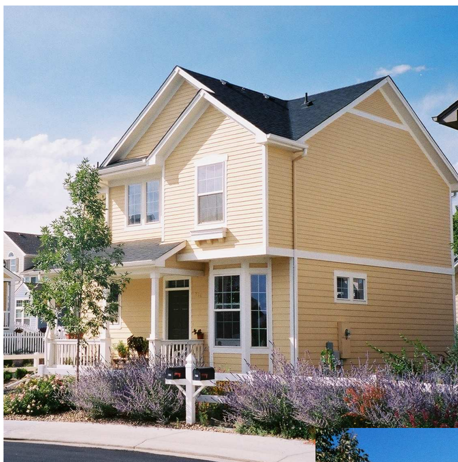
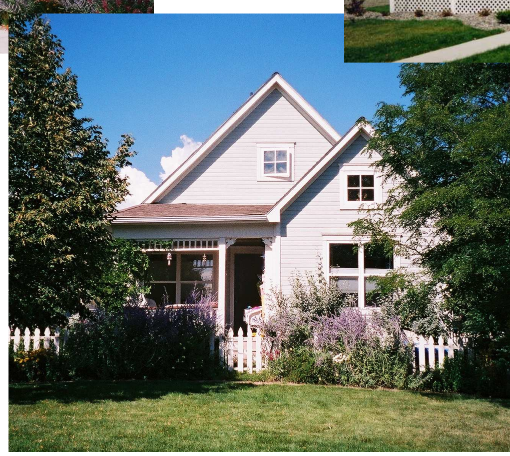
Affordable Housing Toolkit for Communities in the Chicago Region





Produced by:
Business and Professional People
for the Public Interest (BPI)
25 East Washington, Suite 1515
Chicago, IL 60602
(312) 641-5570

Equal Justice Under Law
BUSINESS AND PROFESSIONAL PEOPLE FOR THE PUBLIC INTEREST

Table of Contents

Introduction

This booklet provides a basic primer on several local tools that could be used by a community in its efforts to preserve and promote affordable housing. Each tool is chosen based on its ability to address local needs and the tool's proven success in other communities. In the following pages, one will find a brief outline of each tool and case studies that illustrate how that tool has been successfully used around the country. Implementation of any of these tools will require additional research and analysis. However, this booklet provides an introduction to policies that could serve as models for a local community as it determines how best to address its affordable housing needs.

I. Affordable Housing Trust Fund

Housing trust funds are distinct funds established by legislation, ordinance or resolution to receive public revenues, which can only be spent on affordable housing. Administered by the local agency or department that handles federal housing programs, a housing trust fund generates a consistent stream of funds that can be used in a variety of ways to serve a variety of affordable housing initiatives. In addition, trust funds can effectively harness and leverage additional resources for affordable housing programs. By reviewing the policies used in Cambridge, Massachusetts, Chicago, Illinois, San Diego, California, and Santa Fe, New Mexico, one gets a sense of how a community could use a trust fund program to meet its own needs.

II. Flexible Zoning Tools

Stringent zoning policies can make the development of affordable housing infeasible. Zoning codes can be an obstacle when they do not allow for multi-family developments, mixed-use developments or affordable unit set-asides. Sometimes rehab codes at the local level are arbitrary and cost-prohibitive. Municipalities that intend to create more affordable housing can often benefit from adopting more adaptable or flexible zoning codes.

A. Inclusionary Zoning

Inclusionary zoning requires that a percentage of units in residential developments (new construction, substantial rehabilitation, and condo conversions) be made available for low- and moderate-income households. An inclusionary zoning program can take many forms. The policy can be mandatory or voluntary; the affordable housing units can be built within the development or at a different location; the developers can be required to build the affordable housing units directly or in some circumstances, may be allowed to contribute to a housing trust fund or to donate land in lieu of building affordable units. The developers receive benefits or incentives to help offset the cost of the affordable units. These incentives or benefits can include: density bonuses, an expedited permit process, the waiver of certain fees, relaxed design standards, tax breaks or direct subsidies. Because inclusionary zoning links the creation of affordable units to the creation of market rate housing, it is most effective in areas that are experiencing significant growth and development or gentrification. Case studies from Davis, California, Montgomery County, Maryland and Newton, Massachusetts, highlight the use of this tool around the country.

B. Flexible Rehab Codes

Flexible rehab codes allow municipalities the flexibility to determine when buildings must meet new construction standards based on the nature of the work to be done (and its effect on safety) instead of the cost of the work. Municipalities should standardize the process through clear, "cookbook-like" steps and not make rehab too cost prohibitive.

C. Other Zoning Tools

Other tools might include allowing accessory dwelling units, such as coach houses, in a single-family zoned area. Also, a municipality can increase the amount of land zoned for multi-family development, or allow for mixed-use zoning districts.

III. Community Land Trust

A community land trust can be created to acquire and hold land to provide affordable access to land and housing within the community. A community land trust, typically a non-profit organization, receives land as gifts or uses public or private funds to acquire land. Quite often, a community may use revenues from its trust fund to acquire land for a community land trust. The policies used in Burlington, Vermont, Albuquerque, New Mexico, and Durham, North Carolina demonstrate how homeownership can be made possible through a community land trust for extremely low- to moderate-income households.

IV. New Local Revenue Sources

To address affordable housing needs, additional resources are always crucial. This toolkit suggests three useful tools to help produce public funds at the local level: a commercial linkage fee, a real estate transfer tax, and a tear down fee and tax. All or some of these revenue sources could be dedicated to an affordable housing trust fund.

A. Commercial Linkage Fee

This fee can apply to new commercial, retail and/or industrial development, under the rationale that this new development creates a need for affordable housing. The funds generated from this fee are usually directed into a housing trust fund and used to support affordable housing initiatives. The fee is based on a rate per square foot.

B. Real Estate Transfer Tax

This is a tax based on the sales price of property and is paid every time a property is sold. The real estate transfer tax provides a steady stream of income without relying on annual budget processes. The real estate transfer tax could be dedicated to an affordable housing trust fund.

C. Tear Down Fee and Tax

The permit fee and demolition tax apply to the tear down or removal of a residential structure. The demolition tax per unit is based on the type of residence. Such a mechanism could generate revenue needed to accomplish affordable housing initiatives in a community. The City of Highland Park recently implemented a tear down fee and tax to help provide a revenue stream for its local housing trust fund. The permit fee is set at $500 and the demolition tax is $10,000 for a single-family residence. Residents of a multi-family unit pay either $10,000 or they pay $3,000 per unit – whichever is higher.

V. Employer-Assisted Housing

With the guidance provided by the Regional Employer-Assisted Collaboration for Housing (REACH), employers within a community could provide grants or down payment assistance to help residents obtain affordable housing near their place of work. Due to the high costs of employee turnover and training, employers and employees can both benefit from this program.

VI. Vacant, Abandoned and Substandard Property Rehab & Sale Programs

Many cities have created programs that acquire vacant, abandoned and substandard property in order to rehabilitate that property and produce affordable housing. This tool could be an effective method for providing affordable housing to low- and moderate-income homebuyers while simultaneously improving the quality of life of affected neighborhoods. A local government could operate this program in collaboration with a community land trust and with funds from a housing trust fund.

I. Existing Regional Programs

The following two regional programs are examples of affordable housing initiatives that utilize Housing Choice Vouchers to provide diverse housing opportunities.[1]

A. Regional Housing Initiative

In an effort to create mixed-income housing development, the Regional Housing Initiative (RHI), serves as an additional source of public resources for affordable housing. RHI turns local-housing authorities' unused Housing Choice Vouchers into new apartments. This program provides a subsidy to developers with proposals to create affordable housing opportunities that promote diversity and sound planning within the community.

B. Housing Choice Voucher Homeownership

Administered by CHAC Inc., this program allows families to use Housing Choice Vouchers to purchase homes. CHAC makes a monthly housing assistance payment (HAP) to help the owner pay the mortgage and housing utility expenses. The monthly HAP amount is the difference between the payment standard for mortgage and utilities for the home and 30 percent of the family's monthly adjusted income. The program provides broad homeownership opportunities to people who might otherwise not be able to afford the cost of a home.

These policy tools provide a number of potential ways for municipalities to address their housing needs. Only the local community can answer which of these tools are most appropriate. However, all of these tools, acting alone or in concert, stand as proven and viable ways for preserving and promoting affordable housing.

[1] The Housing Choice Voucher Program is a national rental assistance program, funded by the U.S. Department of Housing and Urban Development (HUD). The program assists low- and moderate-income families in renting housing in the private market by paying a portion of the family's rent each month.

I. Affordable Housing Trust Fund

What is an Affordable Housing Trust Fund?

Housing trust funds are distinct funds established by legislation, ordinance or resolution to receive public or private revenues, which can only be spent on housing.

What will it do?

Housing trust funds provide a flexible, secure and sensible way to fund needed housing.

How does the program work?

Most housing trust funds are administered by the agency or department that typically handles federal housing programs, such as HOME and the federal Community Development Block Grant program (CDBG).

What income levels will they serve?

Housing trust funds are established to provide the financial resources needed to address the housing needs of low-income (below 80% Area Median Income - AMI) and very low-income (below 50% of the AMI) households. Some extend this mission to moderate-income (80-120% of the AMI); others focus more specifically on the needs of the homeless or other special groups.

What needs to be done to establish a Housing Trust Fund?

Steps to Set Up Administration of the Housing Trust Fund

1. Determine where the trust fund should be housed.
2. Outline this administrative body's key responsibilities.
3. Determine how to pay for administration.
4. Establish a board or commission to oversee the fund's operations.

Steps to Set Up a Housing Trust Fund's Programs

1. What target population will the fund support (e.g. below 80% of the AMI)?
2. Who will be eligible to receive funds (e.g. for profit developers developing affordable housing)?
3. What kinds of projects or programs should the fund support (e.g. rehab and creation of affordable housing units)?
4. How should the funds be awarded (e.g. based on criteria established by the trustees and staff)?
5. What funding criteria should be incorporated in the application process (e.g. long-term affordability, priority of projects, etc.)?
6. Determine a local revenue source.

II. Flexible Zoning Tools

Many barriers to affordable housing are a result of strict, cost-prohibitive zoning policies that make affordable development impossible. Municipalities can use their zoning powers to make affordable housing a reality for families and individuals.

A. Inclusionary Zoning

What is Inclusionary Zoning?

Many cities and municipalities around the country have started to see how rapidly rising real estate values can push out or keep out the working families and individuals that make communities diverse and robust: school teachers, police officers, and fire fighters, to name a few. In response, many cities and municipalities now use their zoning powers to promote the development of affordable housing within the private market. These localities' zoning codes require or provide incentives for developers to set aside a certain percentage of units in a residential development (new construction, substantial rehab, and/or condo conversions) as affordable to low- and moderate-income households. The production of affordable housing is thus tied to the demand for, and production of, housing in general. The program can be either a mandatory requirement for developers to create a certain number of units, or a voluntary goal with built-in incentives to encourage developers to include affordable units in their developments. Programs usually apply citywide to all residential developments of a certain size.

What will Inclusionary Zoning Do?

An inclusionary zoning program will:

- increase the supply of affordable housing in municipalities;
- disperse the affordable units throughout the community;
- allow low- and moderate-income families to live in homes indistinguishable from, and adjacent to, market-rate housing;
- allow low- and moderate-income families to live in communities with better access to employment and educational opportunities; and
- encourage racial and economic integration of our communities.

Who Will Inclusionary Zoning Benefit?

- Businesses who find it easier to hire and retain employees who are able to live within a reasonable commuting distance.
- Senior citizens who have the choice to remain in the communities where they have raised their children.
- Families who have the option of staying in the communities where they grew up.
- Younger parents and single parent families who can find homes in communities with good schools, parks and services.

How does Inclusionary Zoning work?

(1) Set-Aside Requirement

A set-aside is the percentage of units within a development that a developer is required to price as affordable. Around the country, set-asides range from 5 to 35%.

EXAMPLES:	Boulder, Colorado:	Mandatory set-aside of 20%.
	Irvine, California:	Voluntary set-aside of 15%
	Boston, Massachusetts:	Mandatory set-aside of 10%

(2) Developer Incentives

Municipalities provide developers with certain benefits to compensate the developer for pricing some units below market rates. These can be used in either **voluntary or mandatory programs.** These incentives include:

Density bonuses: the developer is allowed to construct additional market rate units beyond what is permitted under the current zoning ordinance.

- **EXAMPLE**: A 10% density bonus allows a developer for a 50-unit development to develop five extra units, which helps to offset the cost of producing affordable units. Montgomery County, Maryland provides up to a 22% density bonus.

Expedited permit process: The city provides the developer with a streamlined permit process if the development contains a certain percentage of affordable housing**.**

- **EXAMPLE**: The developer receives his approvals within three months instead of seven months. Sacramento, California offers an expedited permit process.

Relaxed design standards: Municipalities relax or reduce requirements such as minimum lot sizes, set-back requirements, landscaping requirements or parking spaces to ease the costs to the developer.

- **EXAMPLE**: A city's parking regulation could be reduced from a 1 to 1 requirement to a ½ spot for 1 unit requirement. The Davis, California ordinance allows the minimum lot size requirement to be reduced based upon the development's feasibility.

Waivers of certain municipal fees: The costs of impact and permit fees are waived for the developer.

- **EXAMPLE**: Montgomery County, Maryland waives the water and sewer charges and the impact fees for affordable developments.

(3) Income Targeting

Most municipalities base the price of the affordable units upon a percentage of the area median income. For example, a municipality may decide units must be affordable to families with an income below 80 percent of the area median income (AMI).

EXAMPLES:

Sacramento, California:	Half of the affordable units must be affordable to families with incomes at or below **80% of the AMI**.
Denver, Colorado:	For-sale units must be affordable to families at **80% of the AMI**. Rental developments can voluntarily set aside affordable units for families at **65% of the AMI**, less a utility allowance.
Newton, Massachusetts:	Units must be affordable to families at or below **50% of the AMI.**

(4) Period of Affordability

Each municipality can decide how long the affordable units must be required to stay affordable—five years, 20 years, even for perpetuity. Certain legal mechanisms, such as deed restrictions and covenants, can be used to guarantee that the units stay affordable for that time period.

EXAMPLES:

Boulder, Colorado:	Permanent period of affordability
Fairfax County, VA:	15-year period of affordability for sale housing and 20-year period of affordability for rental housing
Santa Fe, New Mexico:	30-year period of affordability
Irvine, California:	30-40-year period of affordability, case-by-case

In the interest of keeping units affordable for an extended period of time, many municipalities apply resale restrictions to the affordable units, such as:

- Deed restrictions
- Covenants that run with the land
- Contractual agreements
- Land trust agreements

The local municipality will often reserve the right to buy some percent of the affordable units produced through the housing commission, local housing authority, or a designated not-for-profit entity in order to preserve long-term affordability. For example, in Montgomery County, Maryland, the Public Housing Authority may purchase 33 percent of the affordable units, and qualified not-for-profits may purchase 7 percent of the affordable units.

B. Flexible Rehab Codes

Often times, rehab work is not economical or predictable. Arbitrary decisions with regard to building codes and rehab policies make the development of affordable housing difficult. Municipalities can ease some of these rehab barriers by:

1) Determining when buildings must meet new construction standards based on the nature of the work to be done (and its effect on safety) instead of the cost of the work, and

2) Standardizing the process through clear, "cookbook-like" steps to ensure predictable, fair requirements for all rehab.

Historically, many building codes included "cost-triggers" and rigid "change of occupancy" rules that required rehab jobs to meet standards for new construction, thereby driving up the cost of such projects. The National Building Code (NBC), the Standard Building Code (SBC), and the Uniform Building Code (UBC) (the three major model codes) all seriously modified or eliminated these provisions in the late 1970s and 1980s.

However, some jurisdictions retained these provisions, and local building officials have been known to revert to some version of them when enforcing local or state codes. Both historically and today, even without these provisions, model building codes tend to lack clarity and predictability for rehab work, thereby creating disincentives for rehab.

Local jurisdictions can look to a number of sources for guidance in designing a more affordable housing-friendly rehab code. In 1995, HUD developed the Nationally Applicable Recommended Rehabilitation Provisions (NARRP). In addition, New Jersey's rehab code, passed in 1998, has been hailed as a national model because of the increased rehab that it stimulated after its passage. Local jurisdictions can also look to the new 2003 building codes from the International Code Council (ICC) and the National Fire Prevention Association (NFP), which both contain rehab codes within them that draw upon the best portions of the New Jersey and Maryland rehab codes, and the NARRP.

C. Other Zoning Tools

Municipalities can employ other flexible zoning tools to allow for the creation of affordable developments. The tools below open communities to affordable housing and give municipalities control over how to best use their zoning and planning powers.

For example:

- Zoning codes can allow accessory dwelling units, such as coach houses, in single-family zoned areas.
- A municipality can increase the amount of land zoned for multi-family development.
- A municipality can allow for and promote mixed-use zoning districts.

III. Community Land Trust

What is a Community Land Trust?
A community land trust (CLT) is a private non-profit corporation created to acquire and hold land for the benefit of a community and provide secure affordable access to land and housing for community residents.

What will it do?
Community land trusts help communities to:

- Gain control over local land use and reduce absentee ownership.
- Provide affordable housing for lower-income residents in the community.
- Promote resident ownership and control of housing.
- Keep housing affordable for future residents.
- Capture the value of public investment for long-term community benefit.
- Build a strong base for community action.

How does the program work?
The large majority of CLTs, including those that are city-initiated, are incorporated as private, not-for-profit entities, and operate independently of municipal government. CLTs are usually organized as "membership corporations," with boards of directors elected by the members. Usually the CLT board includes three kinds of directors: those representing resident members, those representing members who are not CLT residents, and those representing the broader community interest. Typically, CLTs acquire property as gifts or in the open market, often with the help of funding from public or private sources. CLTs then hold this property and require that the development upon that land be operated and preserved as affordable for-sale or rental housing.

The CLT model, as defined by federal statute, has eight distinct features:

1. Dual Ownership (CLT owns the land; another entity owns the housing on the land)
2. Leased Land
3. Perpetual Affordability
4. Perpetual Responsibility
5. Community Control
6. Balanced Governance
7. Expansionist Acquisition
8. Flexible Development

What income levels will they serve?

CLTs can serve extremely low-income (below 30% of the AMI) to moderate-income (80-120% of the AMI) households.

What needs to be done to establish a Community Land Trust?

The following are the key decisions and tasks for creating a new CLT:

1. Define “community.” (Scope of the CLT).
2. Create the corporate structure.
3. Create the governance structure.
4. Preserve affordability.
5. Promote “responsible” use.
6. Choose roles and activities.
7. Target the benefits.
8. Build the base.
9. Educate public sector.
10. Educate private sector.[2]

[2] Institute for Community Economics.

IV. Local Revenue Sources

A. <u>Commercial Linkage Fee</u>

What is a Commercial Linkage Fee?

Linkage strategies "link" new economic development to the construction and maintenance of affordable housing. In most cases, a fee is assessed to a new commercial property to support affordable housing initiatives. This program works to correct the job-housing imbalance that is created when there are not enough housing opportunities for workers to live in the vicinity of their jobs. A local government could also structure this fee as a tax.

Why use Linkage Strategies?

Linkage fees are a successful way to raise substantial funds to be used towards affordable housing construction and maintenance. Additionally, these strategies generate affordable housing opportunities in areas that would normally be faced with increased property taxes from the new commercial development in the area.

How do Linkage Strategies Work?

A linkage strategy is established by local legislation and administered by city staff. The revenue generated is directed into a housing trust fund. Once the fee or tax is in place, the program will generate substantial funds without any further need for action. In most cases, the linkage fees are charged per square foot of the new development and may vary depending on the use of the land. To determine the fee, one must decide how many new affordable units are needed and then determine the difference in cost between developing the affordable units and developing the market rate units. The fee payment can be required in order for the developer to receive a permit or can be paid out over a certain number of years. Oftentimes, there is a proximity requirement incorporated into the linkage program to ensure that the affordable housing is built in the area affected by the commercial development. To protect small businesses, there is a minimum square footage required before the fee is enforced.

B. Real Estate Transfer Tax

What are real estate transfer taxes?

Real estate transfer taxes (RETT) are state, county, and/or municipal sales taxes that are used to generate revenue for either a general fund or for specific uses, such as affordable housing development. The tax is usually based on sales price and is paid every time the property is sold. The seller and the buyer typically negotiate at the closing who will pay the tax or what portion of the tax price they will jointly pay.

Why use real estate transfer taxes?

Real estate transfer taxes provide a predictable stream of income to a housing trust fund without depending on annual budget processes. For example, Florida predicted $1.67 billion in revenue from its transfer tax in 2002-2003. Approximately 14.8% of the revenue, or $249 million, will be devoted to state and local housing trust funds. RETTs are successful because they accumulate revenue from new businesses, homeowners and landlords and use that revenue to preserve qualities of the neighborhood that made it attractive for these newcomers.

How do real estate transfer taxes work?

The taxes, enacted at the state, county or municipal level, become part of closing costs, usually adding a nominal amount to the associated fees. Oftentimes, municipalities already have RETTs in place, but they may need to be increased or redirected for specific use. There are several variables to consider before enacting a RETT system:

1. **What properties are covered by the real estate transfer tax?** Residential properties are typically covered, but vacant land, industrial, commercial and retail properties could also be considered.

2. **What is the tax rate?** The RETT is usually applied as a percent of the sales price or as a set dollar amount per $1,000 of value of a sold property.

3. **What are the exemption standards?** A RETT is only applied to the amount of the purchase price above a certain threshold, such as $75,000.

4. **What is the intended use of the revenue?** RETTs are a common way to fund housing trust funds. According to the Fannie Mae Foundation, 12 of the 37 state-level housing trust funds are funded by RETTs.[3]

[3] http://www.policylink.org.

C. Demolition Permit Fee and Demolition Tax

What is a Demolition Permit Fee and Demolition Tax?
The demolition permit fee and tax applies to the removal and/or destruction of at least 50% of a structure or building by the owner. The demolition permit fee is applied to all demolition permits issued by the city, and the demolition tax is applied to the demolition of residential structures based on the type of residence. Effective May 29, 2002, the City of Highland Park adopted a demolition permit fee and a demolition tax to generate revenues that are placed in the housing trust fund for use in the provision of affordable housing in the city.

What will it do?
The permit fee and tax will help generate revenues that can be used to produce and preserve affordable housing. The activities of the Highland Park Housing Trust Fund are designed to:

- Promote, preserve, and construct long-term affordable housing.
- Provide housing-related services to low- and moderate-income households.
- Support not-for-profit organizations that are actively engaged in addressing the affordable housing needs of low- and moderate-income households in the City.

How does the program work?
The program in Highland Park has imposed both a demolition permit fee and a demolition tax to fund their housing trust fund.

Fee for Demolition or Removal Permit (for Residential Structures)
The City of Highland Park Building Division imposes the fee when the permit is issued. The fee for a permit to demolish or remove a structure is $500.

Demolition Tax
Upon the issuance of a demolition permit by the City of Highland Park Building Division, a demolition tax payment in the following amount is due:

Single-Family Residence:	$10,000
Multiple Family Residential Building:	$10,000 or $3,000 per unit, whichever is higher

What income levels will the proceeds from the fee and tax serve?
The Highland Park Housing Trust Fund helps address the housing needs of low-income (earning less than $54,400 for a family of four, 80% of the AMI or less) and moderate-income (earning less than $90,480 for a family of four, 100% of the AMI) households who live or work in Highland Park, including but not limited to:

- Persons employed in the City but financially unable to live in the City
- Seniors on fixed incomes
- Single-parent families
- Young households
- Persons with disabilities who require affordable and accessible housing[4]

[4] Jerry L. Sargent, AIA, Building Division Manager. "Memorandum to All Applicants for Highland Park Demolition Permits." May 29, 2002. Available online at: http://www.cityhpil.com/govern/comm/housing.html.

V. Employer-Assisted Housing (EAH)

What is Employer-Assisted Housing?

Employer-assisted housing (EAH) refers to a variety of programs employers use to help employees find and finance housing closer to their workplace. It can take the form of education or counseling about homebuying and financing, direct financial help with closing costs and mortgage payments, rental assistance, individual development accounts, real estate investment, or some combination of these.

What will it do?

Everyone gains when employees live close to their workplace. Employees can devote more time to their work, families and communities. Employers reduce turnover costs and increase their appeal to new employees. Communities benefit from the local investment and stability of their housing stock, while shorter commutes reduce stress on the region's transportation infrastructure and environment.

How does the program work?

Recognizing that many employers are not equipped to take on new responsibilities related to housing and real estate, eight non-profit housing organizations from around the region have come together with the Metropolitan Planning Council to form the Regional Employer-Assisted Collaboration for Housing (REACH). These housing groups administer EAH initiatives on behalf of employers and provide credit counseling and homebuyer education to their employees.

What role can the government play?

Local, regional and state governments can play important roles by offering EAH to their own workforces and promoting programs to local businesses. The State of Illinois encourages private investment in workforce housing by offering matching funds and tax credits to participating employers. The Illinois Housing Development Authority (IHDA) matches dollar-for-dollar an employer's contribution to a worker's down payment or closing costs. The Illinois Affordable Housing Tax Credit provides $.50 in tax credits for each $1 invested in EAH. By offering EAH to its own employees, government positions itself as a model for local businesses.

What income levels does this serve?

The services are provided for employees in various companies based on criteria established in the company's EAH program. Qualifications exist concerning the number of years of employment an employee must have previously worked in order to receive this assistance.

What needs to be done to establish an Employer-Assisted Housing Program?

1. MPC and REACH partners help determine the economics of an EAH program for any organization.
2. MPC and REACH partners provide a housing needs survey to help determine whether employees currently own or rent, how they get to work and if they would be interested in moving closer to their jobs. The survey has to be customized to meet the particular needs of the employer.
3. MPC and REACH partners work with an employer to design and implement an EAH initiative.
4. Local government or business associations can invite employers to attend presentations or individual meetings. These can be arranged by MPC and REACH partners.
5. Governments can provide financial incentives to employers to invest in EAH by helping to cover program counseling costs or targeting existing housing programs to employees of local companies.[5]

[5] Direct Excerpts from "Right at Home: Local Support for Employer-Assisted Housing" By Samantha DeKoven, MPC. April 2003.

VI. Vacant, Abandoned, or Substandard Property Rehab and Sale Programs

What is it?

Many municipalities have carried out programs to target acquisition of vacant properties in the municipality for rehabilitation and reuse, generally for subsequent sale to low- and moderate-income homebuyers.

What will it do?

If the municipality can address the issues outlined below, such a program can be an effective tool both for providing affordable housing and for improving the quality of life of affected neighborhoods. Examples of such programs include:

St. Paul, Minnesota:	Houses to Homes Program
Minneapolis, Minnesota:	Home Ownership Works (HOW)
Charleston, South Carolina:	Charleston Housing Trust
Oakland, California:	Vacant Housing Acquisition and Rehabilitation Program (V-HARP)
Detroit, Michigan:	Revitalife Program
Chicago, Illinois:	Preserving Communities Together (PCT) Program

Many more such programs exist around the country. Programs vary in important ways, both with respect to the acquisition and the rehab aspects of the program.

How does the program work?

Programs are generally organized into two steps:

1) Acquisition:
Some programs, such as the Detroit program, are limited to those properties that the local government (in this particular case, state government) obtains through tax foreclosure or tax reversion, effectively without cost. Other programs, such as those in Minneapolis and Charleston, involve the municipality actively acquiring properties from their owners through other legal tools. In a city like Detroit, the number of properties that come into governmental hands through tax reversion is so large that arguably there is no need to use other tools to acquire properties. In cities with stronger markets, however, the city must have other tools to use – particularly eminent domain – to acquire properties. While most cities acquire first and then look for entities to rehabilitate the properties, Chicago's program is based on responding to requests for acquisition by interested parties.

2) Rehabilitation:
Some programs, such as the Detroit program, simply make the properties available at a nominal cost to non-profit organizations seeking to rehabilitate the properties for reuse. Most of the others provide at least some gap funding, either to fill the gap between the rehab cost and the market value (which is often less than the rehab cost), or between the rehab cost and the price that a lower income homebuyer can afford. Oakland provides up

to $100,000 in gap financing per affordable unit. St. Paul provides up to $40,000 per single-family house and $65,000 to convert multifamily units into single-family homes.

As a rule, the municipality does not rehabilitate the houses itself, but passes the property through to a nonprofit or other entity to rehabilitate the property under municipal supervision.

Key issues that must be addressed for a successful program:

- **Acquisition tools**. Does the municipality have the legal powers to gain control of vacant properties in a timely fashion? This may include an effective tax foreclosure or tax reversion system, the ability to use eminent domain to take vacant or nuisance properties, or sufficient resources to acquire land and hold it, for example, in a Community Land Trust.
- **Acquisition resources**. Does the municipality have a source of funds to acquire properties? This is particularly important if the municipality cannot rely on tax foreclosure as its sole or primary source of properties. The source of funds can be the municipal capital budget, outside (state or federal) funds, a housing trust fund, etc.
- **Disposition tools**. Does the municipality have the legal flexibility to convey the properties to the most suitable entity at a flexible price that will ensure the most appropriate outcome? Some states place severe constraints on the legal ability of a municipality to dispose of publicly owned property on a negotiated basis. This question would need to be answered under Illinois Law.
- **Rehabilitation**. Does a rehabilitation 'infrastructure' exist in the community? In other words, is there a pool of interested nonprofit developers, contractors, etc. capable of rehabilitating at reasonable cost the number and type of properties that the municipality plans to acquire?
- **Market**. Is there a market for the properties once rehabilitated at a reasonable price?
- **Rehabilitation funds**. Does the city have a source of funds to use to provide rehabilitation gap subsidies? If the goal of the program is to benefit low-income homebuyers, this is likely to be necessary because the cost of rehabilitating vacant houses, particularly if they have been vacant for any length of time, is likely to exceed the affordable sales price.
- **Supervision**. Does the municipality have (or can it obtain) the staff and/or consultants needed to manage the program? An acquisition and rehabilitation program is labor-intensive, with respect to both the acquisition and rehabilitation elements of the program. The rehabilitation side includes selection of developers, review of specs and cost estimates, monitoring of construction, and monitoring of sale to ensure that the rehabilitated homes are sold in a fair manner to qualified buyers.

Two Outstanding Legal Questions in Illinois:

1) Under Illinois Law, can a municipality use the power of eminent domain for the purpose of rehabilitating a vacant building or property in order to produce affordable housing?
2) Under Illinois Law, does a municipality have the legal flexibility to dispose of publicly owned property on a negotiated basis?[6]

[6] Alan Mallach, Expert on Housing, Planning and Zoning Issues.

VII. Existing Regional Programs

The following two regional programs utilize Housing Choice Vouchers (HCVs) to accomplish affordable housing initiatives. The Regional Housing Initiative (RHI) pools unused HCVs and provides these vouchers as incentives for developers to create mixed-income affordable housing developments. The Housing Choice Voucher Homeownership program allows families to purchase homes with HCVs. While these programs are run at the regional level, municipalities can tap into these existing resources or use these models to suggest similar programs in their own regions.

A. Regional Housing Initiative (RHI)

What is the Regional Housing Initiative?

The Illinois Housing Development Authority (IHDA) and the Metropolitan Planning Council (MPC) are working with three regional housing authorities (City of Chicago, Cook County, and Lake County) to attach a new pool of housing subsidies to tax credits. These five partners form the Regional Housing Initiative (RHI).

What is the goal of RHI?

The goal of RHI is to spur mixed-income housing development. It accomplishes this by providing an incentive to developers to address two key findings of MPC's Regional Rental Market Analysis that have been confirmed by 2000 census findings:

(1) Northeastern Illinois is experiencing a shortage of quality mixed-income rental housing that is located near jobs and transit locations, and
(2) There is a scarcity of housing affordable to households earning less than $20,000 per year.

How does RHI work?

The Regional Housing Initiative turns local housing authorities' unused Housing Choice Vouchers into new apartments. RHI pools vouchers from the Chicago, Cook County and Lake County housing authorities as financing incentives to developers whose proposals apply sound planning principals to create diverse communities in the sponsoring counties.

Who does RHI involve?

1. Developers of Multi-family Housing: The RHI provides subsidies to developers who agree to rent a percentage of units to very low-income households within a broader mixed-income community, with supportive housing that offers opportunities. Selected RHI proposals score additional points under the Illinois Housing Development Authority tax credit competition.
2. Mayors, Municipal Officials or other Cook or Lake County Officials: The RHI helps to develop safe, quality affordable housing that is consistent with the community's values and needs.
3. People Concerned About the State of Housing in the Region: RHI helps meet the need for rental housing affordable to low-income households, especially in areas of high job growth.

What has RHI accomplished?

RHI hit the ground running in the last round in December 2002, providing for the development of 25 new units of affordable housing. Subsidies in this pilot phase will fund a total of 328 apartments within mixed-income communities.[7]

B. <u>Housing Choice Voucher Homeownership</u>

What is the Chicago Housing Choice Voucher Program?

This program provides families with the opportunity to purchase a decent, safe and sanitary housing unit with their Housing Choice Voucher (HCV). The homeownership voucher is limited to the purchase of a single-family home, condominium or cooperative, or to a lease-to-purchase agreement for a single-family home, condominium or cooperative. CHAC, Inc., a private company contracted by the Chicago Housing Authority, administers the program. CHAC makes a monthly housing assistance payment to help the eligible family pay the mortgage and housing utility expenses. The monthly Housing Assistance Payment (HAP) is the difference between the payment standard for mortgage and utilities based on the number of bedrooms in the home and 30 percent of the family's monthly adjusted income.

What will this program do?

The goal of this program is to assist low- and moderate-income families in purchasing housing in the private market by paying a portion of the family's mortgage payment. The program allows families to utilize a broad range of housing options—options that they might not otherwise be able to afford.

How does the program work?

Participants in this program must complete an extensive step-by-step process.

1. Family must enroll in CHAC's Family Self-Sufficiency Program/FSS and attend a Homeownership Orientation program.
2. Family must complete a "Choose to Own" (CTO) application and authorize the release of their credit report.
3. Family must attend one-on-one appointment with the CTO Coordinator.
4. Once they receive the certificate of eligibility and the Housing Choice Voucher, they are referred to the Housing Counseling Agency (with whom they must set up an appointment) and receive CHAC's Home Buyer's Packet.
5. Family must complete the HomeBuyer Education Program (8-10 hours and Community Economic Development Law Project (CEDLP) video).
6. Once they receive their mortgage pre-qualification from the Counseling Agency, the family must meet with a pro-bono attorney and a pay $50.00 processing fee to CEDLP.

[7] Information compiled from Robin Snyderman, MPC's Housing Director, www.metroplanning.org.

7. The family must identify a lender, fill-out an application, and forward the pre-approval letter from the lender with terms to the CTO Coordinator.
8. Once the family receives approval from the CTO Coordinator and approval on their 1^{st} and 2^{nd} mortgages, the family can start shopping for a home.
9. Once the family finds a home, they have to execute the residential purchase agreement, which is subject to HQS Inspection, and forward the contract and request for HQS inspection on to the CTO Coordinator.
10. Once they receive their HQS Inspection report, they must forward that on to the CTO Coordinator. If the unit fails the HQS Inspection, the family must search for a new home. (Failure of inspection means need for repairs greater than $1,500).
11. After forwarding the Contract on to the lender and receiving the final loan commitment, the sale is closed.
12. At the time of closing, the family must sign the Home Buyer Obligation, set up the electronic withdrawal for their mortgage payment, and make the debit payment to the first lender.
13. The terms of the program require that the family attend quarterly counseling sessions and workshops, receive annual post-purchasing counseling in their home and have an annual certification conducted.[8]

What has the HCV Homeownership Program accomplished?

After only one year in operation in Chicago, the program has helped 16 people to purchase homes. Fifty additional people are now certified for the program.

However, Local Housing Authorities must initiate this program. In the Chicago region, only the Chicago Housing Authority (CHA) has created such a program. However, if created by other housing authorities and implemented, it could be a valuable resource for local communities.

---

[8] http://www.chacinc.com; "Choose to Own"—Housing Choice Voucher Homeownership Program: Program Guide prepared by Prim Lawrence Group on behalf of CHAC, last revised July 2002. (Provided by Rich Hendricks, Staff Attorney, CEDLP).

CASE STUDIES

Housing Trust Fund Case Studies
Cambridge, Massachusetts

Purpose: To help create affordable homeownership and rental units and preserve existing affordable homes and rental units.

Beneficiaries: Households with incomes that do not exceed 80% of the AMI.

Oversight: A nine-member board appointed by the City Manager for three-year terms, representing different sectors of the community concerned with housing policy (e.g., representatives of existing City boards and agencies, non-profit housing organizations, the community.) The Board approves distributions from the trust (functioning, in effect, as a loan committee), advises and assists the City in establishing comprehensive housing policies, and helps establish new programs to meet affordable housing needs.

Administration: City Manager is Managing Trustee. The Director of the Housing and Community Development Department staffs the trust. (The department administers a number of housing programs).

501(c)3: No

Programs: Funds a Rehab Loan Program and a Condo Buyers Initiative. Trust Declaration allows funds to be used for creating new affordable units, assistance with multi-family rehabilitation of distressed properties (with multi-family housing owned by non-profit entities which ensure maximum long-term affordability receiving priority funding consideration), acquisition and rehab of potential limited equity housing cooperatives and preservation of existing affordable units. Support may be provided in the form of loans or grants.

Among the criteria established by the trustees and staff for awarding funds are: long-term affordability, priority for projects with maximum number of low-income units, use of trust fund monies to leverage other funds, no negative impacts on surrounding neighborhoods and no displacement of existing tenants.

Revenue: Dedicated revenue from a commercial linkage fee has provided uneven funding. In the wake of the elimination of rent control, the City committed a $2 million annual appropriation for a period of 10 years. Also receives funding from private sources (including a recent $6 million grant from Harvard).

Housing Trust Fund Case Studies
Chicago, Illinois

Purpose: To financially assist in meeting the permanent housing needs of low-income persons by funding projects that promote stability and long-term affordability.

Beneficiaries: The ordinance establishing the trust specifies as beneficiaries persons whose income is at or below 50% of the AMI. The trust's mission statement defines the beneficiaries as "Chicago's poorest residents," whose incomes are at or below 30% of the AMI. Included, among others, are the disabled, the elderly, the homeless, single room occupancy residents, and low-income families.

Oversight: A 15-person Board of Directors, appointed by the Mayor with the advice and consent of the City Council, for two-year terms. Directors are drawn equally from representatives of (1) low-income housing residents of Chicago and community-based organizations, (2) business and philanthropic organizations, and (3) at large, including community leaders, public officials, and religious leaders. The Board is responsible for developing guidelines and procedures for processing applications for funding.

Administration: The Department of Housing administers the HTF. Dedicated staff consists of 1.75 persons. Staff responsibilities include administration of the three staple programs of the trust. Other City departments are also involved in making the trust run, (e.g. finance, law, and comptroller's office).

501(c)3: Yes

Programs: The enabling ordinance gives the trust broad powers in terms of activities that can be funded, as well as eligible applicants. In practice, the HTF is used almost exclusively in rental assistance programs (overseen by the HTF) that meet the needs of very low-income residents through grants to building owners and developers who agree to reduce rents to accommodate tenants earning no more that 30% of the AMI. It also operates a supportive housing program that provides rental assistance and a comprehensive package of supportive services to help formerly homeless individuals and persons with disabilities move from shelters and transitional housing to permanent housing.

Revenue: All funds derived from the Presidential Towers Project were dedicated to funding the trust. Now the City allocates more than $6 million annually from its corporate trust (subject to the yearly budgeting process). The trust also receives HUD and HOME funds.

Housing Trust Fund Case Studies
San Diego, California

Purpose: To serve as a permanent and ongoing resource to meet, in part, the housing needs of the City's very low-, low-, and median-income households. The ordinance identifies the following purposes: to meet a portion of the need for housing affordable to households with lower incomes; leverage non-City capital funds with trust fund monies; foster mixed-income projects and support the dispersal of affordable housing projects throughout the City; preserve affordable housing; and encourage private sector activities that advance these goals.

Beneficiaries: Very low-, low-, and median-income households. Low-income includes households which earn less than 80% of the median and either pay more than 30% of their gross income for housing costs, live in overcrowded conditions, live in substandard housing units, are homeless, or have special housing needs such as the elderly, developmentally disabled, mentally ill, physically disabled, single parent households and large families.

Oversight: The Housing Commission oversees the HTF. Funds from the HTF are treated as any other revenue source (e.g. along with HOME and CDBG funds that are administered by the Commission). After staff reviews an application for eligibility, it is referred to the Commission's Loan Committee, which in turn makes a recommendation to the Housing Commission.

Administration: Housing Commission staff administers the fund but the trust fund is not separately staffed. (By itself, the trust fund does not require a lot of staff time). Up to 8% of the trust fund's annual budget is used to fund overhead expenses.

501(c)3: No

Programs: Fund allocation targets: At least 10% to transitional housing; at least 60% to housing for very low-income households (at or below 50% of the AMI); a maximum of 20% for housing for low-income households (incomes between 50% and 80% of the AMI); and a maximum of 10% to median income first-time homebuyers.

<u>Fund Uses</u>: The ordinance allows funds to be used for production, acquisition, rehabilitation and preservation. The ordinance also allows funding for supportive services under certain conditions and requires a capacity-building program for nonprofit housing organizations. Each year, the Housing Commission adopts a three-year Program Plan that identifies the types of programs and administrative support that can be funded, including rental housing development programs, home ownership programs, rehabilitation programs, transitional housing operations, special purpose housing development, and non-profit capacity building. There are specific requirements, priorities, and preferences for each type of program activity. The Program Plan must be approved by the City Council. The Commission awards funds either through a Request for Proposal (RFP) or a Notice of Fund Availability Process (NOFA).

Revenue: Dedicated revenue from commercial linkage fee and hotel tax. Currently represents about $4 million annually.

Housing Trust Fund Case Studies
Santa Fe, New Mexico

Purpose: The Santa Fe City Council approved the HTF as a mechanism for funding the development of affordable housing.

Beneficiaries: Households with incomes up to 80% of the AMI, with a preference for programs assisting households with incomes below 60% of the median. Higher priority is given to projects that serve households with lower incomes.

Oversight: The City Council approved generalized policies and procedures for the HTF and the basic structure of the Santa Fe Roundtable that serves as the oversight body. The Roundtable, a coalition of nonprofit housing agencies and local government representatives, determines the priorities for the fund in accordance with the Strategic Housing Plan for Santa Fe (updated every 3 years) and approves allocations. Approvals are based on the recommendations of its elected Allocation Committee, which consists of Roundtable participants who do not receive monies from the HTF: a representative of the city, the Enterprise Foundation, and a nonprofit agency.

Administration: Because state anti-donation laws restrict the use of funds administered by the City, the Roundtable administers the HTF. The Santa Fe Community Housing Trust, a nonprofit housing development organization, acts as the fiscal agent for the HTF pursuant to a contract with the City.

501(c)3: Neither the HTF or the Roundtable is a 501(c)3, but the Santa Fe Community Housing Trust is.

Programs: Funds may be used for:
- The production of affordable housing by nonprofit developers, including new construction, land acquisition and development,
- Acquisition and/or development of existing housing,
- Revolving loan funds for home ownership, and
- Rehabilitation or partial rehabilitation.

Funds must be leveraged with other conventional or subsidy sources. Favorable consideration is given for projects that serve the lowest income group, large families, and have the longest term of affordability.

Revenue: The trust is funded with monies received from developers in fulfillment of obligations to provide affordable housing. Because of changes in local law, funds received from developers are declining and there is a need to identify a more productive, dedicated source of revenue. (The City is considering a real estate transfer tax, but it would have to be passed by the state). Generally, the Roundtable waits until there is $80,000 in the HTF to issue an RFP.

Inclusionary Zoning Case Studies
Davis, California

Political Landscape and Policy

Davis, California is a city of only 62,200 people. Its inclusionary housing program was implemented in 1990 and has been very successful.

Highlights of the Program

The Davis Ordinance applies to both for-sale and rental developments with five or more units. The set-aside requirements in Davis are some of the highest percentages in the country.[9] Developers also have flexibility under the program; they can meet the set-aside requirement through a combination of on-site development, off-site development, fee in-lieu payments, and land dedication.

In rental developments with 20 or more units, 35% of the units must be set-aside as affordable. At least 25% of the market-rate units must be priced affordable for low-income households,[10] and at least 10% of the market-rate units must be priced affordable for very-low income households.[11] In for-sale developments, 25% of the units must be set aside as affordable.

For rental developments, all affordable units must be constructed on-site. For-sale developments have a bit more flexibility. Also, fee in-lieu payments are allowed in Davis for developments that have under 30 units or if the developer can demonstrate a “unique hardship.” Davis gives developers a one-for-one density bonus in for-sale developments. For rental developments, developers receive a 15% density bonus.

In determining a price for an affordable for-sale or rental unit, Davis uses specific formulas. The sale price of an affordable for-sale unit is determined by a mortgage payment that would be 30% of the gross monthly income of an eligible family, less insurance and property taxes, adjusted for family size. While there is not an affordability control period for affordable for-sale units, the rental units are permanently affordable, creating a permanent supply of affordable rental housing.

Impact

Davis has created over 1500 units of affordable housing since the implementation of its Inclusionary Housing Program in 1990. A combination of Davis’ income-averaging scheme for the pricing of affordable units, plus the significant percentage of set-aside units required, has resulted in a significant percentage of affordable units priced for very-low income households, a phenomenon not seen in other municipalities. Over 70% of the multi-family affordable units created in Davis are affordable to very-low income households.[12]

---

[9] California Coalition for Rural Housing Project, “Creating Affordable Communities: Inclusionary Housing Programs in California,” November 1994.
[10] Davis defines low income as 50-80% of area median income.
[11] Davis defines very-low income as 50% of area median income or below.
[12] California Coalition for Rural Housing Project, “Creating Affordable Communities: Inclusionary Housing Programs in California,” November, 1994.

Inclusionary Zoning Case Studies
Newton, Massachusetts

Political Landscape and Policy

Newton is an upper-income suburb of Boston with a population of about 83,000 people.[13] Most of Newton has been built up and is of a single-family character. In fact, only 12.5% of the land in Newton is zoned as multi-family. However, at the same time, Newton is known for its liberal politics and began an informal inclusionary housing policy as early as the 1960's. This policy was formalized in an ordinance in 1977.[14]

Highlights of the Program

The Newton Ordinance applies to all residential new construction and rehab that requires a special permit. Under Newton's zoning ordinance, all developments with greater than two units require a special permit. The developer must set aside 25% of the units as affordable. Under this process, a developer can receive up to a 20% density bonus.

All the affordable units created under the program are rental units, regardless if the market rate units are rental or for-sale. The affordable units are leased through the Newton Housing Authority, who then leases the units to eligible households. If the Housing Authority does not have adequate funds to lease the units, the Board of Aldermen for the City of Newton may purchase the affordable units or ask the developer to pay a fee. The affordable units are required to be equal in size, quality and characteristics to the market rate units.

If a development is below 10 units, a developer can make a fee in-lieu payment. However, since the payment level is low and is not indexed to inflation, the fee is less burdensome than building the affordable units on-site. The result of this policy is many nine-units-and-under developments, and only $600,000 in funds over the 26 years of the program.[15]

The period of affordability is 40 years, and discussions are currently underway to expand that period of affordability again. To date, 50 of the 225 units created have aged out of the system and have been sold on the open market.

The affordable units created under the program are priced for households making at or below 50% of the area median income, one of the lowest income-targeting guidelines in the country. Newton used the Section 8/Housing Choice Voucher rent guidelines to determine rents for eligible families.

Impact

To date, the Newton Ordinance is responsible for the creation of 225 affordable units.

---

[13] U.S. Census Bureau, 2000 Census.

[14] Engler, Robert. "An Inclusionary Housing Case Study: Newton, Massachusetts," *Inclusionary Zoning: Lessons Learned in Massachusetts*, NHC Affordable Housing Policy Review, vl. 2, Issue 1, January, 2002.

[15] Engler, Robert. "An Inclusionary Housing Case Study: Newton, Massachusetts," *Inclusionary Zoning: Lessons Learned in Massachusetts*, NHC Affordable Housing Policy Review, vl. 2, Issue 1, January, 2002.

Inclusionary Zoning Case Studies
Montgomery County, Maryland

Political Landscape and Policy

Montgomery County, with more than 800,000 residents, is the most populous county in Maryland.[16] During the 1970's and 1980's, Montgomery County grew from a Washington, D.C. bedroom community to the region's second largest employment center. Now more than 60% of residents work and live in the County.

Highlights of the Program

Montgomery County's inclusionary housing program, implemented in 1974, applies to every new subdivision or high-rise with 50 or more housing units. At least 12.5% of the units in these developments must be set aside as affordable, but up to 15% can be set aside with a sliding-scale density bonus given as an incentive. The affordable units are targeted toward households making under 65% of area median income (AMI). The County's public housing authority, the Housing Opportunities Commission (HOC), has a right to purchase one-third of the affordable housing units.

Montgomery County has a sliding-scale density bonus connected to the set-aside in order to create an economic incentive for developers to construct more affordable units. For every tenth of a percentage point increase in set-aside by the developer, the density bonus increases by one percent, to a maximum density bonus of 22%. Also, in order to promote the integration of the affordable units in the market rate development, Montgomery County allows for a 10% compatibility allowance.

In "exceptional cases," a developer has three alternatives to constructing the affordable units on the site of the market rate development: (1) the developer can either build significantly more affordable units at one or more other sites in the same or an adjoining planning area; (2) convey land in the same or adjoining area that is suitable in size, location, and physical condition and that can contain significantly more affordable units than the market rate site; or (3) contribute to the Housing Initiative Fund an amount that will produce "significantly" more affordable units than would have been developed at the market rate site.

The period of affordability is ten years for for-sale units and 20 years for rental units. However, if the home is sold before the 10-year control period is over, it begins anew with the new owner.

The price of for-sale units must be affordable to households making 65% of the area median income, including closing costs and brokerage fees. For rental units, the resulting rent must be affordable to households making 65% of the AMI and must include the cost of parking, but excludes utilities when they are paid by the tenant. Prices for the affordable units are set every five years and are increased in the intervening years by the Consumer Price Index.

Impact

Montgomery County's ordinance – the first major inclusionary zoning program in the country – is responsible for creating integrated neighborhoods by racial and ethnic group, and by income. Over 11,500 affordable units have been developed since the program was implemented.

---

[16] U.S. Census Bureau, 2000 Census.

Community Land Trust Case Studies
Burlington, Vermont

One of the largest and most influential CLTs is located in Burlington, Vermont, a university town of about 40,000 on the shore of Lake Champlain. Since the early 1980s, economic growth and progressive public policies, combined with an attractive setting, have made Burlington an increasingly desirable, and increasingly expensive place to live. With active support from city government, BCLT was established in 1984 to produce and preserve affordable housing for local residents.

In sixteen years, BCLT's holdings have grown to nearly **500 units** of housing, including single-family homes, housing cooperatives, condominiums, and varied rental options. In the process, BCLT has had a major impact on conditions in a low-income neighborhood, while expanding housing opportunities for low-income people in that neighborhood, and in outlying suburban areas as well.

All of BCLT's housing is affordable not just for the first residents, but for all residents thereafter. BCLT Director Brenda Torpy says,

> "We're old enough to have had a number of resales, and we've seen it really work. The second time around we don't need any additional government subsidy and we typically serve a lower income family. We're doing that at the same time that the seller is taking equity with them and has had all the tax benefits and all the security that homeownership offers."

Community Land Trust Case Studies
Albuquerque, New Mexico

Beginning in the 1980s, residents of Albuquerque's Sawmill neighborhood created a community organization to fight pollution from a nearby particleboard factory. At the same time, on the other side of the neighborhood, historic Old Town was becoming a leading tourist attraction, with galleries, trendy shops, restaurants and museums. The resulting gentrification pushed home prices upward, and the Sawmill residents started to worry about their families' futures in a neighborhood where some had lived for generations. To expand affordable housing opportunities in this situation, the community organization negotiated with the City to gain the right to develop 27 acres of vacant land once occupied by the old sawmill operation. The existing organization then created the Sawmill CLT to develop and hold the land.

On this site the CLT is now developing 99 housing units, including single-family homes, townhouses and senior apartments, together with a plaza, park, community center, and projected commercial space. To make sure that this development continues to serve lower income residents of the community, the land will be held permanently in trust by the CLT.

Community Land Trust Case Studies
Durham, North Carolina

Durham Community Land Trustees was organized in 1987 by residents of Durham's West End neighborhood, a predominantly African American, low-income community adjacent to the campus of Duke University. DCLT's housing program was launched with technical assistance and project financing from the Institute for Community Economics' Revolving Loan Fund, which supports CLT projects around the country. As development has accelerated in recent years, financing has come from a growing number of sources, including the Federal Home Loan Bank, municipal bonds, and Duke University. Project subsidies and operating support have come from the City and the North Carolina Community Development Initiative.

By focusing its housing rehabilitation efforts on specific blocks, DCLT has had a significant impact on conditions in the neighborhood, helping to raise community morale and becoming an important vehicle for community organizing and advocacy efforts. Through its lease-purchase program, DCLT makes homeownership possible for families who could not otherwise own homes and keeps those homes affordable for future families.[17]

[17] Institute for Community Economics.

Linkage Strategy Case Studies

City/Year	Devlp. type	Rate (sq.ft.)	Exemption	Revenue	Features
Boston (1987)	Office, Retail, Hotels, Institutions	$8.62 ($7.18 to housing $1.44 to job training)	100,000 sq. ft.	$45 million	Extended payment period (7 yrs.)
Berkeley (1993)	Office, Retail	$5.00 ($4.00 to housing $1.00 to childcare)	7,500 sq. ft.	$1.93 million for housing $840,000 for childcare	Rate schedule is ceiling with option for reduction
	Other commercial & indust.	$2.50 ($2.00 to housing, $.50 to childcare)			
Cambridge (1988)	Hotel, commercial, Retail, Institutions	$3.28	2,500 sq. ft. (30,000 sq. ft. threshold)	$75,000 w/ $2.5 mil. in pipeline	Option to build afford. Units of “equivalent benefit” instead
San Francisco (1981)	Entertain.	$13.95	25,000 sq. ft.	$38 million	
	Hotel	$11.21			
	Office	$14.96			
	Research & Develp.	$9.97			
	Retail	$13.95			
Seattle (1989)	commercial	$20 s.f. for purchase of extra floor area ratio (FAR) or construct. Of afford. housing		166 housing units & $5 million	Voluntary program

Source: http://www.policylink.org.

Real Estate Transfer Taxes Case Studies

City	Tax	Date enacted	How tax is used	$ generated	Exemptions
Highland Park, IL	$5 per $1,000 of the property's selling price	1988	City's General Fund and then transferred annually to the Street Construction Fund	FY04 Budget Estimate: $1,887,185	Deeds relating to real property acquired by or from a gov't body, deeds with secure debt, deeds less than $100, tax deeds, deeds with partition, deeds made by subsidiary corp. to its parent, etc.
Evanston, IL	$5 per $1,000 or any fraction thereof on the sale of real property	1986	City's General Fund	2002: $3,000,000	Deeds relating to real prop acq by or from a gov't body, deeds with secure debt, deeds w/ an actual consid less than $50,000 and the seller qualifies for Sect. 8, deeds where actual consid is less than $500, tax deeds, deeds made by subsidiary corp. to its parent, etc.
Chicago Heights, IL	$4 per $1,000 of the sale price of the property (round to nearest $1,000)	1992	City's General Fund.	2000-2001*: $176,326 2001-2002*: $172,924 2002-2003*: $239,354	Exemptions are for people moving but staying within Chicago Heights and seniors.
Chicago, IL	$3.25 per $500 of the purchase price Cook County and the State of IL have transfer taxes, but these taxes are imposed on the seller of real prop. The tax is $.25 and $.50 per $500 of the selling price, respectively.	Early 80s	General Fund	2000: $101,000,000 2001: $108,000,000 2002: not final but expected to be higher. Can fluctuate: a bad year = $80,000,000 but generally increases year-to-year	Transfers of real estate btw subsidiary and parent company, transfers of prop. Located in City Enterprise Zones, transfer of prop from or to a gov't body, transfers made pursuant to a plan of reorgan. Under Chapt. 11 of the U.S. Bankruptcy code, transfers where purchaser has completed the state of IL H.O.M.E program

***** Based on Chicago Heights' Fiscal Year beginning May 1st and ending April 30th.

Sources:

http://www.cityhpil.com/govern/dept/fiscal/rett.html.
http://www.cityofevanston.org/Government/CityClerk/realestate-transfertax.html.
http://www.chicagoheights.net/public/realestatetax.htm.
http://www.ci.chi.il.us/Revenue/Tax/PropertyTransfer.html.

Employer-Assisted Housing Initiatives Case Studies[18]

System Sensor, St. Charles

This was the first regional employer to use the Regional Employer-Assisted Collaboration for Housing (REACH) model. In 1999, the Pittway Corporation committed to provide $5,000 in down payment assistance to help up to 50 qualified employees over two years buy homes closer to work. Assuming the employee stays with the company for five years, the $5,000 loan will be fully forgiven. If an employee leaves the company within that time, the unforgiven portion must be repaid. The home must be within a 15-mile radius of the place of work. Pittway contracted with the Joseph Corporation to provide counseling and homeownership education.

Highlights:

• 36 new homeowners as of June 2002.
• Participating employees' median income was $31,500. Their household median income was $43,600.
• They averaged 7 years of employment with System Sensor.
• 24 were members of racial or ethnic minority groups.
• 27 were first-time homebuyers.
• System Sensor credits the program with saving over $100,000 per year through reduced turnover costs.

System Sensor Cost-Benefit Analysis:

	Year 1	**Year 2**
Downpayment/ closing costs assistance	$5,000*16 participants =$80,000	$5,000*19=$95,000
Joseph Corporation Counseling program	$20,000	$20,000
MPC program design and evaluation	$7,500	$7,500
Savings due to reduced turnover, recruitment and training*	$207,500	$247,500
Net Savings to System Sensor	**$100,000**	**$125,000**

*These data were compiled by reviewing turnover within the company; i.e. what it would have cost the company if an employee had left the company.

[18] Excerpts from "Right at Home: Local Support for Employer-Assisted Housing" By Samantha DeKoven, MPC. April 2003.

Employer-Assisted Housing Initiatives Case Studies
Northwest Community Healthcare, Arlington Heights, Illinois

The new initiative was announced to employees in March 2002. The program is available to employees who have worked for the hospital at full or close to full-time for at least a year and earn less than $70,500. The employee should also be a first-time homebuyer, and the home must be within a 10-mile radius of the hospital. The hospital offers $5,000 forgiven at 20% per year over five years. If an employee leaves before completing the five-year commitment, the portion that has not been forgiven must be repaid to the hospital.

Highlights:

• As of December 2002, NCH had helped four employees buy homes.

• Hospital had benefited from media coverage and heightened exposure in the local community.

Employer-Assisted Housing Initiatives Case Studies
Bank One, Metropolitan Chicago, Illinois

Bank One provides $2,500 grants to help with down payment and closing costs for eligible employees purchasing their first homes. The employee must have been employed with the bank for one year to participate, and the borrower's income must be less than 80% of the area's median income. There are no requirements on the distance between home and work. Bank One has committed $500,000 toward this program. Bank One has partnered with MPC and all eight REACH partners to provide eligible employees with a total of $5,000 in assistance. Bank One and REACH partners set a goal of assisting 25 new homebuyers during the first year of the program.

Highlights:

• Since the local launch in June 2002, more than a dozen Chicago-area employees have qualified for the program and six participants have successfully bought new homes. The discrepancy in the above numbers is due to the fact that Bank One qualifies employees before they purchase the home.

	Chicago Region	**Nationwide(Including Chicago)**
Total New Homeowners	12	68
Grant Amount	$2,500 + taxes	$2,500 + taxes
Average Mortgage Amount	$107,683	$85,997

Source: Bank One.

Sources

Alan Mallach, Expert on Housing, Planning and Zoning Issues.

California Coalition for Rural Housing Project, “Creating Affordable Communities: Inclusionary Housing Programs in California,” November, 1994.

“Choose to Own”—Housing Choice Voucher Homeownership Program: Program Guide prepared by Prim Lawrence Group on behalf of CHAC, last revised July 2002. (Provided by Rich Hendricks, Staff Attorney, CEDLP).

Engler, Robert. “An Inclusionary Housing Case Study: Newton, Massachusetts,” *Inclusionary Zoning: Lessons Learned in Massachusetts*, NHC Affordable Housing Policy Review, vl. 2, Issue 1, January, 2002.

http://www.chacinc.com.

http://www.chicagoheights.net/public/realestatetax.htm.

http://www.ci.chi.il.us/Revenue/Tax/PropertyTransfer.html.

http://www.cityhpil.com/govern/dept/fiscal/rett.html.

http://www.cityofevanston.org/Government/CityClerk/realestate-transfertax.html.

http://www.policylink.org.

Institute for Community Economics.

Jerry L. Sargent, AIA, Building Division Manager. “Memorandum to All Applicants for Highland Park Demolition Permits”. May 29, 2002. Available online at: http://www.cityhpil.com/govern/comm/housing.html.

Robin Snyderman, MPC’s Housing Director, www.metroplanning.org.

Samantha DeKoven, “Right at Home: Local Support for Employer-Assisted Housing” MPC. April 2003.

U.S. Census Bureau, 2000 Census.