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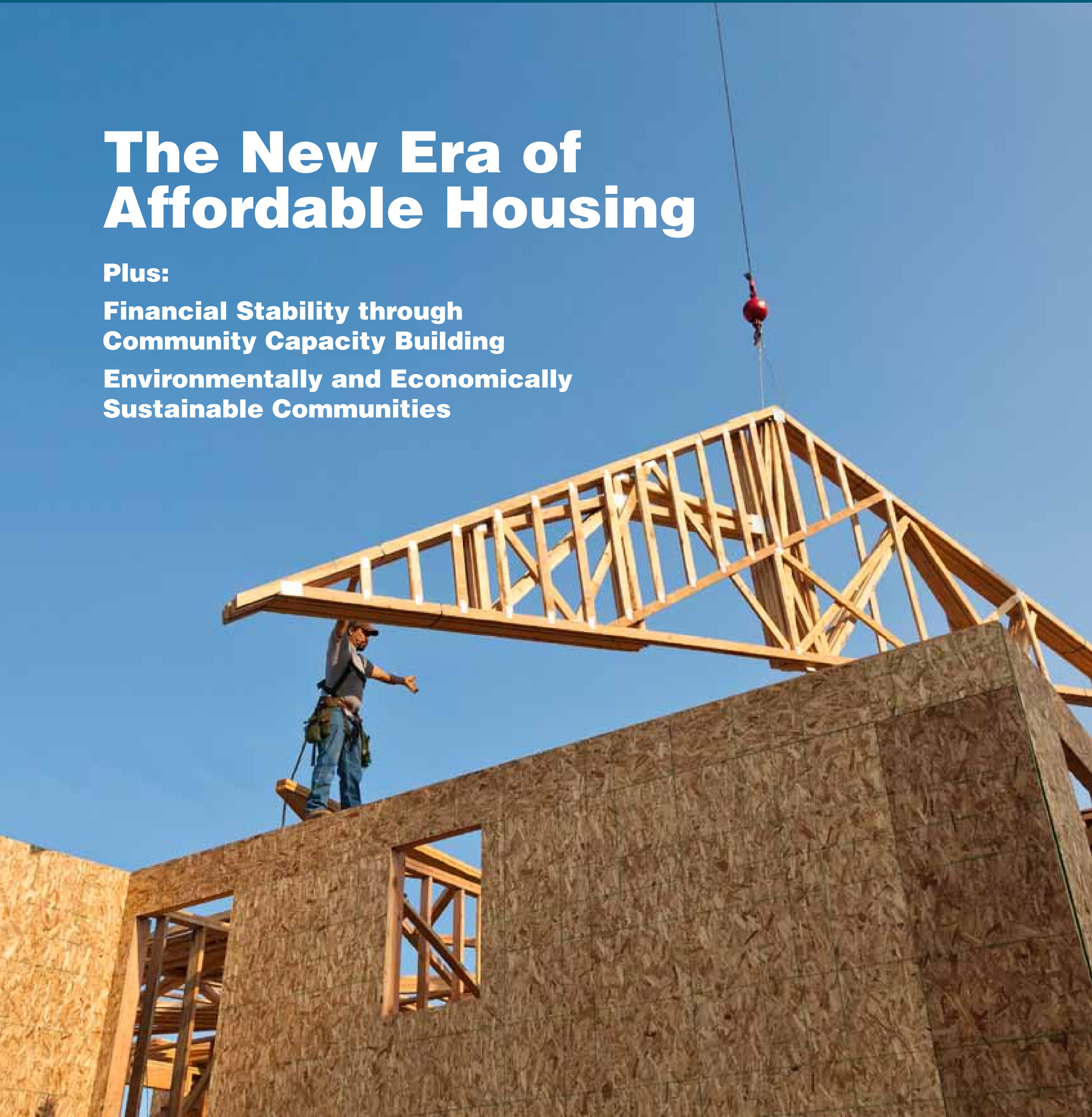

The New Era of Affordable Housing

Plus:

Financial Stability through Community Capacity Building

Environmentally and Economically Sustainable Communities

CI Notebook

by Gabriella Chiarenza

The need for affordable homes has grown at an unprecedented rate over the past five years, ignited by the housing-centered recession of 2007-2009 and continuously fueled by the changing needs and preferences of the American population. Even as housing markets recover, a growing number of homeowners and renters of all income levels struggle to find reasonably priced homes or keep the homes they have. At the same time, developers, funders, and supporters of affordable housing wrestle with the challenge of sharply reduced resources. After such rapid and significant change in housing markets in recent years, existing affordable housing development and finance models must evolve to replace lost resources and meet growing demand.

This issue of *Community Investments* examines how different stakeholders within the affordable housing industry are looking ahead and considering adjustments to their practices in order to continue to provide affordable homes in such a challenging fiscal environment. Which new development deal structures and partnerships are developers considering? How are funders thinking creatively about new financial commitments and filling in the gaps where program sources have been eliminated? How are affordable housing practitioners joining forces with those in related industries to break down silos and comprehensively support stronger and more stable communities?

The articles look inside these practitioners' thought processes around current affordable housing challenges and reveal the beginnings of innovative models for the new housing paradigm. They examine new public-private funding partnership models and consider innovations underway within existing housing programs that could streamline the development process and encourage more efficient construction of safe and stable affordable homes. We also learn about new cross-sector efforts with health care, transportation, and energy efficiency practitioners in which affordable housing serves as a crucial base to support resilient neighborhoods, and discover how service-enriched housing helps the most vulnerable members of our communities to lead fuller lives in a more stable environment.

I am excited to launch my tenure as the new editor of *Community Investments* with an issue focused on a topic that is so central to innovation in community development. We hope this issue of *CI* will encourage you to consider the key role that affordable housing plays in comprehensive neighborhood and community building, and think about how all of us in the community development field can do more with fewer resources in a time of great need. As always, we hope you will enjoy this issue and we welcome your comments and feedback.

Gabriella

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COMMUNITY INVESTMENTS
Federal Reserve Bank of San Francisco

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Challenges for Affordable Housing in a New Era of Scarcity

By Gabriella Chiarenza, Federal Reserve Bank of San Francisco

Introduction

Nearly a quarter of all U.S. working households, and over 80 percent of the nation's lowest-income working renter households, faced a severe housing cost burden in 2010, spending at least 50 percent of their income on housing costs.[1] Figures like these have jumped dramatically in recent years. Since 2007, the number of renter households experiencing severe housing cost burdens surged by 43.5 percent, or 2.5 million households; the same measure rose just 3.2 percent between 2001 and 2003.[2]

These statistics demonstrate the rapidly growing need for affordable housing in the United States following the Great Recession, yet providers and seekers of affordable homes face multiple challenges in their efforts to develop, finance, or secure quality housing at a reasonable price. Scarcity of funding and policy challenges in both project- and individual-based affordable housing programs require limited resources to be stretched ever thinner to serve as many low- and moderate-income (LMI) community members as possible without compromising quality. These conditions call for innovation at every stage of the development and operations process, and despite a number of success stories, the tremendous gap only grows each year between the supply and demand for affordable homes in the United States. Millions of households lost income during the recession, faced mounting debt that compromised their financial stability, and lost their homes to foreclosure. Many owner households became renter households within the past five years, a significant shift that places even greater pressure on an already expensive and often tight rental market, especially for lower cost rental homes.

Four parallel issues lie at the root of the current affordable housing challenge. First, despite increased affordability among homes available for purchase, mortgage lending standards have tightened and investors are buying properties for cash in large quantities in some markets, effectively shutting out many LMI households from new ownership opportunities. Second, changing demographics and the foreclosure crisis have added to the population of renter households, many of which – along with existing financially burdened low-income renters – cannot afford much of the rental housing that the market currently provides. Third, affordable housing development costs are rising. Despite these cost increases, developers face increasing pressure to contain costs due to significant cuts to housing funds at all levels of government and the impacts of the larger recession, resulting in a sharply decreased pool of resources to work with at exactly the moment that affordable homes are most desperately needed. Fourth, current housing policy and programs have not yet evolved to better address this growing need in the United States for affordable rental and ownership housing opportunities. The majority of housing policy and subsidies in the United States effectively benefit higher-income homeowners, rather than targeting increasingly limited resources toward LMI households with the most challenging and significant housing needs. This article explores these four issues in greater detail and what they mean for the future of affordable housing.

The Market

Though the overall housing market continues its steady recovery and home prices are reaching affordable levels in many markets across the country, two issues make it difficult for LMI households to enter or rejoin the market as homeowners. First, since early 2012, market trends in several large metropolitan areas reveal the rapid rise of institutional and individual investors purchasing distressed properties in large quantities for cash, elbowing out potential homebuyers who lack these cash resources. In markets with a large stock of foreclosed properties, including Phoenix, Las Vegas, and Miami, investors seeking to buy properties with cash are now a strong force in the market, with large institutional investors behind more than 20 percent of sales in some markets.[3] Investors purchase these distressed properties in bulk and hold them off the market or convert them into single-family rental homes, a fast-growing segment of the housing market. While not yet a national phenomenon and largely concentrated in certain metro areas, particularly in the South and Southwest, this investor activity drastically changes the landscape of homeownership opportunity in these markets. Because individual LMI households and other traditional homebuyers typically require a loan or LMI homeownership program financing to purchase a home, investors who can make quick and complete cash transactions receive significant preference from sellers, blocking LMI households from these lower-priced homes. Such investor activity also drives up prices on single-family homes in these regions, again frustrating potential LMI buyers who cannot afford higher purchase prices.[4]

Second, even where affordable homes are available, potential LMI buyers may find it nearly impossible to obtain a mortgage loan, with wary lenders sharply tightening their lending standards since the recession. A 2012 Center for Community Capital and Center for Responsible Lending study found that setting a borrower FICO score minimum at 690 would prevent significant portions of the low- and moderate-income and minority population from qualifying for a loan. This study looked at purchase loans originating between 2004 and 2008, and only considered performing loans that were not more than 90 days delinquent or in foreclosure as of February 2011. Even among these loans in good standing, however, 39 percent of low-income and 30 percent of moderate-income borrowers with such performing loans would be excluded if the additional 690 or above credit score limit were imposed, and 42 percent of African American and 32 percent of Latino borrowers with such loans would also be excluded if that credit score restriction were in place.[5]

Demographic And Market Shifts

According to the Joint Center for Housing Studies, the United States lost one million owner households between 2006 and 2011, but added over five million renters between 2001 and 2010, with over two million of these new renter households earning $15,000 or less per year. At the same time, 470,000 units that would have been affordable and available to LMI households disappeared from the market, and over 40 percent of the remaining homes affordable to LMI renters were instead occupied by higher-income households in 2010.[6]

In part, these figures reflect the recent trends of former homeowners becoming renters and new households forming, including "echo boom" individuals in their 20s beginning to move out of their parents' homes following a delay in new younger household formation during the recession.

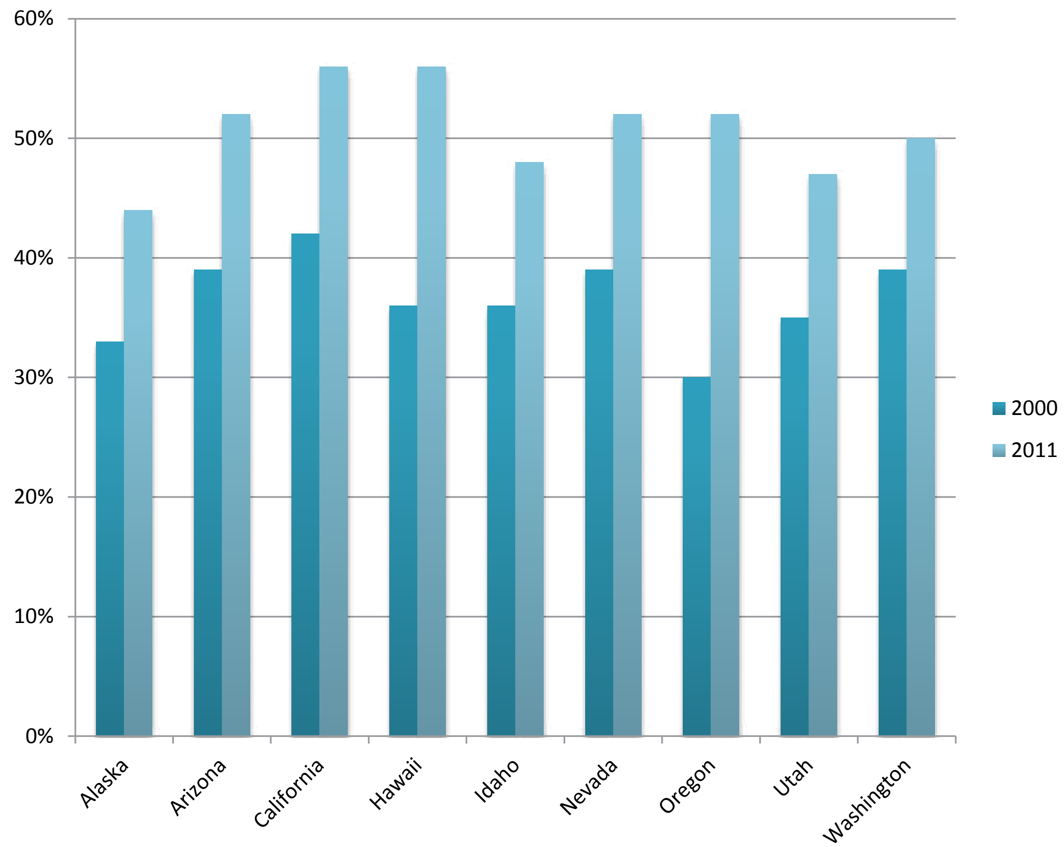
Demographic trends are projected to increase demand pressure on already scarce metropolitan area rental units. Researchers project that of the 11.8 million new households expected to form between 2010 and 2020, roughly 70 percent will be headed by a minority householder; 37 percent single-person households; 42 percent married couples without children; and 12 percent unrelated non-partner individuals living together.[7] Aging seniors are also expected to move out of the homes they own as they grow older and can no longer manage to live comfortably or independently in these single-family properties. All of these groups are traditionally more likely to rent than own their homes, further growing the pool of American renters. Because many of these new or shifting households are predicted to seek rental properties in job-rich metropolitan areas with access to transportation and amenities, even those who wish to rent a single-family home are less likely to choose suburban properties either turned into rentals due to foreclosure or released by seniors moving out.[8]

If current income and rent patterns persist, many renter households also face significant affordability challenges. The U.S. Department of Housing and Urban Development emphasizes that the number of renters with "worst case housing needs" – unassisted, very low-income households paying more than half of their income for housing or living in substandard housing conditions – continues to rise above record levels: there were nearly 8.5 million of these households in 2011, up from 7.1 million in 2009. HUD attributes this increase to "falling incomes among renters, a continuing shortage of housing assistance, and increased scarcity of affordable housing."[9] With median monthly rent for new units consistently rising each year since 2006, "stepped up efforts to preserve the existing low-cost rental stock will be necessary to help meet rapidly growing demand among low-income households," as the Joint Center for Housing Studies report stresses. "With rents on most newly constructed units well out of reach, the recent jump in multifamily production will do little to alleviate the shortage."[10]

Development Costs

Affordable housing developers are struggling to meet the growing need for reasonably priced homes, in part

Figure 1. Percent of Renter Households Paying More than 30% of Income on Housing, 2000 vs. 2011



Sources: Census 2000 Summary File 3, American Community Survey 2011 5-year estimates.

because of mounting development costs, which can be significantly higher than market rate properties in some areas. Practitioners point not only to increases in basic construction costs like labor and materials, but also to lengthy approvals processes for permitting, environmental remediation, design adjustments to appease resistant community members, and other delays that significantly expand the construction timeline and add legal and other costs to projects.[11]

Moreover, recent cost containment forums in Washington, California, and the District of Columbia reveal that the requirements that must be fulfilled in order to receive funding through government programs often create some of the biggest logistical hurdles for developers, and as a result significantly drive up costs. However, these requirements – which may include siting a development near public transit and amenities; employing green building techniques or design features to accommodate special needs residents; paying prevailing wage rates paid to construction laborers; and providing on-site resident services such as child care, after-school programs, or health clinics – are also central components of building and operating long-term affordable properties that best serve LMI residents. Because developers must assemble a funding package from an average of five sources per project, with each program source typically carrying its own separate requirements, costs can quickly compound.[12]

Public and political pressures are mounting to reduce development costs, and some developers and advocates worry that this may lead lenders to fund only lower-cost development proposals that ultimately result in lower-quality properties without important service components or long-term affordability clauses. Some also express growing concern about the political vulnerabilities created by an expensive development system that has real cost justifications but is difficult to concisely explain, fearing that it leaves thinly-funded housing programs open to further cuts on the basis of perceived excessive spending.[13]

Policy And Funding

Drastic program cuts and policy shifts at all levels of government further complicate this cost containment issue, and introduce a layer of uncertainty that hinders an efficient development process. National program cuts, such as those in 2011 to the HOME Investment Partnerships program and the impact of sequestration on existing Section 8 housing vouchers, compound major state and local losses, such as California's elimination of redevelopment agencies in 2012.

Some researchers argue that existing federal housing policies and programs are not properly designed to channel limited resources into housing interventions that meet the needs of lower-income households, particularly those who rent their homes. Fully 84 percent of federal housing dollars are directed solely toward homeowners.[14] In particular, the mortgage interest deduction (MID) is one of the largest federal housing expenditures, amounting to $396 billion from 2007 to 2011.[15] Very few LMI homeowners claim the MID because homeowners at this income level typically do not itemize their taxes, the only way that a household can claim the MID. Additionally, far fewer LMI households in the United States own homes at all, automatically excluding the majority of these households from the most substantial U.S. housing credit with no parallel credit opportunity for renters. John Landis and Kirk McClure point out that the MID strongly benefits higher-income homeowners, with 36 percent claimed by households with annual incomes of $100,000 or more, and another 40 percent claimed by households earning between $50,000 and $100,000 annually.[16]

On the development subsidy side, multifamily housing also receives considerably fewer federal assistance dollars than do single-family homes. Between 2007 and 2011, the Federal Housing Administration, the largest public residential development lender in the U.S., made nearly $1.1 trillion in loan guarantees for single-family homes, while multifamily developments received one-tenth of that amount ($112 billion). No federal funding is specifically designated for smaller multifamily buildings with five to 50 units, even though one-third of American renters live in this type of housing.[17] Regular cuts to programs including HOME, Community Development Block Grant funds used for housing, and other rental housing development subsidies in each recent annual federal budget cycle further restrict multifamily housing funds and create an unpredictable funding environment for affordable housing developers.

While there are policies and resources that support homeownership among wealthier Americans, there are fewer supports that address the great and growing need for assistance among the nation's lower- and middle-income population. Those with middle-wage incomes are the least likely to receive any federal housing support at all, while those earning over $200,000 per year receive almost three times the subsidy of all other American households combined.[18] As Landis and McClure concisely state, "the current distribution of homeownership subsidies disproportionately favors those who would have the least trouble attaining homeownership in the absence of government subsidies."[19]

Conclusion

These current challenges facing affordable housing are complex, and overcoming them successfully requires innovation and cooperation between multiple sectors and stakeholders. This issue of *Community Investments* presents some of the many creative initiatives now underway or in the planning stages to help increase the supply of affordable homes despite diminished traditional resources. Affordable housing practitioners are thinking outside the box and venturing into new funding and policy possibilities, seeking options that aim to stabilize and improve housing choices for low- and moderate-income households.

Some of these efforts involve new housing finance structures, either through new public-private partnership opportunities such as those described by Heather Hood, or cross-sector models like the housing and health care joint efforts discussed by Kevin Boes. Other ideas work within existing programs; Bill Kelly and Toby Halliday examine ways to streamline and increase the flexibility of governmental programs for wider and more efficient use in affordable housing development and provision. Still other innovative solutions link housing with the transportation and energy sectors to support smart growth goals, or incorporate targeted funding approaches such as social impact bonds.

As the United States continues to rebound from the Great Recession, innovative efforts and partnerships including those discussed in this issue of *CI* can help to ensure that low- and moderate-income Americans are able to access a range of safe and decent housing options. Making connections across sectors is also crucial to the success of future housing initiatives and to supporting strong communities. As Federal Reserve Chairman Ben Bernanke recently observed, "neighborhoods and communities are complex organisms that will be resilient only if they are healthy along a number of interrelated dimensions, much as a human body cannot be healthy without adequate air, water, rest, and food. But substantial coordination and dedication are needed to break through silos to simultaneously improve housing, connect residents to jobs, and held ensure access to adequate nutrition, health care, education, and day care."[20] Moving forward, policy and programmatic initiatives like those described in this issue that weave together housing affordability goals with such arenas as health and environmental sustainability support the value of a stable home as a base for the success and well-being of low and moderate income households and their communities. CI

Diversification of Capital Creates Fresh Focus

By Heather Hood, Enterprise Community Partners

Creating new money is a lot like making stone soup. Just like in the famous children's tale, diverse players must come together to leverage and pool resources to create something more substantial than they could alone. Financial 'chefs' can cook this base of combined public and private resources, and use it as a catalyst to secure other key components in the affordable housing process.

Unfortunately, on their own the private markets do not create sufficient affordable housing or many other community serving needs, like health clinics or community centers. It does not appear that in our country's foreseeable future, public subsidies will ever be enough to meet such needs. To do so will take the willingness and ingenuity of interested entities from all sectors. This article will highlight a few promising and innovative ways to create resources for community-serving needs, combining components from public policy, public investments, and private development.

Public Policy

Public funds and public investments are as essential as broth in soup. Public policy sets the parameters for the creation of affordable homes in many ways. Inclusionary zoning (IZ), for example, is a policy tool that either requires developers to offer lower-priced units in otherwise market-rate developments, or encourages their inclusion through incentives such as density bonuses. In some cases, IZ is the most financially efficient mode for municipalities to achieve their affordable housing goals. Independent

Since 2009, San Francisco's policy has resulted in the entitlement of 1,001 affordable homes, roughly half of which are built or under construction thus far.

consultant reports are mounting all across California advising clients, usually cities, about the sensitivity of private developers to IZ policies. The common thread of the logic in these varied reports, whether they are written for urban or suburban settings, is that in the hottest markets with relatively predictable entitlement processes, an IZ policy is viable.

IZ policies have had a rough run in the past five years. For example, the 2009 Palmer v. Los Angeles court decision limited the ability of California cities to apply inclusionary requirements to rental properties and, since the market downturn when ownership units were stalled, this remains a barrier for many California cities. Nonetheless, in San Francisco, even as the market is recovering from the recession, the housing market is so strong that the IZ policy is not dissuading private developers. Since 2009, San Francisco's policy has resulted in the entitlement of 1,001 affordable homes, roughly half of which are built or under construction thus far. In November 2012, San Franciscans passed local ballot Measure C, which reduced the city's on-site affordability requirement from 15 to 12 percent in most areas of the city. The reduction was designed to be sensitive to current market conditions and was part of a package that created a citywide Housing Trust Fund with ongoing, annual allotments of at least $20 million from the city's General Fund. The reduction in the affordability requirement was also designed to encourage greater on- site production on the heels of the city's transition to a fee-based requirement.[1] This innovation pursues three things all at once: it ensures that communities are mixed-income, works around the Palmer ruling, and creates a new source for affordable housing production.

There are many other examples of ways that public investments catalyze other investors to take action. The Low Income Housing Tax Credit (LIHTC) is a primary example. The LIHTC Program, which was enacted by Congress in 1986, provides the private market with an incentive to invest in affordable rental housing. Federal housing tax credits are awarded to developers of qualified projects. Developers then sell these credits to investors to raise capital (or equity) for their projects, which reduces the debt that the developer would otherwise have to borrow. Because the debt is lower, a tax credit property can in turn offer lower, more affordable rents. Provided the property maintains compliance with the program requirements, investors receive a dollar-for-dollar credit against their federal tax liability each year over a period of 10 years. The amount of the annual credit is based on the amount invested in the affordable housing.

As noted in a recent article in the *Community Development Investment Review* titled 'Pay for Sucess: Building on 25 Years of Experience with the Low Income Housing Tax Credit,' Terri Ludwig, President and CEO of Enterprise Community Partners, said "After over $100 billion in private capital in 25 years, our industry truly has gained many insights from the Low Income Housing tax Credit (LIHTC). The industry continues to sharpen the LIHTC tool and is ready to share the wisdom as we create inspiring new tools such as Social Impact Bonds.[2]

Social Impact Bonds are a newer tool that serve as a contract with the public sector in which a commitment is made to a non government entity to pay upfront for programs and projects that result in improved social outcomes. The outcomes are designed to result in public sector savings. These performance-based investments encourage innovation and tackle challenging social issues such as health care delivery and education. New and innovative programs have potential for success, but often have trouble securing government funding because it can be hard to rigorously prove their effectiveness. Social innovation financing allows the government to partner with pioneering service providers and, if necessary, private foundations or other investors willing to cover the upfront costs and assume performance risk to expand promising programs, while assuring that taxpayers will not pay for the programs unless they demonstrate success in achieving the desired outcomes.

In both the LIHTC and Social Impact Bonds, in essence, a government entity pays only after the private market has proven that the model for investing in buildings or programs works.

Leveraging Government Investment

One common way for the government to invest in affordable homes is in the form of direct subsidies to specific projects that bridge financing gaps. In municipalities in California dealing with the loss of redevelopment-based tax increment financing last year, however, as well as in many cities across the country that are cash-strapped, these types of subsidies are drastically dwindling. A fresh approach to building additional resources is to use government funds to leverage capital from philanthropic, community development financial institution, and private sources. Three recent examples in California demonstrate how this can work.

Launched in 2012, the $93 million Golden State Acquisition Fund (GSAF) finances affordable housing with loans from a consortium of four entities: Enterprise Community Loan Fund, Low Income Investment Fund, Century Housing, and Rural Communities Assistance Corporation. The consortium serves as a revolving loan fund with access to the state funding available to the consortium's community development financial institutions (CDFIs) on a first come, first served basis. California's Department of Housing and Community Development awarded a $23.25 million low cost loan as seed capital for the consortium to leverage by 3:1 with an additional $69.5 million provided by the originating lenders. The Golden State Acquisition Fund has begun to make loans to housing developers to acquire real property for the development and preservation of affordable housing. Loans from the GSAF are made at favorable terms including longer terms, below-market interest rates and higher loan-to-value ratios, providing access to much-needed acquisition capital for affordable housing developers. The project loans are available statewide, and will serve urban and rural communities. Loans will lead to the development of both rental housing and homeownership opportunities for low- income California households.

A second example, the $50 million Bay Area Transit-Oriented Affordable Housing (TOAH) Fund, launched in 2011, provides financing for equitable transit-oriented development (TOD) across the nine-county Bay Area by catalyzing the development of affordable housing, community services, fresh foods markets and other neighborhood assets. Through the TOAH Fund, developers can access flexible, affordable capital to purchase or improve available property near transit lines for the development of affordable housing, retail space and other critical services, such as child care centers and health clinics. The TOAH Fund was made possible through a $10 million investment from the Metropolitan Transportation Commission (MTC), a Bay Area regional transportation and planning body. The Low Income Investment Fund is the Fund Manager and an originating lender, along with four other leading CDFIs (Corporation for Supportive Housing, Enterprise Community Loan Fund, LISC, and the Northern California Community Loan Fund). Private capital for the TOAH Fund was provided by Citi Community Capital and Morgan Stanley, while program related investments were provided by philanthropies, including the Ford Foundation, Living Cities, and The San Francisco Foundation. The Silicon Valley Community Foundation also covered start-up expenses.

The participation of MTC – which might be considered a non-traditional partner in the affordable housing arena – has been key to the success of the fund. MTC recognized that development enabled by the TOAH fund would encourage ridership on public transportation and improve environmental outcomes by diminishing auto transport,

The Golden State Acquisition Fund has begun to make loans to housing developers to acquire real property for the development and preservation of affordable housing.

and as such would support the agency's broader goals. The program has proved to be such a valuable investment that just two years later, MTC made an additional $10 million grant to help expand the fund. Enterprise is exploring recreating such funds in other regions, including in Sacramento and Los Angeles counties partnering with LIIF, and in the Seattle-Puget Sound region partnering with Impact Capital.

A final example demonstrates how public investment can be used in a long-term, scattered site public housing project that engages multiple sectors. HOPE SF is the nation's first large-scale public housing revitalization project to prioritize current residents while also investing in high-quality, sustainable new housing and broad-scale community development. In existing public housing sites across San Francisco, HOPE SF is creating mixed-income communities that provide residents healthy, safe homes and the support and services they need to succeed, including better education and workforce development programs, new local businesses and onsite resident services are designed to go beyond serving residents by just providing shelter.

In the case of HOPE SF, Federal US Department of Housing and Urban Development funds that flow through the San Francisco Housing Authority seed the capital it takes to rebuild these homes. These federal funds are never enough to rebuild properties, but they can serve to leverage other funds. In HOPE SF the federal investment was able to leverage LIHTCs and now myriad other investors are in play. Of the communities being rebuilt thus far, a private developer, the John Stewart Company, is building one, while a nonprofit developer, Mercy Housing, is developing the other.

When it is complete, the initiative will transform obsolete housing projects into vibrant neighborhoods with over 6,000 new public, affordable and market-rate homes –more than doubling the original number of homes. HOPE SF housing communities are in areas of the city struggling with persistent crime problems, property decay, and a lack of grocery stores or laundromats within walking distance. HOPE SF will invest several hundred million dollars in these neighborhoods over time to preserve their strengths and bolster their communities. At a time when federal money for public housing revitalization has decreased, San Francisco launched an innovative campaign to fund these improvements with a combination of public and private dollars.

Critical to the success of HOPE SF is the Campaign for HOPE SF, a unique public-private partnership with a bold goal to raise $25 million in capital by 2016. The Campaign for HOPE SF is a collaborative of foundations, nonprofit organizations, government agencies, and community members, which brings in private resources in the form of funding and other support to strengthen the revitalization of HOPE SF communities. It will leverage support and invest dollars in a range of areas – specifically workforce development, education and community health – to ensure the best outcomes for HOPE SF residents and neighborhoods. This means better coordinating and co-locating services as well as raising funds and developing programs that are better integrated into current community needs. The Campaign was created in 2010 through a public-nonprofit partnership between the City of San Francisco, Enterprise Community Partners and The San Francisco Foundation, and is now a partnership with public, mission-based, and private sector partners including Bank of America, JP Morgan Chase and the Walter and Elise Haas Sr. Fund. HOPE SF not only demonstrates another example of how land and other public resources can leverage revitalization, it also exemplifies how tightly knit leadership and coordination amongst all sectors is key to success.

Leveraging Private Investment

One example in the Bay Area shows the benefit of the private sector joining the effort to address the need for affordable housing. This initiative is a pilot between Waypoint Homes and Enterprise to purchase, renovate, and lease 100 single-family homes that have been foreclosed upon in distressed neighborhoods in Oakland, California.

"Enterprise has seen a lot of attention focused on the new 'asset class' of single-family rental homes, but many neighborhoods hardest hit by the foreclosure crisis are not benefiting from this increased investment activity," said Rob Grossinger, Vice President of Community Revitalization at Enterprise. "Our goal with this pioneering partnership is to bring private equity investment into neighborhoods that desperately need stabilization."

Enterprise and Waypoint will contribute an initial investment totaling $1.6 million in equity, and Citi Community Development will provide a $150,000 grant to fund the first phase of 20 homes. Enterprise and Waypoint are working together to raise the remaining debt and equity to reach the $20 million program cost. Waypoint serves as the general operating partner and will utilize its successful REO-to-rental model to assess acquisition targets, complete the property rehabilitation, and manage the properties using its sophisticated customer service platform. Enterprise will coordinate tenant financial education and the workforce development component at the construction sites. Enterprise also will serve as liaison with the local nonprofit groups in the neighborhoods and with local government representatives. Additionally, debt counseling and training in budgeting skills for the residents will be offered by a trusted local community development corporation, East Bay Asian Local Development Corporation. The program is designed to ensure that low- and moderate-income renters are able to sustain rent payments while building assets for future homeownership or other financial goals.

Colin Wiel, co-founder and managing director of Waypoint Homes, said, "Scattered site single-family rental is a key national issue and government, nonprofit, and for profit organizations are trying to solve the operational challenges of developing these homes as affordable rental housing." If the model works in Oakland, Waypoint and Enterprise can scale the model to other places throughout the country.

Looking Ahead

In the current context of diminishing government funding, we need to be ambitious and creative in leveraging the resources we do have. In order to create affordable homes and other community needs, the community development finance field needs to continue to push our new boundaries and stretch our models to create partnerships and pool resources. Public and private interests need one another to succeed. Silos between the transportation, health, and housing sectors are being removed, partially out of necessity and partially out of a conceptual shift in which diverse partners realize we seek similar outcomes. The promise of creative diversification of funds for a public-minded mission, evident in the examples described above, can inspire similar efforts using this model to build and support stable communities through pooled resources and strong coalitions. CI

New Paths to Housing and Transportation Affordability

By Stuart Cohen and Ann Cheng, TransForm

Across the country there is now an intensive focus on developing walkable, transit-oriented communities. But daunting roadblocks, including outdated codes vastly overestimating car ownership in walkable communities and requiring expensive traffic mitigations, prevent full realization of the tremendous benefits of transit-oriented development (TOD). Money that could be used to build more affordable homes is instead spent on structured parking, at a development cost of up to $100,000 per space. In California, concerns about parking and local traffic congestion are the number one reason that communities reject infill affordable housing projects, and demand development restrictions that maintain modest densities.

TransForm, California's largest non-profit organization working toward transportation and land use strategies for equitable and sustainable communities, launched the GreenTRIP certification program to directly address these issues around parking, traffic, and development, and prove that a new paradigm for TOD is possible. The GreenTRIP program certifies development projects that incorporate the most effective traffic reduction strategies and reduce unneeded parking, which in turn lowers overall development costs and maximizes every housing subsidy dollar to create more affordable housing units per project.

The program builds on other efforts currently taking shape in California to reverse the negative effects of sixty-plus years of highway expansion, sprawl development, and dependence on personal vehicles. State Senate Bill 375, for instance, sets regional targets for reducing vehicle greenhouse gas (GHG) emissions, and regional planning bodies must demonstrate how the region will meet its GHG

reduction target through integrated land use, housing and transportation planning that helps households reduce vehicle travel. This is critical; in California, transportation is the fastest growing source of GHG emissions, composing 38 percent of total GHG emissions in the state. Compounding the environmental hazards are the economic and social costs of sprawl: low-income families are now spending over 31 percent of income on transportation alone, and in the Bay Area over 70 percent on housing and transportation combined. The GreenTRIP program helps developers and residents of affordable housing do their part to reduce GHGs by reducing development costs for TOD, and helping residents access public transportation and thereby lower auto use and transportation costs.

One of the newest GreenTRIP Certified projects helps illustrate how these benefits take shape. Ashland Family Affordable Housing is composed of 85 units located in unincorporated Alameda County near a BART (Bay Area Reapid Transit) station. GreenTRIP Certification helped the developer, Resources for Community Development (RCD), support a reduced parking requirement and avoid additional parking, thereby reducing project costs. Had Ashland been required to add just 0.4 spaces more per unit, it would have resulted in 34 more parking spaces costing $680,000, which would have put significant stress on the financial viability of the project. To address parking commissioners' concerns about spill-over parking, GreenTRIP worked with RCD to add a more economical solution by adding a significant transportation amenity – one free transit pass per unit to the project, at a total cost of $320,000, or less than half the cost of parking spaces. This serves the community by reducing potential new cars and related congestion, and future low-income residents by providing free access to local transit.

The GreenTRIP program was created with the help of a multi-disciplinary advisory committee offering a range of skills and perspectives including: city planners, affordable housing associations, transportation/development consultants, academics, transportation agencies and lenders. The pilot project led to easier approvals for 1,970 TOD units that included over 80,000 years of free transit passes, and 24,000 years of car-share memberships for residents. By clearly identifying traffic reduction benefits, GreenTRIP helped build support for new homes, with a tremendous benefit to affordable housing developers.

Since 2009 we have doubled the number of GreenTRIP certified projects. TransForm is now expanding GreenTRIP efforts to a larger scale by launching the Great Access: Deep Affordability Initiative. This effort includes data collection and the development of a regional affordable residential parking and Transportation Demand Management (TDM) database, along with continued work with cities to update transportation policies and project certifications. Through the GreenTRIP certification program and these affiliated efforts, TransForm seeks to increase the total supply of homes near transit and job-centers, integrating the concept of "deep affordability," where we create more homes near transit affordable to people at every income, while dramatically decreasing household costs for transportation. CI

Putting Housing Program Delivery into High Gear

By Toby Halliday and Bill Kelly
Stewards for Affordable Housing of the Future

In recent years the United States has seen a sharp increase in demand for rental housing affordable to the lowest income households. Much of the increase has been driven by households that experienced loss of income or foreclosure in the wake of the financial crisis. But while demand for affordable rental apartments will continue to expand, resources are increasingly limited.

Stewards of Affordable Housing for the Future (SAHF) is a collaboration of 12 not-for-profit housing social enterprises that together own and operate nearly 100,000 affordable apartments nationally serving low-income persons, including families with children, seniors, persons with disabilities, and the formerly homeless. We have responded to this crisis in a number of ways, launching several initiatives focused on making sure that affordable housing resources are used effectively and efficiently for assisted properties and their residents. We have also developed recommendations for administrative reform to reduce operating and transaction costs and to elevate performance and impact as the key criteria for participation in HUD programs. Key portions of that agenda are outlined in this article.

We believe program outcomes and performance in privately owned, HUD-assisted housing can be improved by removing barriers to efficiency, loosening the knot that ties project-based assistance to current properties,

. . . over the past several decades, rental housing and the real estate industry more generally have evolved in dramatic ways beyond the old model in which each property was owned by a separate legal entity and financed on a free-standing basis.

and improving service delivery through greater reliance on strong housing providers. Examples of some of these strategies have already been successful on a limited scale and should help build momentum for larger-scale implementation.

Background

HUD's project-based rental assistance (PBRA) programs provide critical support to over 1.2 million of the nation's most vulnerable households. These programs, which include HUD's project-based Section 8 program for all types of residents, its elderly housing program (Section 202), and its program of housing for persons with disabilities (Section 811), engage private owners of rental properties to provide housing to low-income residents in exchange for long-term contracts providing rental assistance for eligible households. While initially designed to serve households with incomes as high as 80 percent of area median, PRBA programs now usually serve households with incomes below 50 percent of median and often far lower – the average annual household income is $12,800.

The ongoing quest for budget savings has placed great pressure on these rental assistance programs. In reviewing the cost, results, and efficiency of program administration, we see opportunities to reform outdated practices and misaligned incentives. We find that program rules focus too heavily on restraining bad practices instead of promoting good outcomes, discourage efficiency, and impose high compliance costs instead of effectively identifying and mitigating risk.

The regulatory regime also treats all housing providers the same regardless of mission orientation or demonstrated performance and rewards those who can successfully navigate arcane program rules. Meanwhile, over the past several decades, rental housing and the real estate industry more generally have evolved in dramatic ways beyond the old model in which each property was owned by a separate legal entity and financed on a free-standing basis. Whereas decades ago, most nonprofit owners were neighborhood-based organizations with small portfolios, many are now national or regional and own hundreds of properties. Many public housing authorities and for-profit developers have also evolved into mission-driven and creative affordable rental housing enterprises. Purchasing and financing approaches have evolved to achieve efficiencies of scale. Whereas energy and insurance were once bought on a property-by-property basis, sophisticated owners now control these costs on a portfolio basis. Whereas single property financing was the norm in the real estate industry, now real estate investment trusts and other forms of combined ownership have increased the availability and reduced the cost of capital with corporate and portfolio financing. We believe the regulatory framework should be updated to reflect these changes in the industry, and that these changes will promote better program performance and efficiency.

Remove barriers to efficiency

There are many examples of how competing program priorities and restrictive rules have led to a focus on compliance rather than performance and constrained innovation and efficiency. HUD scrutiny of property budgets is just one example. Operating procedures initially designed to produce decent, safe housing in places where it was previously scarce or unavailable has led to a cost reimbursement structure that relies on detailed budget review and approval and discourages efficiency. Because many markets had no comparable housing, in some cases contract rents were allowed to exceed local market rents, a concession that had a good initial rationale but that created perverse incentives. "Exception rents," as they are now called, encourage the perpetuation of inefficient management practices, obscure and compensate for ever-increasing compliance costs, and encourage a "use it or lose it" approach to budgeting.

Similar problems arising from conflicting priorities can be found in the way projects are developed and financed. Declining funding for new development projects has encouraged maximum geographic distribution of small properties, many of which are operated by an owner with only one such property. While this approach is popular with Congress and limits neighborhood opposition, small properties suffer from higher per-unit costs for administrative, operating, and service expenses. In addition, small properties experience relatively high development financing costs and in some cases may not be competitive or feasible candidates for tax credit financing, further raising the cost of property acquisition and major repair.

In the HUD portfolio every development financing deal requires multiple layers of capital, each with its own rules for owner and resident participation, its own documents, its own timetable, and its own reporting and compliance obligations. Experienced owners must endure dozens of largely redundant reviews for grant and financing programs. As a result, cost-effective portfolio-level financing is nearly impossible to secure. While property-level financing was originally developed as a way to isolate risks, modern portfolio financing agreements spread risk among properties and reduce default risk for lenders, and could do the same for HUD. Existing rules not only discourage sharing of property resources, but actively prevent owners from achieving economies of scale and lowering costs.

There are a few instances where developers have been successful in securing financing that can be used across their portfolios. Mercy Housing, for example, was able to carry out a combined refinancing of 27 rural properties in the Northwest through a portfolio purchase in 2003, which saved considerable transaction costs. There have also been several successful efforts to provide bulk refinancing and rehabilitation of bundles of elderly senior housing properties over the last 10 years. Yet these examples have not been easily replicated, and none has gone beyond bulk financing to facilitate reduced administrative or operational costs or improved sharing of resources among properties under common ownership. SAHF has recommended new approaches, and the Administration's budget proposal for FY 2014 calls for a potentially game-changing "Flexible Portfolio Demonstration" for high-capacity owners who could save money under more flexible program rules for portfolio-level management and financing.

Loosen the links between project-based assistance and existing properties

Currently, a number of PBRA policies result in perverse outcomes – sometimes serving to exacerbate concentrations of poverty or requiring expensive renovations of high-density or obsolete buildings. These circumstances stem from a shift in policy in the mid-1980s, when it was decided that existing PBRA contracts could only be extended or terminated upon expiration, but not moved or re-allocated among two or more properties. This froze the existing geographic allocation and income mix in place – which is significant because many PBRA buildings house high concentrations of households with extremely low incomes. Because of the current inability to transfer assisted units to other locations, the historical link between the rental subsidy and the existing building creates a barrier to mixed-income communities and encourages the preservation of obsolete or poorly designed buildings and properties just to preserve the underlying subsidy.

While many Section 8 buildings operate well in their current form and many are the sole source of affordable housing within gentrifying neighborhoods, some policy changes are needed to better serve residents. Policies should shift to facilitate mixed-income communities, preserve and expand affordability in high-opportunity neighborhoods and prevent displacement of existing tenants.

Many properties are poorly managed or deteriorating, and affordability is at risk of loss either through conversion to non-affordable uses in strong markets or blight in weaker markets.

Additionally, clear rules to allow transfer of affordable units to alternate locations are long overdue.

SAHF members have already demonstrated positive results by putting these ideas in practice in several properties. At the 504-unit Grove Parc Plaza in Chicago's South Woodlawn neighborhood, for example, Preservation of Affordable Housing, Inc. (POAH) is undertaking a significant community revitalization effort. Long an emblem of the community's distress and a magnet for crime, Grove Parc is being transformed to a positive influence for community improvement. This is being enabled by a HUD Choice Neighborhoods grant and willingness by HUD to grant unusual flexibility to move a portion of project-based assistance to new locations. This allows POAH to replace obsolete apartments and reduce both the housing density and the concentration of extremely low-income families with the goal of reducing crime and attracting more businesses to the neighborhood. In another case of rare HUD flexibility to solve a high-profile challenge, the Community Builders is preserving needed rental subsidies by relocating Charlesview Apartments in Allston, Massachusetts, which otherwise faced termination of the assistance contract triggered by the conversion of the property to a non-housing use. Based on the clear benefits of these and other uses of flexibility by strong, mission-oriented owners, we have urged HUD to experiment with broadening the criteria for using this strategy and easing the approval process.

Improve service delivery through greater reliance on high-performing partners

Of the approximately 23,000 privately owned, HUD-assisted properties, many are currently held by owners with very limited capacity. Many owners — large and small, for-profit and not-for-profit — are stellar performers, but too many cannot cope with the complexity of modern property management, much less recapitalization, of older properties. Many properties are poorly managed or deteriorating, and affordability is at risk of loss either through conversion to non-affordable uses in strong markets or blight in weaker markets. Better results for residents can be achieved by facilitating transfer of such properties over time to experienced owners with a commitment to high quality and long-term affordability.

A delivery system with a greater emphasis on strong performers could shift administrative focus away from avoiding failure and toward rewarding high performance. Owners with strong and consistent performance should be empowered to achieve greater efficiency and impact and held accountable for results. Their capacity and performance should be assessed periodically, not for each transaction in which they engage but at the enterprise level. By relying more on strong partners for reliable execution, market-based rents for economic discipline, long-term affordability restrictions to avoid speculation in the underlying real estate, and resident outcome evaluations, the government could reduce its reliance on regulation to overcome flaws in the delivery system.

HUD can take other steps to encourage strong performers. For example, HUD's current process for screening out owners with a history of noncompliance imposes an unproductive paperwork burden on both HUD staff and other program participants, who must undergo detailed review of each transaction affecting each property, even when they have recently completed reviews for other properties. Less frequent review of consistently strong owners and properties and greater scrutiny of higher risk projects and transfers would reduce cost and improve effectiveness.

Additionally, HUD field offices should focus on areas of expertise rather than attempting to use reduced staff to respond to all types of issues within a defined geography. Specialization would improve capacity and consistency and reduce administrative costs. HUD should also assign program staff to coordinate all HUD-related issues with large multi-jurisdictional owners, rather than leaving the owner to try to resolve issues based on the varying views of staff in local offices.

Finally, HUD should build on its successful efforts to adopt common applications, uniform inspections, and other program simplifications in cooperation with state and local governments. Over-reliance on inspections and audits is not only burdensome for HUD and its partners, but it is also outdated as an asset management tool. HUD has already begun working on identifying reliable early indicators of whether a property is at risk of distress or delinquency using standard industry indicators such as contributions to reserves and vacancy levels. As HUD identifies more reliable indicators it should reduce duplicative compliance reviews. It also needs to expand early interventions on troubled properties so that existing owners have an opportunity to reverse negative trends, and to allow HUD to take steps to replace underperforming owners and managers before properties slide into irreparable disrepair.

Next Steps

Current budget constraints provide significant pressure to improve program efficiencies and effectiveness and create an opportunity to make changes in program structures that have proven too difficult in normal circumstances. This environment has led to many recommendations for change in HUD programs—including several similar to ours offered by the Housing Commission sponsored by the Bipartisan Policy Center.

Over the last four years HUD has taken major strides in improving policy guidance and program execution. Now, with much of the policy work done and a seasoned leadership team at headquarters, it is time to pivot to ensuring consistent application of new policies while confronting some of the harder challenges of bureaucratic barnacles and misdirected incentives. With a greater focus on program outcomes, including better housing and improved residents' lives, HUD can harness the improved capacity of its best partners—and potentially generate some much-sought cost savings in the process. We are encouraged by the proposed Flexible Portfolio Demonstration in the FY 2014 budget and are hopeful that we can move to more efficient business practices in the next year. CI

The Other Housing Crisis: *Rental Housing*

By Raphael Bostic, University of Southern California,
Robin Hughes, Abode Communities, and Tony Salazar, McCormick Baron Salazar

Over the past five years, housing has been on the front pages of the nation's newspapers and foremost in the minds of policy makers. Yet the dialogue has focused primarily on foreclosures and largely overlooked a major aspect of the crisis that continues to lurk in plain sight: affordable rental housing.

The statistics are stark, and clearly demonstrate that high rent burdens are a broad-based problem. A recent nationwide study by the U.S. Department of Housing and Urban Development shows that nearly half of all renters were paying more than 30 percent of their income on housing in 2009, rent burdens increased by 17 percent between 1990 and 2009, and the share of renters paying half of their income for rent increased by nearly 38 percent between 1990 and 2009.

In the years immediately following the study period, the recession was not kind to renters. The number of renter families with "worst-case needs" – incomes that were less than 50 percent of the area median, not receiving any rental assistance and paying more than 50 percent of their income on housing – increased by 1.4 million between 2009 and 2011. This was a striking 20 percent increase in just two years.

This problem is not limited to high-cost markets. In California, for example, while relatively high rents are not surprising in San Francisco and Los Angeles, most wouldn't expect Chico in the San Joaquin Valley or the central coast's San Luis Obispo to be affordability-challenged.

Yet, a recent analysis by Professor Richard Green, director of the USC Lusk Center for Real Estate, found that no California metropolitan areas were affordable – when defined as representing less than 30 percent of total income – to families at the 25th percentile of the renter-

Cities and regions across the country must examine their rental markets, gain a better understanding of their specific affordability problems and, to the extent they exist, find ways to effectively attack them.

income distribution. In both Chico and San Luis Obispo, a family whose income was at the 25th percentile had to spend more than 42 percent of that income to afford a unit at the 25th percentile in rental costs.

This is a picture of unachievable, unaffordable and unattainable decent rental housing.

Moreover, many believed the foreclosure crisis would relieve pressure on the rental market by increasing the volume of rental units. The opposite has happened in many markets. Families who lost their homes through foreclosures have entered the rental market and begun competing for units. The result? An even tighter rental market and more upward pressure on rents.

In communities across the country, this affordability problem is a serious threat to local and regional economies at risk. The lack of affordable rental housing prevents well-qualified employees from capitalizing on opportunities. For those that do, they commonly either drive long distances from where they can afford to live or share rental units with other families. As a result, employers have a harder time attracting and retaining hard-working, middle class families.

So what is to be done?

Cities and regions across the country must examine their rental markets, gain a better understanding of their specific affordability problems and, to the extent they exist, find ways to effectively attack them. The policy solutions they settle upon will need to accomplish several things:

First, they must better balance supply and demand. For some areas – particularly industrial cities in the Midwest – affordability is more a function of income than the housing itself. Solutions will undoubtedly require a combination of job training, economic development, and housing-related efforts.

In other areas, such as southern California, there are simply not enough units to meet the demand. In these communities, many of which are on the coast, there are two key policy dimensions to increasing supply. One is the creation of consistent funding sources that support the production of new units. For example, San Francisco's creation of an affordable-housing trust fund is a model that should be studied and potentially emulated. The other key policy consideration is an understanding that the production of new units will not increase supply if it merely replaces affordable units lost from the existing stock. If "new" does not also mean "additional," then the race to balance supply and demand will remain stagnant.

Second, the foreclosure crisis must not be allowed to further destabilize neighborhoods. NSP was a critical stopgap that helped prevent blight and investors have created enough demand to stop price declines. These actions must be the "first steps" toward meaningful recovery, rather than Band-Aids that simply delay painful vacancies and broader distress.

Finally, communities must capitalize on opportunities and creative solutions wherever they arise. Transit stations represent obvious opportunities to serve as new anchors for economic growth, increased housing density, and community vibrancy. Similarly, energy efficiency can change the math of affordability and potentially cause more units to reach affordable price points.

For every American to be a productive member of society and able to pursue the American dream, the 20-year trend of declining affordability in rental housing must be halted and reversed. We owe it to ourselves to get there. CI

Connecting Housing and Health Care through Community Development

By Kevin Boes, Local Initiatives Support Corporation

When we look at the many needs of low-income communities across the country it's easy to get stuck in silos—housing or schools, economic development or social services, safer streets or healthier residents. It's more difficult to find ways to address those myriad interrelated needs together.

The silos are certainly apparent when it comes to health care and affordable housing. Though there are programs dedicated to building and operating both health care facilities and affordable homes, they do not generally connect to each other, even though we have long known that poor housing and poor health are related. What if we could find a way to truly integrate the two?

That question was the genesis of the Healthy Futures Fund (HFF), a new investment vehicle developed by the Local Initiatives Support Corporation (LISC) in partnership with Morgan Stanley and the Kresge Foundation. HFF is bringing together grant, loan and equity capital to build affordable housing and community health centers as well as fund services that link them in places where one of the two already exist.

The three founding partners have seeded the new fund with $100 million in initial capital. That funding will support development of 500 housing units with integrated health services and eight Federally Qualified Health Centers (FQHCs) that will serve an estimated 75,000 people. The fund is designed to spur collaboration between health care providers and housing developers who do not often work together, even when they operate in the same low-income neighborhoods and serve the same people. In short, it encourages those of us active

in community development to look at our work through a health lens. And it helps health providers recognize the benefits of community development partnerships that address the social determinants of health for their patients.

How We Got Here

The Healthy Futures Fund is part of a broader LISC approach to community development designed to change the trajectory of disadvantaged neighborhoods. Called Building Sustainable Communities, it focuses on funding, technical assistance and management support for neighborhood-based efforts to raise standards of living for low-income families. The initiative includes work on everything from early childhood education and community safety to new jobs, growing businesses and stronger family incomes.

The goal is lasting change for long-suffering neighborhoods. In practice, that means making sure children can stroll safely down their own streets and graduate from strong schools. It means helping families access quality affordable housing with reasonable rents that leave them with more disposable income. And it means making sure they can spend that money in vibrant retail corridors that give them access to the goods and services they need. We're working to ensure that parents have access to a range of health care, child care, financial counseling and employment services to help them stabilize their family's outlook and build assets for the future. The focus is quality of life.

The Healthy Futures Fund reflects those goals. But moving it from a hopeful idea to a practical investment tool meant it had to be flexible enough to respond to specific, often varied, local conditions, while still operating within the confines of the chief funding tools available—the New Markets Tax Credit (NMTC) and the Low Income Housing Tax Credit (LIHTC). The way in which those pieces come together, with grant capital and other low-cost loans helping connect them, is what makes the fund work.

As background, LIHTC is the most successful production tool available for affordable housing development. According to the National Association of Home Builders, through the recession LIHTC helped support 50 percent of all multi-family construction, representing an increasingly important resource as the private market contracted. All told, LIHTC has funded more than 2 million homes, serving as an important backstop given the number of federally assisted housing units the market loses each year. It also creates tens of thousands of jobs every year in communities that desperately need them.

In 2000, NMTC followed on the success of LIHTC, focusing on economic development in low-income neighborhoods. It has supported retail developments, charter schools, manufacturing facilities, retooled industrial sites, small business expansion and more. Over the last decade the credit has helped finance more than 3,000 businesses and 500,000 jobs, almost all in places with high rates of poverty and unemployment.

For many years, LISC has been utilizing both LIHTC and NMTC to support the recovery of low-income neighborhoods, with more than $9 billion invested in LIHTC through our National Equity Fund affiliate and nearly $800 million in NMTC investment authority being managed by our New Markets Support Company.

More recently, we have increasingly used our NMTC allocation to help fund new and expanding community health centers in the places where we do business. We view these investments as a way to both spur economic development and extend primary care to vastly underserved communities. Toward that end, we have worked closely with community-based groups, hospitals, existing providers and real estate developers to help get new centers off the ground and reinforce other investments in these neighborhoods.

The health landscape shifted in 2012 with the passage of the Affordable Care Act (ACA). It made Federally Qualified Health Centers (FQHCs) the centerpiece of efforts to reach uninsured and underinsured low-income residents. FQHCs themselves are not new, having been around for some 40 years. They are community health centers funded in part with federal grant dollars administered by the Health Resources and Services Administration (HRSA), which is part of the Department of Health and Human Services. There are currently 1,200 FQHCs nationwide, serving some 18 million people. As the ACA is fully implemented, that number is expected to more than double in the next few years. Though the law earmarked $11.9 billion to help fund FQHC expansion, providers also need private funding to build new facilities and grow existing ones to meet the expanding need.

For LISC, that realization presented both an opportunity and a challenge, raising questions about how to help FQHCs grow their capacity, while doing it in ways that align with our Building Sustainable Communities strategy. Could we specifically connect health care and housing to help residents of our most challenged neighborhoods live better?

Financing Tools

On the face of it, housing and health care seem to be a natural fit for each other, particularly as part of broad, long-term plans to help low-income residents raise their standards of living. This kind of cross-sector thinking is increasingly taking root – the federal government, for instance, has taken a more holistic view of revitalization in recent years, moving toward comprehensive initiatives like Choice Neighborhoods and Promise Neighborhoods that focus resources on the intersecting needs of low-income areas.

Nonetheless, some of the most powerful community development funding tools at our disposal are focused on particular aspects of redevelopment and in very specific ways. LIHTC and NMTC together attract more than $10 billion each year to development efforts in distressed neighborhoods. But using them together is not always obvious.

Both credits work to help lift up impoverished areas, but from a technical perspective they are very different tools. NMTC regulations include specific restrictions on rental housing investments, and investors cannot claim LIHTC for commercial investments, though many LIHTC properties include ground-floor businesses, funded separately. In effect, the credits can be used side by side, but not integrated.

Regulatory restrictions are not the only hurdle. Each credit has different characteristics that impact both how they function and are managed. For instance, LIHTC generates equity for projects; NMTC contributions typically go into transactions as loans. The credits have different terms—with LIHTC compliance running fifteen years and the NMTC for seven. Both are generally part of complicated, multi-layered financing packages, but the structures of those transactions are vastly different.

For these reasons, the Healthy Futures Fund will utilize LIHTC and NMTC in separate transactions – NMTC for health centers and LIHTC for new affordable housing developments. Grant dollars are the glue that helps connect them, supporting everything from transportation to health centers, to on-site wellness visits, to nutrition and exercise programs.

The fund is also pre-packaging NMTC capital with low-cost loans for FQHC expansion projects. In most cases, when FQHC operators secure an NMTC allocation for their projects they've only won half the battle. They must still separately find a willing bank or CDFI partner to provide the loan capital needed for construction and permanent financing. The Healthy Futures Fund eliminates that step with a streamlined financing product that includes this loan capital along with the NMTC equity. This model reduces transaction costs, speeds up the development process, and enables the FQHC to focus on its core business instead of spending its time climbing the learning curve of NMTC financing.

The Partners

LISC has long-standing relationships with Morgan Stanley and the Kresge Foundation, each of which has its own significant portfolio of housing and health care grants, loans and investments. Their support fueled the fund's launch. Morgan Stanley committed $87 million, with $50 million directed to affordable housing investments through LIHTC and $37 million for community health centers through loan capital and NMTC equity. Kresge contributed $7.5 million in loan and grant dollars, which along with LISC's grant and loan capital ensures that the fund can support services as well as development projects.

Other partners have more recently joined the effort, including Capital Link, which is sharing its expertise in developing successful health center projects. National Development Council, NCB Capital Impact, Primary Care Development Corporation, Mercy Loan Fund, Opportunity Finance Network and the Corporation for Supportive Housing have also signed on, contributing portions of their NMTC allocations and other resources to support this work. We are continuing conversations with other organizations about expanding our NMTC allocation amounts and raising loan capital and housing equity to help extend our reach.

LISC's New Markets Support Company is managing the overall fund and taking the lead on health center investments. Our National Equity Fund is managing the housing piece, working with affordable housing developers that have an interest in integrating health care into their projects. We are developing our pipeline now and beginning to move forward with individual deals.

Project Investments

The fund's first projects are in the midst of their respective due diligence work. Our first two LIHTC projects, comprising $20 million in investments, are expected to close in the next few months, and will link new affordable housing developments with existing primary care resources in their surrounding neighborhoods. Our first FQHC deals will close in the second half of this year, with construction pushing into 2014.

Though no fund projects are up and running yet, our existing work offers a sense of what some of these developments might look like. One clear example is the Heritage Park Elder Community Center in North Minneapolis, a new 47,020-square-foot facility for seniors developed by the Minneapolis Public Housing Authority (MPHA). LISC helped finance the Center with $15 million of our NMTC allocation, capital from U.S. Bank, and support from LISC Twin Cities, our local program in Minneapolis and St. Paul. Heritage Park Elder Center includes an FQHC, an adult daycare program, office and program space for social service providers, a fitness center, a therapeutic pool and large multipurpose gathering spaces to engage seniors in a variety of social and recreational activities.

The Healthy Futures Fund is an important part of a larger conversation at LISC about the link between community health and community development, including new staff, pilot programs and policy work.

The Center is located next to a recently developed 102-unit MPHA senior housing development called Heritage Commons and adjacent to a proposed new Memory Care, Assisted Living, and Continuum of Care Facility, which contains 48 assisted living units and provides services for those seniors experiencing memory loss. Just completed in 2012, the Center initially expects to serve 400 elderly public housing residents, from both Heritage Commons and other public housing sites in the North Minneapolis area. Hundreds of other seniors living in the community can also to take advantage of the Center's offerings. An estimated 90 percent of the Center participants are low-income

The Heritage Park project is a key example of the kind of projects the Healthy Futures Fund will support. It expands available health care to low-income residents, ensuring they can receive care near to where they live. It connects residents of existing affordable housing to services they would not otherwise have. It creates jobs—in this case 27 full-time positions, along with 144 construction jobs—and it reinforces economic development efforts in the community. Most importantly, it improves quality of life for local seniors, as well as for their families who might not otherwise be able to provide them with adequate care.

Going Forward

The Healthy Futures Fund is an important part of a larger conversation at LISC about the link between community health and community development, including new staff, pilot programs and policy work. We expect our work in this arena to grow as we continue to expand the fund's investment capital and partners.

But we also know this kind of work takes time. The Healthy Futures Fund is just getting started, and it will take several years for communities to feel its impact. Nonetheless, we see it as an important part of the national movement to help low-income residents and their communities become healthier. CI

Social Impact Bonds: *A Promising Tool for the Future of Permanent Supportive Housing*

By Gabriele Hooks, Corporation for Supportive Housing

Supportive housing is an innovative and proven model that helps communities to address the unique housing needs of the homeless and those with chronic health conditions, mental illnesses and/or substance abuse issues. Supportive housing combines the very low rent levels of affordable housing with wrap-around services that help people who face complex challenges to live with stability, autonomy and dignity. Services are provided in the home or wherever the tenant chooses and are typically not required as a condition of their tenancy; tenants can remain in the housing as long as they wish. Financing the development and operations of supportive housing has always been a challenge, and requires the weaving of myriad resources including Low Income Housing Tax Credits, loans, bonds, human services contracts and partnerships, and private funds. Since the 2007 recession and the subsequent budget crises at the national, state, and local levels, funding has become increasingly scarce and the supportive housing industry is now trying to find its new normal for financing and operating these successful programs.

The Social Impact Bond (SIB), a tool within the "Pay for Success" model, is a promising finance option that may become a critical component of a new mechanism for developing and operating affordable supportive housing. SIBs promise returns for a program's private sector SIB investors if that program meets certain performance targets and, in the process, reduces costs to the public.[1] The first SIB-funded program is underway in the U.K. and last summer Massachusetts became the first state in the U.S.

. . . programs funded by SIBs must have evidence-based track records of success. Supportive housing has been proven to be a cost effective model, generating significant cost savings to public systems

to issue a competitive, transparent procurement to obtain services using social innovation financing.[2] Both SIB initiatives are funding strong, evidence-based program models – the U.K. model is a prisoner rehabilitation program and in Massachusetts both a supportive housing program and a youth offender program are being planned.

In order to attract investors and realize the cost savings to pay returns, programs funded by SIBs must have evidence-based track records of success. Supportive housing has been proven to be a cost effective model, generating significant cost savings to public systems. Cost studies in six different states and cities found that supportive housing results in tenants' decreased use of homeless shelters, hospitals, emergency rooms, jails and prisons.[3] In areas where homeless persons with more complex issues frequently use health services in emergency rooms and jails, there are substantial cost savings to the public. Among the overall population of homeless single adults in Los Angeles, ten percent incur the greatest public costs at an average of $6,529 per month, compared to $574 per month among the other 90 percent. In contrast, when these individuals live in supportive housing, the public saves a total of $4,589 per month per frequent user.[4]

To realize these savings in emergency service costs while still ensuring expert care, CSH has helped to establish several innovative pilot programs that are already demonstrating cost savings while providing coordinated services and housing for homeless people with the most complex needs, using housing as a platform for health care delivery and coordination. These pilots will build the foundation necessary to attract SIB investments to pay for supportive housing.

In Los Angeles, the CSH Frequent Users Systems Engagement (FUSE) pilot program uses supportive housing integrated with care management and primary and behavioral health services to improve health outcomes while reducing public costs among individuals with complex health needs. Funding for the program comes from the Hilton Foundation and the UniHealth Foundation. CSH has been able to make the business case for hospitals to invest in housing the highest-cost, most frequent emergency room users. On a national level, CSH received a prestigious federal Social Innovation Fund grant of $2.3 million from the Corporation for National and Community Service (CNCS) to address the critical intersection of health, housing and homelessness through supportive housing pilot programs located in four different communities throughout the country – Los Angeles, San Francisco, Washtenaw County, MI, and Connecticut.

A similar pilot under development in Los Angeles uses the Just in Reach (JIR) model, and will demonstrate cost savings by providing supportive housing to homeless, frequent users of LA County jail who have chronic mental health and/or substance abuse issues and are reentering the community. The JIR model, pioneered by CSH with funds from the Los Angeles County Sheriff's Department, the Robert Wood Johnson Foundation and the Hilton Foundation, provides comprehensive support services and linkages to housing to those who are being released from jail, have been chronically homeless, and have a mental illness and/or substance use issues. In the coming months, working with LA County and the JIR partnership of providers, CSH will explore strengthening rigorous data collection and evaluation, to inform the business case for this model. The cost savings to county correctional services, health and behavioral health services, and homeless services could attract investments to finance the future development and operation of supportive housing for this population through SIBs and other Pay for Success mechanisms.

In summary, CSH is now working to place this evidence-based approach to helping and housing communities' most vulnerable residents at the forefront of the Social Innovation Financing movement. Supportive housing, with its demonstrable cost savings across multiple public sectors is the perfect vehicle with which to bring new funding to programs that work. CI

For more discussion of Pay for Success financing models like the social impact bonds highlighted in this article, be sure to take a look at the newest issue of the Federal Reserve Bank of San Francisco's *Community Development Investment Review* (Volume 9, Issue 1, 2013). This issue of the Review aims to serve as a comprehensive resource for the most current thinking on the origins, models, and potential implications of Pay for Success, and encourages readers to weigh its exciting potential against its possible pitfalls. View the issue here: http://www.frbsf.org/publications/community/review/vol9_issue1/full-issue.cfm

Improving Financial Stability by Building the Capacity of the Local Community

By Nancy E. Brown, Charles Schwab Bank, and Catherine Marshall, Consultant

During the Great Recession, Nevada ranked worst in the nation in bankruptcies, delinquent mortgage loans and unemployment.[1] In the summer of 2008, the United Way of Northern Nevada and the Sierra (UWNNS) convened local leaders to take a look at community conditions and gain consensus on strategies that could make a positive difference. Key concerns included a need for increased financial education and better awareness of resources such as financial counseling and low-cost bank products. Participants expressed hope that collaborative community efforts to bring additional resources to the region would help individuals and families gain financial stability and improve the regional economy. The convening led to the formation of a collaborative, later named the Financial Stability Partnership of Northern Nevada (FSPNN).

At the same time, state and local collaborative groups supporting asset building and financial education had been operating across the country for a number of years. Many offered financial education and Individual Development Account (IDA) programs and had already made successful inroads in state policy affecting asset development. But FSPNN's approach to improving financial stability in Northern Nevada was unique in several respects. This collaborative focused on three activities: building the capacity of local community organizations with a "train

the trainer" approach; developing a network of supporters and encouraging the adoption of community-wide asset building strategies; and engaging financial institutions from the beginning, both as financial support and in leadership roles.

Diverse stakeholders came together to contribute financial, logistical, and informational resources to the initiative. For instance, UWNNS provided infrastructure to the collaborative by hosting meetings and trainings, and providing staff support and coordinating communications. Charles Schwab Bank, already invested in building the capacity of local nonprofits in the Reno area, offered financing and technical support to continue training efforts through nonprofit roundtables.

Moving the Collaborative Forward

Steady funding allowed FSPNN to bring in a consultant in 2009 to help guide the collaborative's future development. After conducting a community-wide survey to identify financial education and client development service providers, the FSPNN's steering committee drafted its first strategic plan, and circulated it among the community leaders who had attended the original convening. Soon committees formed to support and implement the strategic plan, which included expansion of free income tax preparation in connection with the IRS's VITA program and special financial education events in the schools. The network grew with the help of a LISTSERV and periodic meetings where committee work was reported on and resources shared. In its 2009 session, the Nevada Legislature passed SB317 which mandated, with funding, financial education for all high school seniors. The FSPNN partnered with the school district and helped identify funding and financial education best practices needed for the teachers to develop the curriculum for Washoe County. The FSPNN also found funding to pay for the train-the-trainer session needed by the school teachers to integrate financial education into their classroom work, which was then made available to all school districts in the state.

Late in 2010, the FSPNN launched a practitioner education strategy that dramatically expanded financial education throughout the region. Instead of setting up de novo financial education programs to provide workshops directly to the consumer, the FSPNN elected to train nonprofit staff and social workers on how to integrate financial education into their existing client development processes. Community development and human services nonprofits such as affordable housing agencies, domestic violence shelters and drug rehab programs received information on asset-building resources and financial education curricula, with each agency choosing how to integrate the resource information into its existing operations. Many adapted their services to include additional

Additional trainings have been offered to social workers and nonprofit staff, further building awareness in the community of the importance of financial education.

workshops, financial counseling and support groups to help their clients achieve greater financial stability.

This practitioner development approach was further enhanced in 2011 with the introduction of Asset Building Learning Clusters. Community organizations interested in strengthening their capacity to provide financial education and asset-building programs could apply to work with a consultant to improve their client development processes and institutionalize asset-building in their programming. That year, UWNNS made a significant investment in three nonprofits, and Charles Schwab Bank funded a learning cluster that helped five agencies grow in capacity to provide these programs. In addition, the UWNNS provided a data collection system that helped all eight of agencies track the progress of 80 individuals who were working with these agencies to improve their financial stability. Recently, seven more agencies were selected to participate in a new learning cluster for 2012-13.

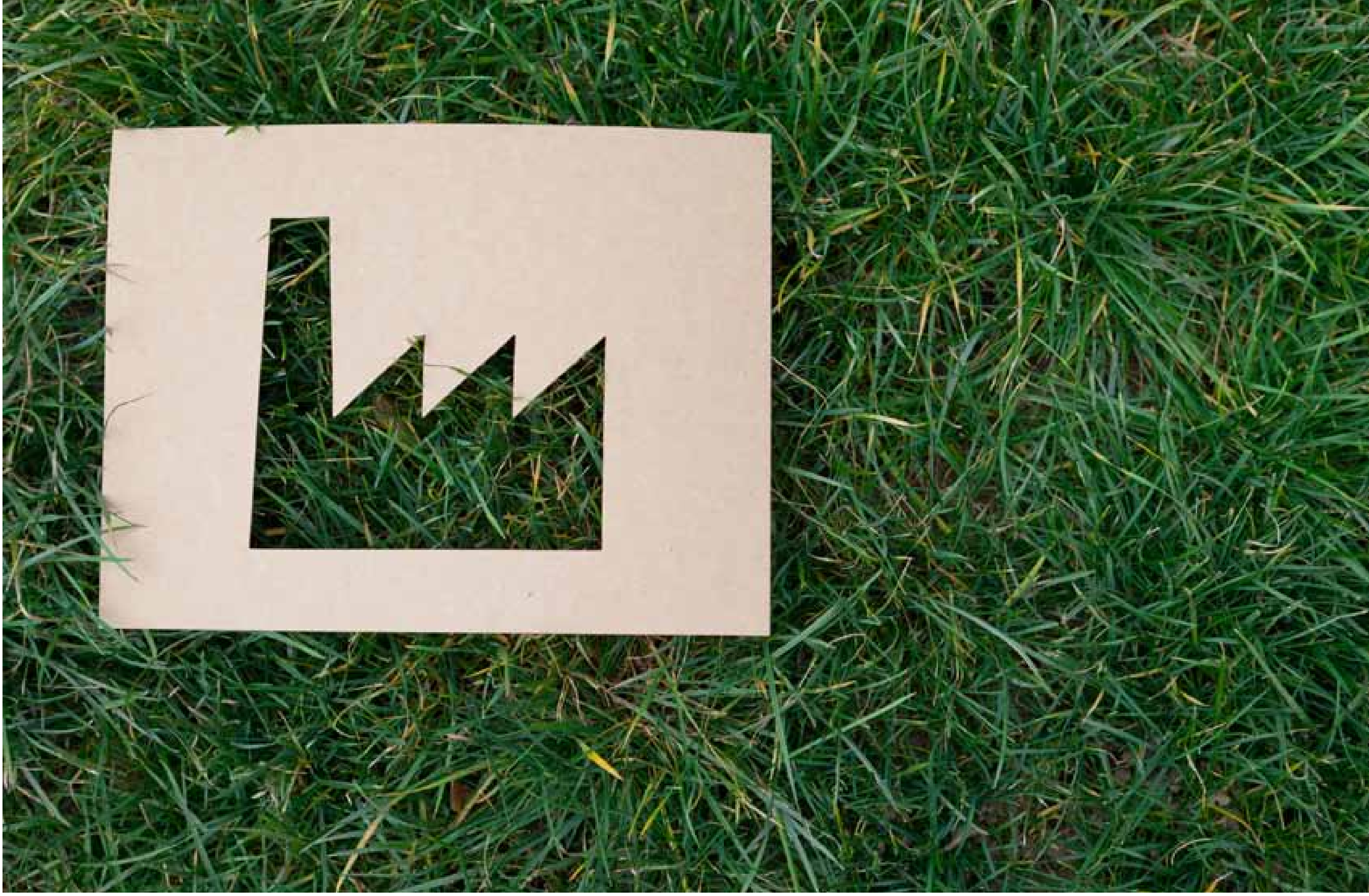
The results have been gratifying. These Reno-based nonprofits have enhanced their counseling to include financial education, goal-setting and coaching. Partnerships with local consumer credit counseling agencies have been forged and additional workshops and counseling are being provided at the sites of the nonprofits. Additional trainings have been offered to social workers and nonprofit staff, further building awareness in the community of the importance of financial education.

The FSPNN quarterly meetings for "Learn and Share" are regularly attended by 20 or more nonprofit organizations and joined by for profit and government representatives. FSPNN's website is up and running and fundraising efforts have expanded. The VITA/tax preparation committee exceeded its prior year results with a 15% increase in tax returns (over 2,900) bringing $1.1 million in earned income tax credits, child care tax credits and education tax credits into the region. The Advocacy committee is gearing up for the 2013 legislative session, and the Nevada Assets and Opportunity Summit and Advocacy Day, held in March was very successful, attended by over 150 people. The momentum that has driven the FSPNN to date should help with the planned expansion of the initiative to the rural areas of Northern Nevada to better support those nonprofits that want to include financial education in their programs.

Lessons Learned

There's a lot to learn from the experience of the FSPNN. Many communities attempt to rally support for asset building and financial education by forming coalitions, but lose momentum and ultimately fail. The FSPNN circumvented common pitfalls by engaging the entire community in the effort, paying attention to building the capacity of the network and nonprofit service providers and focusing on coordination as the way to serve the community. The region also benefitted from the strong commitment of the United Way of Northern Nevada and the Sierra to provide the coalition's infrastructure for meetings, trainings and communication. The leadership of the financial institutions was and continues to be a critical influence on the ongoing success of the Partnership, providing funding and volunteers for the effort.

Securing enough funding for regular staffing of the collaborative is still a challenge, as it is for other such efforts. However, the volunteer spirit of the FSPNN network members combined with the committed investment of the United Way and participating financial institutions have provided a solid base for growth and sustainability. CI



The Partnership for the Green Dividend

By Bob McNulty, Partners for Livable Communities

Taking up the Call: City Sustainable

A century ago, America was in urgent need of a comprehensive urban strategy. Industrialization and excessive population growth swelled the size of cities and forced harsh living conditions upon the urban poor. Noise, pollution, and trash were accepted as common elements of the urban landscape. Contributing to these problems was the complete absence of urban planning policies, building codes, and public health and safety standards. All of these problems made urban areas increasingly unlivable and prompted the creation of the City Beautiful Movement. This movement provided solutions to the aesthetic deficiencies of American cities as well as relieved many of the underlying social ills that afflicted so many of the era's urban dwellers.

Much like industrializing cities before the City Beautiful era, today's communities are in transition, not only due to the current economic and political climates, but also because of our physical climate. Pollution, carbon emissions, and climate change are realities threatening communities around the world, and local economies unable to adapt to these challenges risk becoming obsolete.

Livability now represents an agent of change as defined by its popular usage: encompassing a range of tenets including economic prosperity, environmental sustainability, and resilience of a community as a whole, livability has become a standard towards which every city should strive. Partners for Livable Communities (PLC) is a national nonprofit working to renew and restore livability to the communities in which we work and live. Over the next three years, PLC will embark on a national campaign to rebrand the concept of livability, preparing and enhancing communities through the lens of one of the most important issues of our time: sustainability. With funding from the Packard Foundation, PLC will define, assess, and improve the livability of communities through a comprehensive and regional approach that uses place-based strategies and existing community assets for the development of a National Livability Analysis.

Sustainability encompasses not just environmental sustainability, but being prosperous and resilient and providing equitable opportunities for the whole community. Adjoining jurisdictions have realized they must come together for the benefit of the greater region as a whole; no one city or town can create a sustainable environment or economy without collaborating with surrounding areas. Thinking regionally involves a new set of players and visions, and creating a livable city requires a strong regional development plan that makes common sense.

The need for a comprehensive planning strategy has never been clearer. As Americans march towards an increasingly undefined economic future, new norms and values must be established to tackle the inequities in our society. The "clean economy" offers a path to recovery. Innovation, entrepreneurship, and new businesses are at the heart of economic rebuilding, and today they can be found in emerging green markets.

Economics of Sustainability: A Partnership for the Green Dividend – Joint Venture of PLC and Climate Prosperity

Founded in 2007 to bring together metro regions, businesses, investors, and markets, Climate Prosperity Project has provided countless communities with the means to take advantage of clean economy and green job market opportunities. Given their combined economic development and sustainability focus, PLC and Climate Prosperity have formed "The Partnership for the Green Dividend" (The Partnership). The goals of The Partnership are to demonstrate the applicability of green practices to all American communities and to better document the opportunities emerging from within the green economy. By combining these elements, the Partnership serves both people and place, improving the overall quality of life through economic revitalization and environmental sustainability.

Traditional tools for alleviating social inequity problems are limited in terms of their effectiveness due to the deep economic recession. As government at the local, state, and federal level redefines its role around community economic development, the onus to spur effective economic growth and climate action in the United States increasingly rests on local and regional actors. The Partnership is determined to tap into underserved communities and renewable resources to broaden the base of opportunity within green markets. To successfully advance economic opportunity through climate action in our communities, we must promote paradigm shifting strategies for a more transparent environmental marketplace that allocates goods and services more sustainably, thereby making green business practices key to economic growth.

The Partnership will use its combined skills and experience to help communities on the micro and macro levels to assess and better align regional resources to achieve those elements vital to success in the green economy: investment capital, market demand, and a skilled and productive labor force that engages all income levels. The Partnership will work with local economic leaders to develop and connect green opportunities to those most in need in our communities. As sustainable practices become the catalyst for local recovery, informed policy will follow; when going green becomes an economic and social equity agenda rather than a partisan one, the United States can truly move into the age of clean energy. The need for a comprehensive strategy is vital to capture the new green economy opportunities, sustainability and equity of labor force opportunities, and small business development as priority issues for our future.

Goals and Framework of the Partnership

Green jobs are a priority of the Obama Administration and our future. According to a report released by the U.S. Conference of Mayors, green jobs such as installation of household insulation, retrofitting of energy systems, and green supply to business and development could provide as much as 10 percent of all new job growth over the next 30 years. Cities and regions are working to develop green industries and products; however, efforts in this area have been somewhat limited by the lagging economy. Success will depend upon a regional approach, public-private collaboration, an in-depth knowledge of the local economy, and deeper relationships between business, government, the labor force, and the community at large.

Traditional economic and workforce systems have to become almost seamless in working together and responsive to the needs of businesses to grow the green economy while serving the needs of displaced, incumbent, and new workers within a region. Furthermore, by integrating the sustainable economy with the sustainable community, companies can more effectively provide local opportunities in the forms of jobs, business investments, and contracts. The interconnected nature of a sustainable economy and the environment requires localized and region-specific approaches that adapt to the dynamic green economy. The demand for different types of workers with adaptive and new skill sets is a direct outcome of the growing green economy.

In order for cities and regions to meet the demand for the green economy, new capacity building through the collaboration of a wide range of civic players is needed. The Partnership is devoted to identifying collaborators, businesses, and industries within communities for measurable green growth. Our goal is to expand the number and diversity of regional communities with hands-on experience developing and implementing regional clean economy strategies. The Partnership will focus efforts on four main constituencies that must have an increasing role in crafting clean economy strategies.

1. Low income Areas

2. Small Businesses

3. Labor Force

4. Minority Communities

By significantly expanding the proportion and diversity of businesses able to implement green strategies, the Partnership's work will foster a greater understanding of the capacity of sustainable strategies to rebuild the local economy. In the coming 14-month period of local working committees and partnership assistance, we anticipate that the community will experience expanded business participation in support of green strategies, increased speed and ease with which businesses can implement green strategies, higher profits for local businesses, and an increased number of diverse enterprises taking appropriate steps for further prosperity.

The community will gain access to a valuable resource network through the lessons learned by Climate Prosperity's work in other member cities. Contributing to economic growth and equity through participation in green markets and sustainable practices will generate significant momentum for reframing national climate debates. This valuable undertaking on the micro level will provide unique insight to future discussions at a macro level regarding success in the green economy and its impact on our environment and quality of life.

PLC recently announced the release of the second volume of the guidebook series the Economics of Sustainability, "The Dollars and Sense of Green Business," made possible by support from the Rockefeller Brothers Fund. This publication, prepared in collaboration with the American Chamber of Commerce Executives (ACCE), is a continuation of PLC's sustainability agenda and explores the innovation and leadership of 22 chambers of commerce from around the country that are true champions of the green economy. Working with ACCE, PLC will assist in expanding on the outcomes of this project by providing outreach to smaller communities.

It is not an unwillingness to become more sustainable that stands in the way of more environmentally-friendly business methods; rather it's the simple dilemma of where to begin.

This intersection of economic opportunity and environmental concerns is not yet fully defined. Both sectors are engaged as never before, creating new opportunities to better leverage traditional community reinvestment programs with emerging environmental initiatives. The Partnership's approach combines the efforts of both community reinvestment and environmental affairs programs as a catalyst for social and environmental renewal. Using resources more efficiently is practical for boosting both savings and profits. Therefore, sustainability is a tool for economic success in addition to environmental stewardship.

By providing an accessible path to implement sustainable strategies, The Partnership will help communities more effectively maximize their opportunities in the green economy. Through this work, green economic strategies that are place-based will be recognized as a common sense approach to achieving social equity and regional prosperity.

Conclusion

This initiative plus other locally-based programs advanced by businesses, environmental groups, and equal opportunity organizations, such as Oakland-based PolicyLink, offer promise that "green" will be an equal opportunity, benefiting communities across America. The Partnership provides communities with the means to harness the existing opportunities for growth in their green markets and economies and does so while actively promoting equity and sustainability. By uniting the goals of economic development and environmental sustainability, the Partnership can efficiently address multiple challenges facing American communities and offer equitable solutions for all.

Sustainable Practices in Action:
Chapel Hill-Carrboro Chamber of Commerce Green Plus

Despite the great impact more sustainable practices can have on a company's bottom line, many businesses have yet to 'go green.' It is not an unwillingness to become more sustainable that stands in the way of more environmentally-friendly business methods; rather it's the simple dilemma of where to begin. Many businesses are unsure about how to best implement greener practices, but what company would not jump at the chance to cut costs and reduce waste with assistance in creating a customized sustainability plan? Through the Green Plus program, members of the Chapel Hill-Carrboro Chamber of Commerce receive just that.

Surveys deployed to over 20,000 companies in North Carolina, Ohio, and Pennsylvania revealed that 97 percent of those polled are interested in being known as a successful business committed to their community and their environment. Yet a mere eight percent of these same businesses know where to find affordable information online about improving their sustainable practices. In 2007, with this dilemma in mind, programs at Duke University and UNC Chapel Hill teamed up with the Chapel Hill-Carrboro Chamber of Commerce, local philanthropies, and other area business entities to help make triple bottom line sustainability – defined as strong business performance along with a commitment to the community and the environment – accessible to small employers. The partnership resulted in the creation of the Institute for Sustainable Development and the Green Plus program.

As members of Green Plus, businesses are connected to a forum staffed with Institute Fellows and experienced companies; receive feedback and tips from Duke and UNC graduate students on environmentally-friendly business methods; get connected to mentor companies; are issued a Green Plus How-to Guide including term definitions and easy, medium, and challenging practices; and have access to referrals and links to both regional and national resource organizations. The Green Plus program also offers informational webinars or partnerships with local community colleges for those businesses without internet access.

In order to become a member of the program, applicants must complete a survey addressing the areas of Performance, Planet, and People. Under Performance, businesses are asked about their written strategic plan, accounting practices, and other business methods. Green Plus emphasizes that to be sustainable a company must be financially successful. The Planet section explores issues such as energy use, transportation, and water conservation. To assess a company's true level of sustainability, Green Plus also inquires about their commitment to people—an essential element of Green Plus' vision. Businesses must demonstrate compassion for their employees and an awareness of community needs.

Upon completing the survey, if a company falls short of the program's requirements in any or all of the three areas, they aren't left at square one. Institute Fellows in law, business, environmental studies, or public policy will coach the enterprise in how to become more sustainable and improve their score.

In an effort to spread the program throughout the United States, Green Plus announced a new partnership this past July with ACCE, an organization of 1,250 chamber of commerce members who represent over 1.2 million businesses across the country. ACCE member chambers can join Green Plus at a discounted rate and offer membership to their own associates. Philanthropies are also able to license out the program to interested organizations. Through this expanding national network, businesses around the country are able to share their experiences of going green.

With the combined resources of local universities, charitable organizations, and the business community, companies throughout the Chapel Hill region are now equipped with the tools necessary to employ greener practices. Branding opportunities gained through association to the program also provide members a valuable edge in an increasingly competitive marketplace. Through the Green Plus program, businesses are able to synchronize their practices with the social and environmental needs of their community—all while watching their profits grow. CI

RESEARCH BRIEFS

State and Local Governments Face Unprecedented Economic Losses after Recent Recession

Following most recessions in the United States over the past five decades, state and local governments have helped to lift the overall economy through increases in consumption, investment, public sector employment, and property tax revenue. As a recent study from the Urban-Brookings Tax Policy Center reveals, however, the impact of the 2007-2009 recession on state and local governments has been markedly different, with never before seen losses seen in all four of these indicators and in overall state and local government contributions to the national GDP.

Benjamin Harris and Yuri Shadunsky examined trends in state and local government activity from 1970 to the present, including six periods of economic recession in the United States. While each of these recessions varied in length and severity, during the years immediately following each recession, changes in state and local government spending, employment, and revenue were notably similar until the most recent decline.

Harris and Shadunsky compared change rates for these measures over a three-year period from the trough of economic contraction for each of the six U.S. recessions since 1970. Their findings show that following the first five recessions, state and local government consumption and investment rose by one to 16 percent; over the three years following the most recent recession, by contrast, consumption and investment fell four percent – an unprecedented post-recession decline. Similarly, in four of six recessions, state and local government employment increased by two to eight percent post-recession. Only the recoveries beginning in 1980 and 2009 saw declining state and local government employment, and of these, 2009 showed the largest loss of 3.5 percent. Property tax revenue trends revealed yet another anomaly after the most recent recession. The study shows that revenues from property tax increased after each of the first five recessions, at an average gain of about 10 percent, yet in sharp contrast such revenues contracted by one percent after the 2007-2009 recession.

In addition to the most recent recession being the longest in duration of the six that they examined, the authors suggest that an additional key factor lies behind the stark differences that mark the most recent recovery period. The 2007-2009 recession centered on a housing crisis that toppled home values across the United States and shrunk property tax revenues, a crucial financial stream for state and local governments.

Though Harris and Shadunsky's findings indicate a negative effect of the recent recession on state and local governments that is atypical compared to other recessions since 1970, the authors note that such effects may become the norm following future recessions. They point to limits on state borrowing, unpredictable revenues at the state and local level, and growing resistance among some governments to increase taxes as factors that could lead to similar negative impacts on these governments and, by extension, the national economy following future downturns.

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Urban Families Seek Affordable Homes in Rural Areas

In a growing trend that reverses traditional rural to urban migrations of the past, American families seeking lower-cost housing options and safer neighborhoods are relocating from major urban centers to neighboring rural communities. According to a recent study, high housing costs, a lack of available housing units, and persistent crime problems in some city neighborhoods are among the most significant motivating factors for the families that decide to move to rural areas nearby in pursuit of a safe and affordable alternative. Yet these families often face different challenges in their new rural environments.

Sherri Lawson Clark's study, part of a larger two-phase research effort, includes an in-depth examination of the experiences of 18 low-income families moving from urban to rural areas in Pennsylvania. Through interviews and observations over an eight-month period, Lawson Clark and her colleagues found that study participants moved to rural locations primarily to find better and less expensive housing, and secondarily to live in a safer neighborhood. While many of the study participants noted that they were able to find more affordable housing in their new rural communities, other barriers arose there, including difficulty securing employment, transportation, and child care, and difficulties around racial tolerance. Most of the families in the study who moved from urban to rural communities are African American, while the rural areas they moved into are largely white. Some families also had difficulty finding their initial housing in the rural area due to perceived or actual instances of racial intolerance. Study participants reported difficulty adjusting to rural cultural norms and other unexpected differences, as the majority of them had never before lived outside an urban environment.

Yet the most significant challenge, according to Lawson Clark, is competition for a dwindling number of jobs in rural areas hard hit by industrial decline. The three rural counties included in Lawson Clark's study were already home to a relatively poor population, and though all of the study participants who moved from the city were foremost seeking housing rather than jobs with their migration, they found that there were few opportunities for work when they arrived. A lack of reliable transportation and accessible child care in the rural communities contributed to the arriving families' challenges in finding suitable employment.

This study suggests that while lower-income urban families are moving away from expensive urban areas to find affordable homes, few employment opportunities are available when they arrive, and the rural communities they join are already struggling with declining investment and infrastructure. Lawson Clark concludes that the trends shown in the study support a significant need in urban communities for more affordable housing in safer neighborhood environments, which would allow these families to remain in familiar surroundings near job opportunities and amenities rather than pushing them into struggling nearby rural communities.

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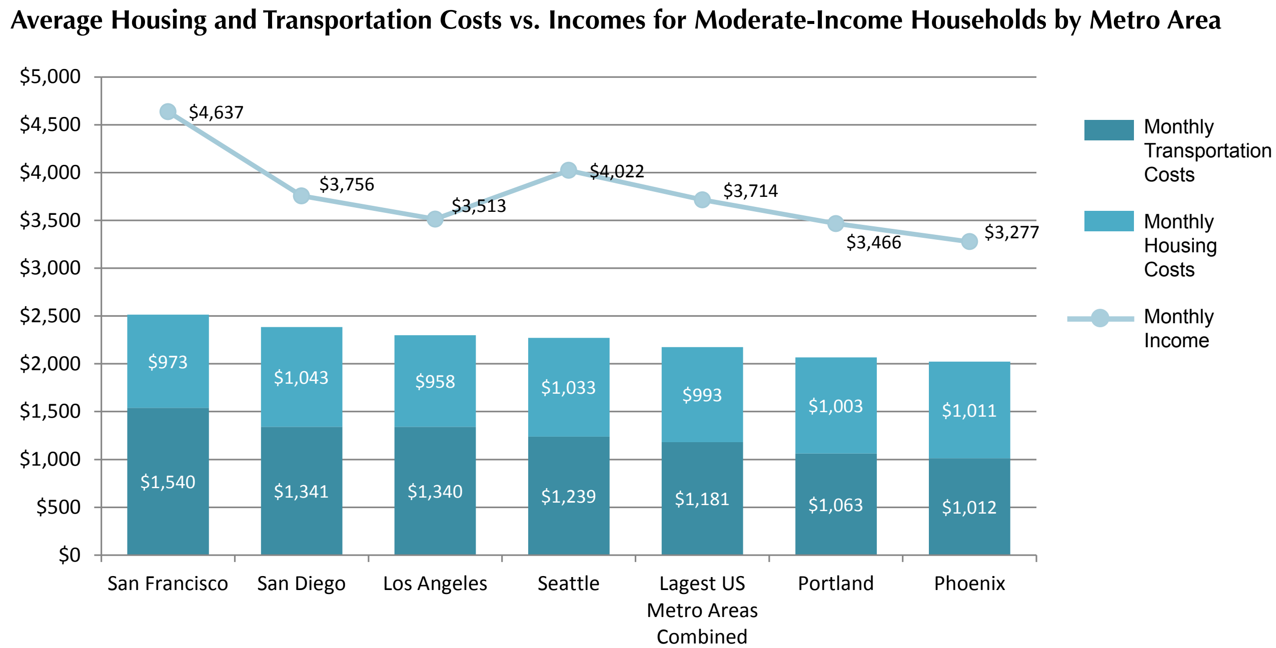

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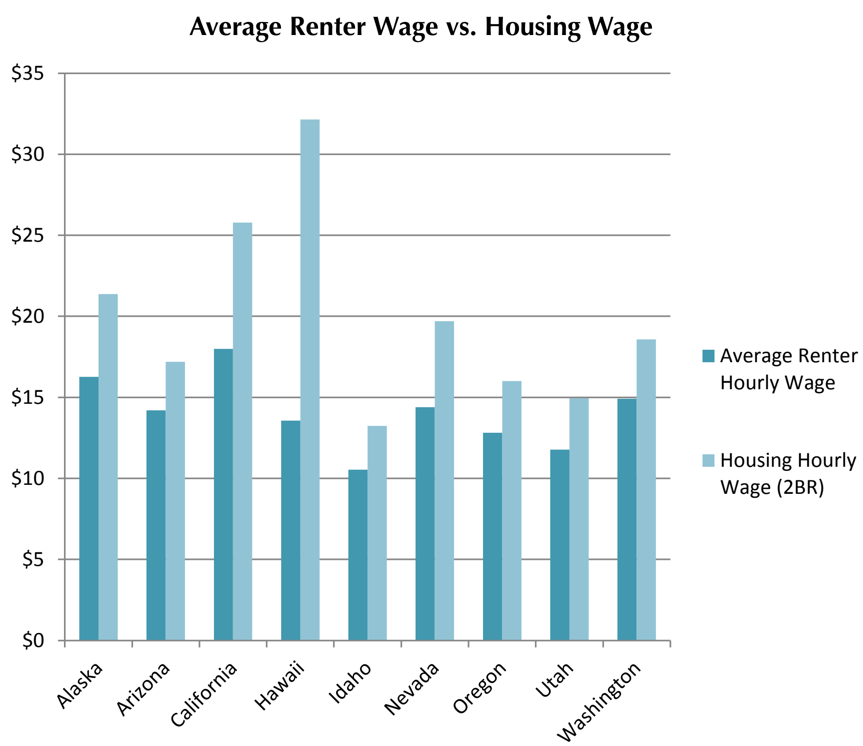

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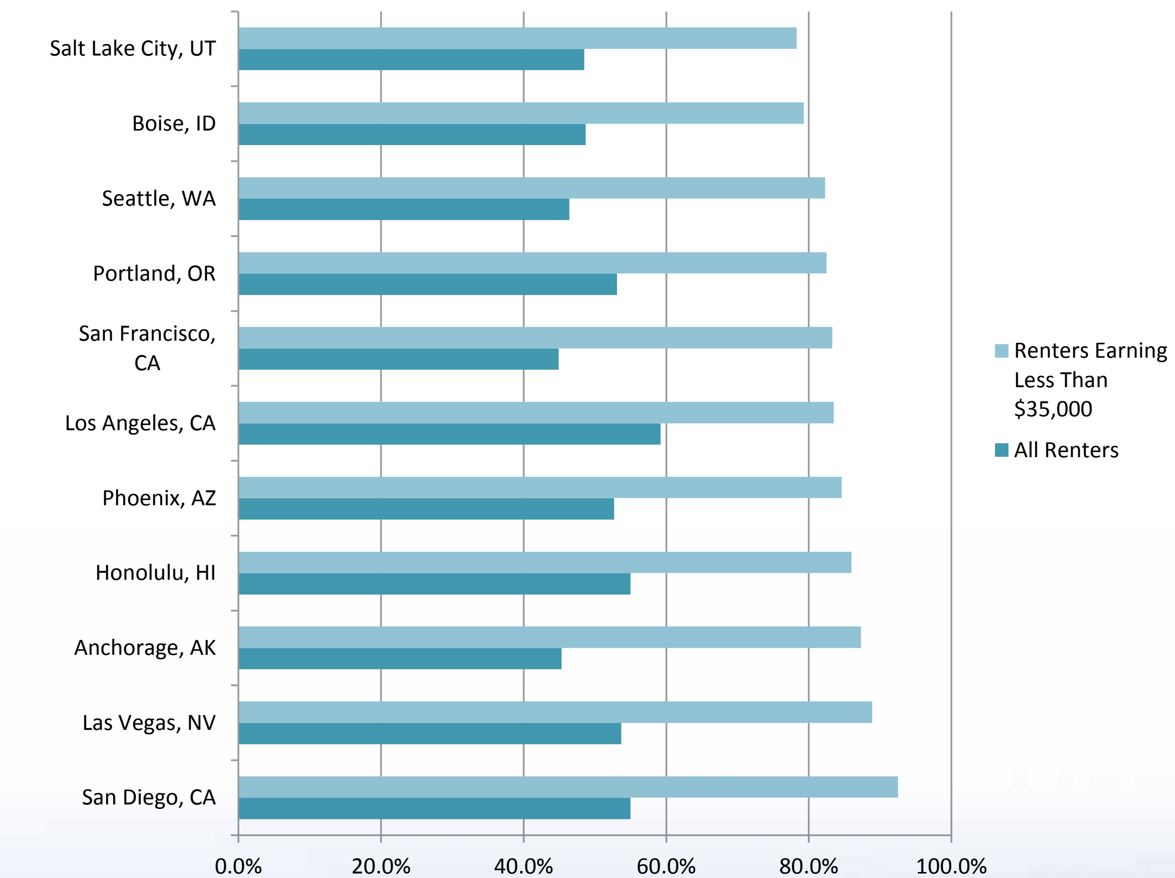

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Putting Housing Program Delivery into High Gear

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