

18 AFFORDABLE HOMES

Affordable housing is a dilemma for many communities. Increasing the production of new housing and the rehabilitation of existing homes is central to increasing homeownership. While some problems are common, each community has its own unique circumstances that defy one-size-fits-all solutions. For example, in many communities, it often costs more to build a home than a developer can sell at an affordable price. Other barriers to affordability include local regulatory burdens that add to the cost of a home and discourage homebuilders from building new housing or renovating existing homes. To address these barriers, there are a wide variety of tools that the Blueprint Partners use today, and the President has put forth legislative proposals to help maintain and expand the supply of modestly priced homes in thousands of cities and towns across the nation. By focusing on affordability, the Partners will take positive steps to identify and help correct local regulatory barriers and burdens. In addition, the Partners will confront and help overcome the NIMBY (Not In My Back Yard) syndrome. Often a result of outmoded – at best – or intentionally exclusive zoning – at worst – NIMBY prevents many people who work in the community, including teachers, police officers, young families, and others with steady employment a chance to live where they work, in a home they can afford. National policies, such as down payment assistance programs and the President’s single-family affordable housing tax credit, can also serve to increase housing production and extend the dream of homeownership to more families. Increasing the supply of affordable housing will help countless families purchase decent homes priced within their means.

COMMUNITY

COMMITMENTS

BUSH ADMINISTRATION

“There are neighborhoods in America where you just can’t find a house that’s affordable to purchase. We need to deal with that problem.”

— President George W. Bush

DEVELOP

Department of Treasury

Single-Family Affordable Housing Tax Credit:

This investor-based tax credit encourages developers and non-profit organizations to build new single-family affordable houses or rehabilitate existing ones.

To encourage the development of 200,000 affordable homes in neighborhoods where housing is scarce, the President has proposed a Single-Family Affordable Housing Tax Credit. Over five years, this amounts to \$1.7 billion in tax credits.

Department of Housing and Urban Development

Self-Help Homeownership Opportunity Program (SHOP):

SHOP empowers faith-based and other community organizations to turn low-income families into homeowners through sweat equity and volunteerism in their communities. The President is tripling funding to \$65 million to support the construction of approximately 3,800 new homes.

Community Development Block Grants (CDBG):

CDBG provides funding to meet locally identified community and economic development needs, including the construction of affordable for-sale housing. For 2003, the Administration is proposing a \$95-million increase to \$4.732 billion.

HOME Investment Partnerships Program:

The HOME program plays a key role in addressing the shortage of affordable housing in America. Specifically, the funds help to expand and improve homeownership by rehabilitating owner-occupied buildings and by providing assistance to new homebuyers.

In 2003, a total of \$2.084 billion is being provided to participating jurisdictions to expand affordable housing. Based on historical trends, 36 percent of the funds will be used for new construction, 47 percent for rehabilitation and 14 percent for acquisition.

Recipients of HOME funds have substantial discretion to determine how the funds are spent. HOME funds can be used to expand access to homeownership by subsidizing down-payment and closing costs, as well as the costs of acquisition, rehabilitation and new construction.

Partnerships to Rehabilitate and Resell:

The Administration is committed to implementing the revised Asset Control Area program to provide discounted HUD-held single-family properties to nonprofits and local governments for rehabilitation and resale to families at or below 115 percent of AMI.

This program helps dedicated public servants, including teachers and police officers, live in the communities in which they work.

Department of Agriculture*Section 502 Mutual Self-Help Loans:*

Under the Section 502 Mutual Self-Help loans, applicants obtain loans to build new homes under the supervision of a Section 523 Self-Help Technical Assistance grantee. The families work together to mutually build their homes as a group.

Section 509 Housing Application Packaging:

The Section 509 Housing Application Packaging program obligated \$36,550 for 30 grants in six states. These grants are limited to groups serving areas designated by the Rural Housing Service as one of "100 Underserved Areas."

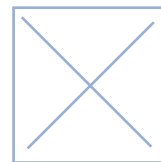
ENTERPRISE FOUNDATION

"There is a lack of affordable housing in certain neighborhoods. Too many neighborhoods, especially in inner-city America, lack affordable housing units."

— President George W. Bush, June 17, 2002

Since the President put forward his homeownership agenda, Enterprise has intensified its efforts to expand the supply of affordable for-sale housing. The Foundation's homebuilding affiliate, Enterprise Homes, has nearly 1,000 for-sale homes under development this year. For example:

*In **Baltimore**, the Heritage Crossing development will bring 185 for-sale homes (plus 75 rental apartments and a community center) to a site that was once home to one of the city's most dysfunctional, crime-ridden public-housing complexes. Homes at*



DEVELOPMENTS

Heritage Crossing will sell for as low as \$81,000 to buyers earning as little as \$28,000. This redevelopment continues Enterprise's work to revitalize mostly African-American neighborhoods in West Baltimore.

In addition, Enterprise's lending affiliate, Enterprise Housing Financial Services, has committed financing for more than 1,000 for-sale homes so far this year, a substantial increase in activity from 2001. For example:

*In **Los Angeles** and **Rochester, N.Y.**, Enterprise is acquiring and rehabilitating vacant homes the federal government owns through foreclosure and selling them to low-income buyers in predominantly minority communities under HUD's "Asset Control Area" pilot initiative. Working with local minority contractors, Enterprise has started the first phase of a three-year initiative in L.A. that will provide homeownership to 1,500 low-income families and stabilize some of the most distressed neighborhoods in the city. Enterprise is engaged in a similar initiative in Rochester involving 375 homes.*

*In **Dallas**, meantime, Enterprise utilizes the city's HOME housing block-grant funds to help low-income people become homeowners. The majority of funds have helped produce new homes. The average new homebuyer family earns under \$35,000; more than half have incomes below 50 percent of their area's median income. More than 3,200 families have benefited from the program so far.*

Sometimes, local policies stand in the way of producing affordable housing. Enterprise is working with state and local governments to remove such barriers. For example:

*In **Denver**, Enterprise and other housing stakeholders recently convinced the city council to expedite building permits and reduce parking requirements for homeownership developments that provide a share of their units for low-income people.*

Finally, Enterprise is actively advocating policies to increase the supply of affordable for-sale housing. Private-public partnerships that have worked well to develop affordable rental housing can achieve the same success in homeownership. For example:

Enterprise has been active in educating local community-based groups and Members of Congress about the tremendous potential of the President's "Single Family Affordable Housing Tax Credit." This proposal would create 50,000 new for-sale homes per year.

Enterprise is also working closely with the Administration, Members of Congress and local partners to develop and implement final regulations that will ensure that the HUD Asset Control Area initiative has the flexibility and accountability to reach its potential as a homeownership production tool in low-income communities.

Enterprise will continue to pioneer such innovative approaches. Overall, Enterprise will work to expand the supply of affordable for-sale homes for low-income people by 15,000, substantially more if the president's homeownership tax credit is enacted. Numbers alone cannot capture the value of Enterprise's contribution to this effort. The Foundation works in the most distressed communities in America, serving people with the greatest housing needs. Enterprise's primary partners are community- and faith-based groups whose homeownership activities are rarely an end in themselves, but a platform for further family and community renewal. The Foundation's efforts often pioneer approaches to the toughest homeownership needs that others – including the partners in America's Homeownership Challenge – can emulate and expand upon.



HOMEOWNER

FANNIE MAE

Fannie Mae will purchase Single Family Affordable Housing Tax Credits proposed by the Administration upon enactment, while also maintaining at least the current level of investment in multifamily Low Income Housing Tax Credits.

More information: Fannie Mae is the largest investor in Low-Income Housing Tax Credits (LIHTC). LIHTCs are used as both direct investments and investments in equity funds. Fannie Mae invested \$1.4 billion in LIHTC in 2001.

Fannie Mae will create a \$100-million *Housing Solutions Initiative* to provide financing for properties eligible for Low Income Housing Tax Credits but considered exceptionally difficult to finance.

More information: Fannie Mae is launching a preservation product that will provide financing for LIHTC-eligible properties. Work on this initiative is in progress.



FINANCE

Fannie Mae will continue to develop innovative mortgage products in partnership with lenders to reduce required downpayments, a powerful tool in increasing affordability for homebuyers. Fannie Mae will continue to participate in efforts to reduce unnecessary regulatory barriers through our unique network of Partnership Offices throughout the country. In recent years these efforts have helped reduce bureaucratic red tape, inefficient permitting processes and other critical features of the homebuilding and rehabilitation process to create tangible reductions in costs for builders and consumers.

FEDERAL HOME LOAN BANKS (FHLBANKS)

The 12 FHLBanks pledge their ongoing support for making homeownership a reality for 5.5 million minority families by the end of the decade. The FHLBanks are the largest source of private sector grants for affordable housing in the country, with projected grants in 2002 of \$240 million. In addition, the FHLBanks are the dominant provider of wholesale funds for their member financial institutions, with more than \$470 billion in loans currently outstanding to community lenders.

The FHLBanks are the single largest funding source for Habitat for Humanity. Since 1990, one in four Habitat homes (more than 11,000) has been constructed with FHLBank funding.

Since the FHLBanks' Affordable Housing Program (AHP) was created in 1990, more than \$1.3 billion in grants has been awarded, helping to finance more than 285,000 housing units. Through AHP, the FHLBanks project to allocate approximately \$390 million for grants to facilitate the creation of an additional 100,000 homeownership units through the end of this decade. Discounted lending programs at the FHLBanks are projected to provide an additional \$16.8 billion in loans to member institutions over the same time period to provide funding for low- and moderate-income homebuyers.

The grants and financing provided by the FHLBanks are critical in supporting the affordability of existing and new homes for low- and moderate-income families. Increased affordability encourages the construction of new homes and the rehabilitation of existing homes. The FHLBanks pledge to evaluate how their programs can be better linked to the creation of a larger stock of homes available to, and affordable for, minority families.

FREDDIE MAC

Representing a team effort with mortgage lenders, nonprofit housing and community organizations, and other industry leaders, “Catch the Dream” is Freddie Mac’s contribution to making the dream of homeownership a reality for millions more of the nation’s minority families. The 25 “Catch the Dream” initiatives are designed to dismantle barriers and create opportunity along the entire process of becoming – and staying – a homeowner.

Four of Freddie Mac’s “Catch the Dream” activities address the need of greater housing affordability.

Breaking New Ground:

Freddie Mac is working with lenders and other market participants to promote quality construction of new, affordable single-family housing, particularly starter homes for first-time buyers. These initiatives range from new products that allow builders to contribute funds for down payment to debt/equity financing to promote development.

Community Hope:

Recognizing that much of the stock of affordable housing is located in urban areas, Freddie Mac is pursuing a “best practices” campaign to rejuvenate urban communities, including promotion of place-based employer-assisted housing and reclamation of abandoned property.

New Urban Incentives:

To encourage greater investment in urban neighborhoods, Freddie Mac is exploring the viability of equity-assurance products to protect home values.

Military Housing:

To address the need for affordable, well-maintained housing for the men and women of the U.S. Armed Forces, Freddie Mac will work collaboratively with the Department of Defense to promote the construction and financing of new housing and the renovation of existing single-family housing.

AFFORDABLE

RENOVATION

HABITAT FOR HUMANITY INTERNATIONAL

Habitat for Humanity makes homes affordable for low-income families due, in large part, to our partnerships with the private and public sectors; with nonprofit, trade and labor organizations; and with vast support from individuals, churches, trade groups, and corporations in communities across the country, including the support of an estimated 10,545,000 volunteers who have contributed an estimated 84,360,000 hours of service annually to the construction of Habitat homes. These partnerships have enabled Habitat for Humanity affiliates to do what they do best – build homes with low-income families.

Habitat for Humanity is committed to:

- Expanding the supply of new affordable homes for homeownership by building 27,800 houses. This will serve 83,460 people in the United States by the year 2005, approximately 62,500 of whom will be minority men, women, and children.
- Funding the position of Native People's Support Manager, who will work directly with Habitat for Humanity affiliates that are building with families of Native American descent in the upper Midwest.
- Enhancing Habitat for Humanity's work in the Colonias by developing a pilot program to work with Habitat affiliates and other community development organizations along the United States-Mexico border.
- Making its houses affordable by continuing to promote the SHOP program among its affiliates, who will utilize these government resources to leverage additional private funds – typically four to ten times the amount of the initial investment to construct each house – needed to build homes for low-income families.
- Providing information, training, technical assistance, and administrative and logistical support through the use of Section 4 Capacity Building for Habitat for Humanity funds in order to increase the capacity of local Habitat affiliates in the development of single-family and multi-family homes for homeownership in underserved communities.
- Funding the position of 21st Century Challenge Manager. Thirty communities (cities and counties) are expected to be participating in the Challenge by the end of 2002, with additional communities to be certified annually. This innovative initiative encourages city and county governments, as well as local community groups, to work with Habitat for Humanity affiliates to eliminate substandard housing by specific dates within the next 20 years.

OPPORTUNITIES



AFFORDABLE HOMES

- Supporting initiatives by the Administration to create a Single-Family Affordable Housing Tax Credit, a program that will bring needed resources to the construction and renovation of affordable homes for low-income families. We will work to prepare local affiliates for competitive participation in this program.
- Attracting the support of even more volunteers so that Habitat homes can remain among the most affordable for low-income homebuyers.

LOCAL INITIATIVES SUPPORT CORPORATION (LISC)

LISC is pledging to:

- Provide financing to help nonprofit community development corporations to build or substantially rehabilitate 40,000 homes.
- Coordinate the Rural Home Loan Partnership, which will construct 20,000 homes through 2010, by convening partners, providing training and technical assistance, and providing policy support.

NATIONAL ASSOCIATION OF HOME BUILDERS (NAHB)

NAHB is pledging to conduct regional meetings that facilitate a dialogue among representatives of local governments, lending institutions and the housing industry to help identify and overcome barriers to building market-rate housing in America's large urban communities. NAHB is working with the National Association of Counties, the U.S. Conference of Mayors, and Fannie Mae to plan a series of facilitated dialogues in key housing markets around the country.

Timeline: NAHB commits to holding five regional meetings throughout the US over the next twelve months. In the fall of 2003, NAHB will evaluate and report back on a calendar of future regional meetings.

COMMUNITIES





NAHB is pledging to build and encourage a network of local initiatives that help promote minority homeownership. Many of NAHB's more than 800 state and local affiliates, for example, are engaged in philanthropic partnerships to promote specific minority homeownership projects. The affiliates' activities include production of affordable housing, public awareness campaigns, and research on affordable housing and future housing supply in specific high-growth markets.

Timeline: NAHB commits to a minimum of 10 local Home Building Association initiatives throughout the U.S. over the next twelve months. NAHB will report back on future local initiatives as they are developed.

NAHB is pledging to use public policies to expand and enhance homeownership opportunities for minority groups. Working together, the private sector, in tandem with the Administration and Congress, should make passage of the Single-Family Affordable Housing Tax Credit a priority. Other programs, such as the Federal Housing Administration, the HOME Investment Partnership and IDA savings accounts, play a key role in facilitating homeownership opportunities for minorities.

Timeline: Ongoing.

NATIONAL ASSOCIATION OF REAL ESTATE BROKERS (NAREB)

NAREB is a national organization for African-American and other minority real estate professionals dedicated to promoting fair and equal housing opportunities for all Americans.

United around the theme "Democracy in Housing," the association is committing to:

- Providing input on government policy affecting housing affordability and homeownership among minorities.
- Organizing and implementing six to eight national and local partnerships with private industry and government organizations to expand affordable housing and homeownership opportunities among minority families and within minority communities.
- Developing and implement a consortium of lenders to promote and finance 2,000 units of affordable for-sale housing.

NATIONAL CREDIT UNION ADMINISTRATION (NCUA)

Through NCUA's "Access Across America" initiative, which focuses on creating economic empowerment for people from all walks of life, the federal agency is best positioned to empower America's nearly 10,000 credit unions, with over 80 million members, to provide outreach to serve the underserved and facilitate partnerships between credit unions and community organizations for developing affordable housing initiatives.

Although credit unions are not established to finance large construction projects, there are individual cases where credit unions have established programs to help support the development of low-income communities. Where feasible, the NCUA will identify projects that are successful and highlight those programs to the credit unions system.

NEIGHBORHOOD HOUSING SERVICES OF AMERICA (NHSA)

NHSA is pledging to work to triple the number of minority borrowers assisted by its resources.

NEIGHBORHOOD REINVESTMENT CORPORATION (NRC)

NRC is pledging to provide direct homeownership assistance to more than 130,000 families, more than 76,000 (59 percent) of whom will be minority families, and do so in a way that promotes:

- *Equity appreciation and wealth building,*
- *An improved quality of life,*
- *Broader community revitalization, and*
- *A healthy level of income diversity within the broader community.*



SEARS, ROEBUCK AND CO.

In response to President Bush's call to address the homeownership crisis in America, Sears, Roebuck and Co. has created the "Sears American Dream Campaign." The five-year, \$100 million commitment will make homeownership and continued home maintenance possible for millions of Americans who might otherwise not be able to share in that dream.

In its first year, the "Sears American Dream Campaign" will donate more than \$2 million to NeighborWorks, a network of local non-profit organizations dedicated to assisting families purchase, improve, and maintain their homes.

Additionally, Sears will revitalize neighborhoods throughout the nation through an assortment of services. Using donations of merchandise and product services, along with the expertise of the Sears American Dream Team, made up of the company's employee and retiree volunteers, Sears will help sustain and outfit hundreds of homes and families.



HOME MAINTENANCE

REVITALIZE



AFFORDABLE HOMES