases in the cost of transportation, while families living in older affordable homes with poor insulation or inefficient appliances may be confronted by escalating utility costs” (Center for Housing Policy, 2008).²¹ Policies that are well coordinated between the local and federal government can help address these issues to lessen the financial burden low-income working families will have to endure, these policies will in turn free up money for food, healthcare and other everyday essentials (Center for Housing Policy, 2008).²¹

Energy efficient housing and public transit

“Green homes also promote better health through the use of construction practices and building materials that improve ventilation and indoor air quality, minimize moisture, and reduce or eliminate the presence of toxins” (Center for Housing Policy, 2008).²¹ Furthermore the mixture of affordable housing juxtaposed to multi-family reduces the dependence on automobiles for low-income working families, allowing them the opportunity to use public transportation. These in turn lessen the impact of green house gases and other toxic emissions releasing into the air. The following criteria illustrate what the inclusion of walking paths mean to housing communities:

- Encourage a healthier lifestyle and greater physical activity among residents²¹
- Prevent sprawl and environmental degradation and²¹
- Curb the loss of precious open space²¹

Using housing policies to promote affordability and sustainability for low income working families

“Although widespread use of green building techniques and materials is a relatively new phenomenon, many communities have recognized the value of these practices – both in terms of environmental and financial impacts – and have put in place a variety of policies to facilitate and encourage sustainable development” (Center for Housing Policy, 2008).²⁰

Numerous initiatives have been created around existing programs. The addition of a green design guideline address some of the unique challenges that designers and developers face on a daily basis when creating affordable sustainable homes for families that are less fortunate; the target of these programs range from incorporating new single family dwellings or rehabbing old multi-family buildings (Center for Housing Policy, 2008).²⁰ Nevertheless local and federal governments will need to focus on the challenges utilizing these resources and create new ideals to navigate through these turbulent times.

CASE STUDIES

The following are characteristics that provide insight of projects utilizing an alternative approach to provide home ownership to low-income households:

Battle Road Farm, Lincoln, MA²

- **Owner/Developer:** Keen Development Corporation²
- **Funding Sources:** Eliot Bank: Loan, Massachusetts Housing Finance Agency: Loan, First Trade Union Saving Bank: Loan, and the Massachusetts Housing Partnership: Interest subsidies/grant
- **Resident Profile:** The original concepts was to have 60% of the residents were low and moderate-income households, but after complications due to the real estate market the state only allowed 40% of the condominiums to be purchased by moderate income families with the balance sold at market rate.
- Initially only first-time home buyers were eligible to purchase a unit, and a lottery was held to select buyers.
- The town purchased a 24-acre tract of land for mixed-income housing. The decision to create affordable housing was made by consensus through an extensive planning process before a for-profit developer was selected.

- It looks like a traditional New England town, but through the conceptual stages it was able to be developed aesthetically and practical.
- Building types were fourplexes to recall the New England farmhouse and two-family structures with turn-of-the-century carriage houses.
- There were a total of 120 units 80 2BR and 40 3BR. The units were reasonable priced.

Benson Glen, Renton, Washington³

- **Owner/Developer:** Threshold Housing³
- **Funding Sources:** Local Initiatives Support Corporation: Recoverable Grant, Washington State Recoverable Grant and Local Banks: Mortgages
- **Resident Profile:** Moderate-income families at 75-80% of the area median income.²
- Since the community is near a Boeing factory, the neighborhood is racially mixed with a range of entry-level buyers.
- Innovative features of the single-family houses included reducing required parking spaces from four to two, thus saving \$3,000 per unit and decreasing building setbacks and lot sizes, thereby lowering the land costs.
- Unlike other case studies Benson Glen did not have any participation by the community during the initial phases of the design process.
- There are only 43 units 1 2BR and 42 3BR. Ranging from 970 square feet to 1,342 square feet.

Westminster Place, St. Louis, Missouri⁴

- **Owner/Developer:** McCormack Baron & Assoc. Inc.⁴
- **Funding Sources:** Sun America Housing Funds: Equity Partner, AFL-CIO Housing Investment Trust: Loan, Land Clearance for Redevelopment Authority of Kansas City: Bond Issue, Community Development Agency: Soft Loan, Missouri Housing Development Commission: Loan, Boatmen's Bank: Loan, The Related Companies: Equity Syndicator, Northside Preservation Commission: Soft Loan, and the Mark Twain National Bank: Loan
- **Resident Profile:** Low- and moderate-income households, incomes \$15,000-33,740.³

- Westminster Place is a mixed-income community with 392-units. This development consists of one, two, and three-bedroom units configured in two-story townhouses and three-story garden apartment buildings.
- Residents of this community truly live in a mixed social/economic environment in which everyone enjoys and has access to the same amenities.
- Since the scale of Westminster Place is so grand, it has created an essentially new community which supports commercial, institutional, and cultural activities that are in proximity to the site.

Musicians Village, New Orleans, LA

- **Owner/Developer:** Conceived by New Orleans natives Harry Connick, Jr. and Branford Marsalis
- **Funding Sources:** New Orleans Area Habitat for Humanity: Zero Interest Financing and donations
- The core concept behind the development of Musicians' Village is the establishment of a community for the city's several generations of musicians and other families, many of whom had lived in inadequate housing prior to the Hurricane Katrina and Rita catastrophe and remain displaced in its aftermath.
- The concept was quickly embraced by NOAHH (New Orleans Area Habitat for Humanity), the organization that has developed a model for building single-family homes that low-income families may purchase with zero-interest financing
- Constructed in the Upper Ninth Ward, on an eight-acre parcel of land. There will be 72 single-family homes built by volunteers, donors, sponsors and low-income families.
- In one of the project's innovative features, Musicians' Village will also provide elder-friendly duplexes for the senior members of the community

Make It Right Project, New Orleans, LA

- **Owner/Developer:** Adjaye Associates, Billes Architecture, BNIM Architects, Constructs, Eskew & Dumez & Ripple, MVRDV, Pugh and Scarpa Architecture, Shigeru Ban Architects, and Trahan Architects
- **Funding Sources:** Brad Pitt: Private Donation (\$5 million), Steve Bing Private Donation (\$5 million), Capital One Financial Corporation: Corporate Sponsor (\$150,000), Alcoa Foundation: Grant (\$150,000), and other Private Donors
- This project will be building 150 affordable, environmentally sound houses over the next two years.

- The project serves as a catalyst for redevelopment by building a neighborhood comprised of safe and healthy homes that are inspired by co-author William McDonough's book *Cradle to Cradle*, with an emphasis on a high quality of design, while preserving the spirit of the community's culture.

East Village, Minneapolis, MN

- **Owner/Developer:** Central Community Housing Trust and East Village Housing Corporation
- **City Funding Sources:** HOME Funds (\$1,287,053), Tax Increment Financing (\$3 million), Housing Revenue Bonds (\$12,235,000), Low Income Housing Tax Credits (\$724,000), Community Development Block Grant (\$30,000), Leveraged Investment Funds (\$550,000), Community Economic Development Fund: Loan (\$340,000), Urban Revitalization Action Program: Loan (\$60,000), Minneapolis Community Development Agency 1st Mortgage (Federal Home Loan Bank) (\$2,640,789), and the Common Project – TIF (\$800,000)
- **Agency Funding Sources:** MN Housing Finance Agency: Family Housing Fund (\$1,565,000), Elliot Park Neighborhood (\$5,500,000), MN Livable Communities (\$550,000), Augustana Care Corporation (\$325,000), Central Community Housing Trust: Loans (\$3,475,000), Central Community Housing Trust: Deferred Developer Fee (\$327,375), Syndication Equity (\$5,401,193), Department of Trade and Economic Development (\$300,000), and the Augustana Care Corporation (\$168,000)
- This mixed-income and mixed-use development involves the conception of a small urban village on the edge of downtown Minneapolis.
- The East Village development on the edge of downtown Minneapolis, MN contains 179 units of rental housing, with 119 at market rate, 42 affordable to households making 50 percent of the Twin Cities' median income (\$37,350), and 18 units for households earning 30 percent of the median income (\$22,410) (Newberg, 2001).
- The neighborhood committed \$500,000, a portion of the total proposed budget for this development which was 29 million. The majority of the remainder of the money came from other agencies and trusts.
- **Goal and Lessons Learned:** (1) Mixed-use and economic redevelopment projects take time. They are facilitated by planning and implementation/funding partnerships. (2) Parking needs were met by drawing on a variety of parking facilities. (3) Amenities promote connections within the development.

Capen Green, Dorchester, Massachusetts⁵

- **Owner/Developer:** New Boston Housing Enterprise⁵

- **Funding Sources:** Massachusetts Housing Finance Authority, (Homeownership Opportunity Program): Grant, City of Boston, 747 Program: Donated Land and the Neighborhood Development Fund: Grant
- **Resident Profile:** First-time homebuyers with incomes \$23,000-44,000⁵
- **Goal:** Build fee-simple homes (allows full ownership of the property to you without any obligation to the previous owner) in which residents own both the house and the land on which it stands, that will be provided for families with incomes of 50 to 80 per cent of the area's median income. The goal of the community was to restore single-family home ownership to the neighborhood.

International Homes, Chicago, Illinois⁶

- **Owner/Developer:** Voice of the People in Uptown, Inc.⁶
- **Funding Sources:** La Salle/Cragin Bank: Grant, Federal Home Loan Bank: Grant, Illinois Department of Energy and Natural Resources: Grant, City of Chicago, Department of Housing: Grant, Uptown National Bank of Chicago: Loan and The Local Initiatives Support Corporation: Predevelopment Grant
- **Resident Profile:** Low and moderate-income first-time homebuyers.⁶
- International Homes was a planned community, which has been implemented in cooperation with neighborhood organizations.
- International Homes offer the opportunity for home ownership at affordable prices to diverse ethnic groups.
- **Goal:** To allow buyers the opportunity to purchase homes from the developer and financial institutions, and then sell them to qualifies low-income families. The community gained both stability and vitality with the replacement of dangerous vacant lots with quality homes, without gentrifying the neighborhood.

Stonebridge Apartments, Des Moines, IA

- **Owner/Developer:** Stockbridge LLC, Robert Mickle, Neighborhood Investment Corporation,
- **Funding Sources:** None
- **Resident Profile:** Low-to-moderately low income families earning less than \$28,000 a year.
- **Goal:** To construct 42 affordable luxury apartments for families whose media income is lower than the area average income? The majority of the residence the targeted residence will make between 40 and 60% of the median area income. Stockbridge Apartments is the first development it Iowa to utilize geothermal

heating and cooling system. The use of geothermal heating cost more initially, but in the long run it will save low-income working families a lot of income to which they could use in other areas of their daily lives. “A typical electric bill for a one-bedroom apartment in the Stockbridge would run about \$15 and about \$45 for a two-bedroom apartment, said developer Jack Hatch, who built the apartments” (Finney, 2008).

CHAPTER 6: CONCLUSION

After analyzing these eight case studies, inferences can be drawn to make connections that will aid in making recommendations for future studies and guidelines to be observed by later researchers. Standards and criteria used to test these ideals were as follows: economic hardship, healthy environments for the youth to flourish, lack of resources, major catastrophic events, lack of amenities and services in close proximity to current location and lack of employment opportunities. All of these case studies observed used a variety of funding sources such as grants from private and federal foundations to loans from banks to purchase the land for future residents. Musicians Village the Make Right foundation used private donors and volunteers to make it possible to provide home ownership to low-income households. In these two cases a catastrophic event such as Hurricane Katrina and Rita has been able to shed light on such a blighted and distressed area of the country. Even though there is still work to be done to help rectify the conditions left behind, there are non-profit organizations, philanthropist and volunteers who are lending a hand to aiding everyone with the opportunity with a chance to own a piece of the American Dream.

Capen Green, in Dorchester, Massachusetts and International Homes in Chicago, Illinois were designed and constructed for first time home buyers who were in the low to moderate range of the cities area median income. Both offered the home-owner a chance to own the single family and the parcel that the home is located on. This in many cases is a rare occasion unless one has the means to provide for his/her household. These cases also demonstrated the ability to create an environment without gentrifying and displacing the existing residents. The East Village in Minneapolis, Minnesota was the only case of

the eight that's not from an environment that did not suffer a catastrophic event to have the community invest such a large amount upfront to aid low-income families with the opportunity to obtain home ownership. The East Village community of Minneapolis donated \$500,000 to the proposed budget for this project.

Benson Glen, in Renton, Washington was the only case study out of the eight that did not use community participation during its design and development process. Like the East Village in Minneapolis this community did not have to go through a major natural disaster, to have the opportunity to provide housing for low-income families. Families who are seventy five to eight five percent of the area median income are afforded the chance to become home owners. Six out of eight projects were designed to be mixed use communities that provided stability for the community but incorporating entertainment, commercial and industrial resources throughout the community. This inturn aids the family in the process of stabilizing his/her household.

Westminster Place in St. Louis, Missouri and Capen Greens in Dorchester, Massachusetts are the only projects to provide home ownership to low-income families with incomes less the \$44,000 a year. These two projects were mixed-use communities as well, but the installation of a specified income levels helps these communities remain true to the social class that it has be designed to accommodate. All of these projects were designed and created to provide home ownership to low-income households. Every project except Westminster Place in St. Louis, Missouri and Capen Greens in Dorchester, Massachusetts, were for families with no financial means of obtaining a home. Furthermore these cases illustrate the overwhelming issues cities face when attempting to

provides assistance to families who are less fortunate, and do not have the means to locate resources that will change the situation in which they currently reside.

FUTURE RECOMMENDATIONS

To aid low-income families in the upcoming future recommendations need to be stated that may be utilized in conjunction with community and project goals. Future recommendations will be as follows:

- Throughout the design process the involvement of the community as major is essential for the growth and success of this type of project immersed in the fabric of the existing community.
- Providing varied types of employment and training opportunities that will raise the economic impact as well as the morale of the existing community.
- Incorporating training classes for low-income working families to become educated on the nuisances of marinating and obtaining their own house.
- With the exploratorative research began in this project using these guidelines to go more in-depth with this project to possibly obtain grant funding.
- As Planners and Landscape Architects increasing the awareness of advocating for those less fortunate to obtain the same equalities as citizens in this country who can fend for themselves.

Battle Road Farm Lincoln, MA



Battle Road Farm
Lincoln, MA

Owner
Keen Development Corporation

Funders:
Eliot Bank
Massachusetts Hsg Finance Agency
First Trade Union Saving Bank
Massachusetts Hsg Partnership

TYPE:
Loan
Loan
Loan
Interest subsidies/grant

Development Type:
New construction for sale attached townhouse

Tenure:
Ownership & Rentals

Target Residents & Household Income:
60% low- and moderate-income households, 40% market rate

Density: 10 units/acre

Site Area: 24 acres

APPENDIX A: Battle Road Farm
APPENDIX: CASE STUDIES

Musicians' Village has proven to be the leading example of how a meaningful vision and focused efforts can provide immediate relief as well as long-term hope for the survival of a great city and many of its most essential citizens.

Musicians Village New Orleans, LA



Owner
 Conceived by musicians Branford Marsalis & Harry Connick Jr.

Funders:
 New Orleans Area Habitat for Humanity
 donations

TYPE:
 Zero Interest Financing & Donations

Development Type:
 New construction for sale single family homes

Tenure:
 Ownership & Rentals

Target Residents & Household Income:
 Generations of musicians displaced after Hurricane Katrina & Rita

Density: 72 single family homes

Site Area: 8 acres

Make It Right Project Brings Affordable,
Sustainable Design to New Orleans' Ninth
Ward

Tracy Ostroff
AIA Architect, 2008

Make it Right Project New Orleans, LA



Make it Right Project
New Orleans, LA

Developer

Adjaye Associates, Billes Architecture, BNIM Architects, Constructs, Eskew & Dumez & Ripple, MVRDV, Pugh and Scarpa Architecture, Shigeru Ban Architects, and Trahan Architects

Funders:

Brad Pitt
Steve Bing
Capital One Financial Corporation
Alcoa Foundation

TYPE:

Private Donation (\$5 million)
Private Donation (\$5 million)
Corporate Sponsor (\$150,000)
Grant (\$150,000)

Development Type:

eco-affordable single family homes

Tenure:

Ownership

Target Residents & Household Income:

Residents of the lower ninth ward in New Orleans who were victims of Hurricane Katrina

Density: 150 affordable units

The green roof at East Village Apartments in Minneapolis manages stormwater while providing valuable amenity space that would otherwise be unavailable in this affordable housing development .

East Village Minneapolis, MN



East Village
Minneapolis, MN

Developer
Central Community Housing Trust and East Village Housing Corporation

Funders:	TYPE:
HOME Funds	\$1,287,053
Tax Increment Financing	\$3 million
Housing Revenue Bonds	\$12,235,000
Low Income Housing Tax Credits	\$724,000
Community Development Block Grant	\$30,000
Leveraged Investment Funds	\$550,000
Community Economic Development Fund Loan	\$340,000
Urban Revitalization Action Program Loan	\$60,000
MCDA 1st Mortgage (FHLB)	\$2,640,789
Common Project - TIF	\$800,000

Tenure:
Ownership

Target Residents & Household Income:
179-40 affordable housing units, 139 market rate units

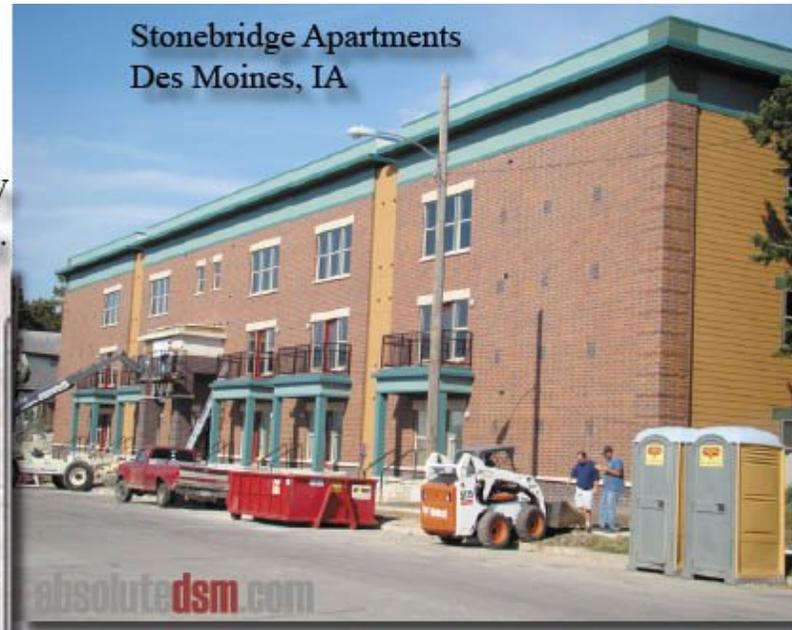
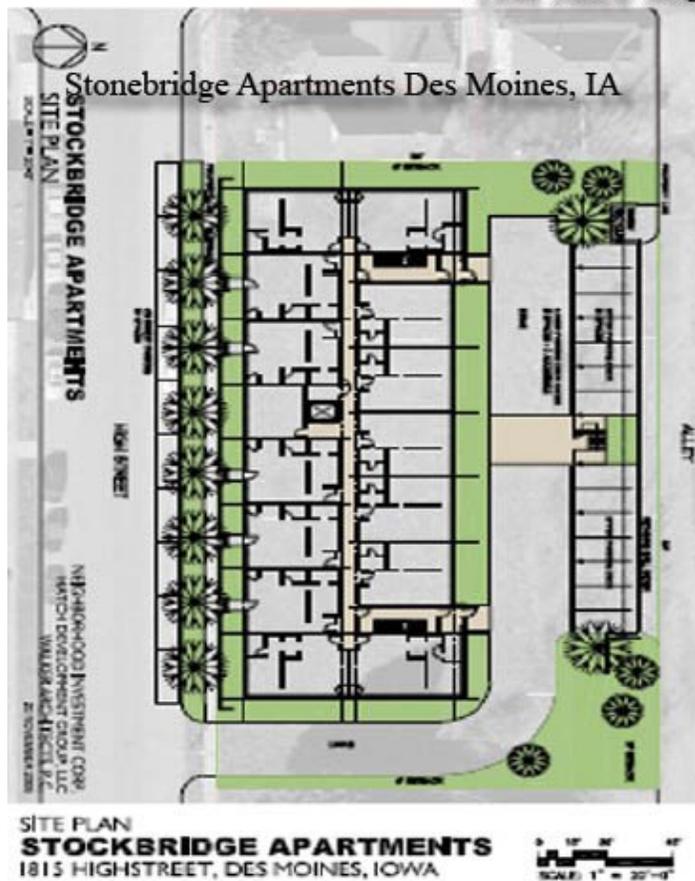
Density: 179 affordable units

Site Area: 2.9 acres

Source Image: Minnesota Green Roofs Council, 2007 and
Official Web Site of the City of Minneapolis, Minnesota, 2008⁶³
Source Text: Official Web Site of the City of Minneapolis, Minnesota, 2008

Apartment complex is first in Iowa to feature geothermal heating, cooling

Daniel P. Finney
DM Juice Mag.



Owner:
Stockbridge LLC, Robert Mickle and Neighborhood Investment Corporation

Developer:
Hatch Development Group

Architects
Walker Architects

Funders:
State of Iowa Enterprise Zone Program
No fiscal impact to the city of Des Moines: \$117,000 (Investment Tax Credit) and \$64,000 (Sales Tax Refund)

TYPE:
State Program

Development Type:
New construction of affordable family housing

Target Residents & Household Income:
(34) units at 60% of the area medium gross income, (8) units at 40% of the area medium gross income

Density: 42 affordable units

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