

APPALACHIAN HOUSING INITIATIVE

A report to the Ohio Housing Finance Agency
and the Ohio Development Services Agency



OHIO
UNIVERSITY
Voinovich School of
Leadership and Public Affairs

OHIO UNIVERSITY | FEBRUARY 2013

Prepared by The Voinovich School of Leadership and Public Affairs
on behalf of the Ohio CDC Association

APPALACHIAN HOUSING INITIATIVE

A REPORT TO THE OHIO HOUSING FINANCE AGENCY AND
THE OHIO DEVELOPMENT SERVICES AGENCY

**VOINOVICH SCHOOL OF LEADERSHIP
AND PUBLIC AFFAIRS**
OHIO UNIVERSITY

OHIO UNIVERSITY
ATHENS, OHIO 45701
740-593-1000
WWW.OHIO.EDU

VOINOVICH SCHOOL OF LEADERSHIP AND PUBLIC AFFAIRS
BUILDING 21, THE RIDGES, OHIO UNIVERSITY
ATHENS, OHIO 45701
740-593-9381
WWW.VOINOVICHSCHOOL.OHIO.EDU

ACKNOWLEDGEMENTS

Funding for the Appalachian Housing Initiative was provided by the Ohio Housing Finance Agency (OHFA) and the Ohio Development Services Agency. The two organizations also provided much-appreciated assistance with research as the project progressed.

This report is the result of a collaborative effort carried out under the guidance of the Ohio CDC Association (OCDCA). Executive Director Nate Coffman, Program Director Mark Harris, Associate Director Amy Rosenthal (now with National Church Residences), VISTA Program Manager Elvira Terán, and consultant Kelly Jo Marks made the Appalachian Housing Initiative possible and provided constant guidance and support for the project.

At the Voinovich School, staff members Sara Lichtin Boyd, Holly Craycraft, Robert Gordon, Kate Leeman, Cindy Poole, Kelli Coughlin Schoen contributed to the project, as did Graduate Research Assistants Nune Grigoryan and Leslie Westerfelt and Undergraduate Research Assistant Caroline Snyder.

The Voinovich School and OCDCA would like to thank Holly Holtzen, Director of OHFA's Office of Affordable Housing Research and Strategic Planning and Myia Batie, Performance Measurement and Evaluation Coordinator, as well as the OHFA staff for their help with the project. Finally, the Voinovich School and OCDCA offer their sincere appreciation to the many housing developers, funders and intermediaries who took the time to answer surveys, participate in focus groups, give interviews and attend the Appalachian Housing Initiative preconference session at the 2012 Ohio Housing Conference.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
STRUCTURE OF THIS REPORT.....	9
METHODOLOGY	10
BARRIERS AND STRATEGIES	19
Securing development funds	19
Funding predevelopment costs.....	22
Finding a suitable building site	23
Capacity of non-profit developers.....	25
Capacity of local governments.....	27
Poverty of region.....	28
Hydraulic fracturing	30
Existing housing stock	31
Prospective renter and buyer credit history.....	32
Population density.....	33
Appalachian culture.....	33
Insufficient development in high-need areas	34
Regional policy priorities and federal regulations	35
RECOMMENDATIONS.....	36
APPENDIX A: Research Participants	42
APPENDIX B: Non-Profit Developers Survey Results	44
APPENDIX C: CHDO/MHA Coverage Map.....	52
APPENDIX D: Funding Sources Overview	53
APPENDIX E: Promising Practices	75
APPENDIX F: Case Studies.....	77

EXECUTIVE SUMMARY

Ohio's Appalachian region comprises over a third of the state's counties and is home to almost 20 percent of the state's population. This region is marked by persistent poverty, high unemployment and an aging, often substandard housing stock.¹ There is a need for quality affordable housing, but those involved with affordable housing development have long reported that it is difficult to produce and maintain a sufficient supply of quality affordable housing in the region. The goal of the Appalachian Housing Initiative (AHI) was to uncover the reasons for the lack of quality affordable housing in the region, and to generate grounded strategies for overcoming the identified barriers. Through a multi-pronged research effort involving the Ohio CDC Association (OCDCA), Vogt Santer Insights, Bob Snow & Associates, Ohio University's Voinovich School of Leadership and Public Affairs and the input of non-profit developers, for-profit developers, housing intermediaries and funders, the AHI has produced a list of recommendations for increasing the availability of quality affordable housing in Appalachian Ohio.

In 2010, OCDCA received funding from the Ohio Housing Finance Agency (OHFA) and the Ohio Development Services Agency (ODSA) to conduct the AHI. Three separate research efforts contributed to the AHI:

- (1) Market Study: OCDCA contracted with Vogt Santer Insights (VSI) to produce a detailed housing needs assessment focused on the current and anticipated affordable housing need in each of the 32 Appalachian counties of Ohio. The overall conclusion of the affordable housing market study indicates a greater need for modern, affordable rental housing within Appalachian Ohio compared to other areas of the state. The report along with the county-by-county analysis can be found at:
<http://www.ohiohome.org/research/AppalachianCounties.pdf>

¹ According to Vogt Santer Insights: 27 of the 32 Appalachian counties have a higher percentage of the population living in poverty than the state average; 26 of the 32 counties have unemployment rates that exceed the state average; and 27 of the 32 counties have a higher percentage of substandard housing than the state average. Vogt Santer Insights, "Affordable Housing Market Study of 32 Appalachian Ohio Counties," May 2012. <http://www.ohiohome.org/research/development.aspx> (accessed January 30, 2012), I-1, II-2, III-5

VSI also created an interactive database from the information collected in the analysis in order to assist with housing development. The database includes details about the existing rental housing properties in each of the 32 Appalachian Ohio counties. The database can be found at: http://www.vsinsights.com/OH_App_2012/index.php

(2) Project Funding Analysis: The majority of developers interviewed as part of a prior research effort, the *Appalachian Set Aside Review*, identified development costs as one of the primary barriers to the development of affordable housing in the Appalachian Ohio region. To address this issue, OCDCA contracted with Bob Snow & Associates to complete an analysis to define the current situation, outline funding options and explore differences between Appalachian, rural non-Appalachian and urban funding options (including rent structure, income restrictions, debt coverage, operating expenses, project sources, development costs/uses, gap debt sources and the availability of tax credit allocations). One of the conclusions made in the analysis is that Ohio's Appalachian region faces a rent disadvantage when compared to the rest of the state. The report can be found at: <http://www.ohiocdc.org/AHIFundingAnalysis.pdf>

(3) Identification of Barriers and Strategies: OCDCA contracted with Ohio University's Voinovich School of Leadership and Public Affairs to carry out several types of research (including surveys, interviews, focus groups, and case studies) in order to produce recommendations for increasing the availability of quality affordable housing in Appalachian Ohio.

This report presents findings from the Voinovich School's portion of the research for the AHI.

Map 1. Appalachian Ohio Counties



Research Conducted

The Voinovich School conducted three web surveys, five focus groups, and twelve interviews to gather information about the barriers to affordable housing development and to generate strategies for overcoming those barriers. All 32 Appalachian Ohio counties were represented in at least one component of the research. In order to provide more information about possible strategies, the Voinovich School also conducted a literature review, identified promising practices and developed case studies of five organizations that have found creative ways to develop quality affordable housing.

After this research, the Voinovich School joined with OCDCA, Vogt Santer Insights and Bob Snow & Associates to present the research findings to a group of housing stakeholders at the 2012 Ohio Housing Conference. Participants in the pre-conference session engaged in roundtable discussions facilitated by the Voinovich School and OCDCA to develop the strategies that emerged from the research. Based on the number of participants recommending a strategy, the intensity of participants' preference for the strategy and the feedback provided at the 2012 Ohio Housing Conference, the Voinovich School and OCDCA compiled a list of recommendations for increasing the availability of quality affordable housing development in Appalachian Ohio.

Barriers and Strategies

The developers, funders, intermediaries and other housing experts who participated in the research identified a long list of barriers to the development of affordable housing in the region. The significant resource contraction that the affordable housing industry has experienced of late was frequently noted, as were some more uniquely Appalachian obstacles. Among the barriers identified were:

- Lack of funding
- An inadequate extension of utilities (water and sewer in particular)
- A strong need for rental assistance on most properties
- Low area median incomes
- Low population density
- The lack of relevance of Community Reinvestment Act credits
- The low political profile of the region
- The topography of the region

- Inconsistent capacity among non-profit developers and local governments
- An aging, substandard housing stock

In addition to these barriers, many research participants also offered a more fundamental critique of the current funding system. They argued that, as currently designed, the funding system is unable to meet the housing requirements of the most high-need areas of the region because structural factors (many of them just mentioned) make it especially challenging to assemble a profitable development deal in those areas.

To address these barriers, participants proposed a variety of strategies, including:

- Engaging in capacity building for non-profit developers and local governments
- Establishing an Appalachian Set-Aside in the Qualified Allocation Process
- Creating a consortium of Appalachian Ohio affordable housing stakeholders to facilitate resource sharing and to engage in political advocacy for the region
- Developing a model for the packaging of developments across multiple sites
- Formalizing a pre-application guidance process for Low-Income Housing Tax Credit (LIHTC) applications
- Acquiring a portion of the severance tax on oil and natural gas development in Ohio in order to support quality affordable housing development in Appalachian Ohio (potentially by supporting utility expansion)
- Prioritizing rehabilitation over new construction
- Developing a waiver process for standards that limit the feasibility of building on available Appalachian sites
- Hiring state-sponsored experts to fill in capacity gaps among non-profit developers and local governments

Recommendations

The following are recommendations for increasing the amount of affordable housing in Appalachian Ohio. The recommendations are explained in greater detail in the “Recommendations” section later in this report.

1. Formalize an optional pre-application guidance process for Low-Income Housing Tax Credit applicants.

This recommendation addresses three main issues identified by housing developers, funders and intermediaries: (1) predevelopment costs can be very burdensome and as such pose risks to developers; (2) many non-profit developers in the region might benefit from capacity building; and (3) the current methods being used to produce quality affordable housing in Appalachian Ohio are not fully meeting the area’s need, so more creative solutions are necessary. Because less traditional development models are risky, especially given predevelopment costs, many participants said they would appreciate receiving informal feedback on project concepts so as not to commit too many resources to a project that has little likelihood of being funded.

2. Identify a model for packaging developments across multiple sites and establish funding procedures for this type of development.

Participants agreed that, as of yet, there is no clearly successful model for packaging developments that span more than one county or community. However, packaging developments was seen as one of the most promising ways to address the problems of low population density and scarce resources. By combining scattered-site housing across multiple sites, developers can possibly save money on application fees and can generate economies of scale that are otherwise hard to come by in sparsely populated Appalachian Ohio.

3. Acquire a portion of revenue from the severance tax on oil and natural gas production in Ohio. Invest the funds in activities that support quality affordable housing development in the region.

Research participants frequently identified the lack of water and sewer lines in many areas of Appalachian Ohio as a significant barrier to development. Participants had difficulty identifying funding sources for utility expansion, in part because the sparse population makes it difficult to win formula-based funds and also because much of the population cannot support municipal bonds or fees to fund utility expansion. In order to remedy a serious structural impediment to the development of affordable housing, many participants suggested obtaining a portion of the severance tax to fund utility expansion in affected communities. Other participants suggested that severance tax revenue could be used in other ways to support quality affordable housing development in communities impacted by shale development.

4. Funders with discretion over their funds could consider capacity building for non-profit developers in Appalachian Ohio, especially in the areas of business practices, negotiating equitable agreements with for-profit developers and grant writing.

Research participants repeatedly identified inconsistent capacity on the part of non-profit developers as a barrier to the development of quality affordable housing. Various options for capacity building were suggested, including: establishing mentoring partnerships between more experienced non-profits and newer or struggling non-profits; establishing the state-supported hiring of regional experts who would be available to non-profit developers throughout the region and who could fill in capacity where needed (e.g. negotiating development deals with for-profit developers or conducting environmental reviews); and providing scholarships for organizations that want to pursue training in identified areas. Participants who argued in favor of capacity building offered important caveats, stressing that capacity building efforts should be long-term, and that organizations should develop strategies for staff-retention that would allow them to maintain the newly acquired or augmented capacity.

5. Funders with discretion over their funds could consider capacity building for local governments, especially in the areas of financing utility expansion and development planning.

Many research participants, especially funders, noted that local government would benefit from capacity building as well. Funders and a few developers noted frequent difficulty working with local governments on development projects, and indicated that a capable local government was very necessary for attracting developers to the area. The need for increased capacity was especially noted in the areas of development planning, infrastructure expansion and collaboration with other local governments.

6. Establish a procedure for creating a consortium of affordable housing stakeholders in Appalachian Ohio.

Research participants were very supportive of the idea of a consortium of Appalachian Ohio affordable housing stakeholders. A wide variety of functions could be carried out by such a consortium, including:

- Engaging in advocacy/resource protection
- Providing or coordinating capacity building for non-profit developers and local governments
- Administering lines of credit
- Facilitating resource sharing among non-profit developers
- Facilitating increased collaboration across disciplines (e.g. housing, mental health, job training, banking, economic development) to reach new funding sources and provide more services.

In order to establish a consortium there needs to be a deliberate and careful planning process wherein potential members are convened to establish the desired goals, decide on membership criteria and select the leadership of the consortium.

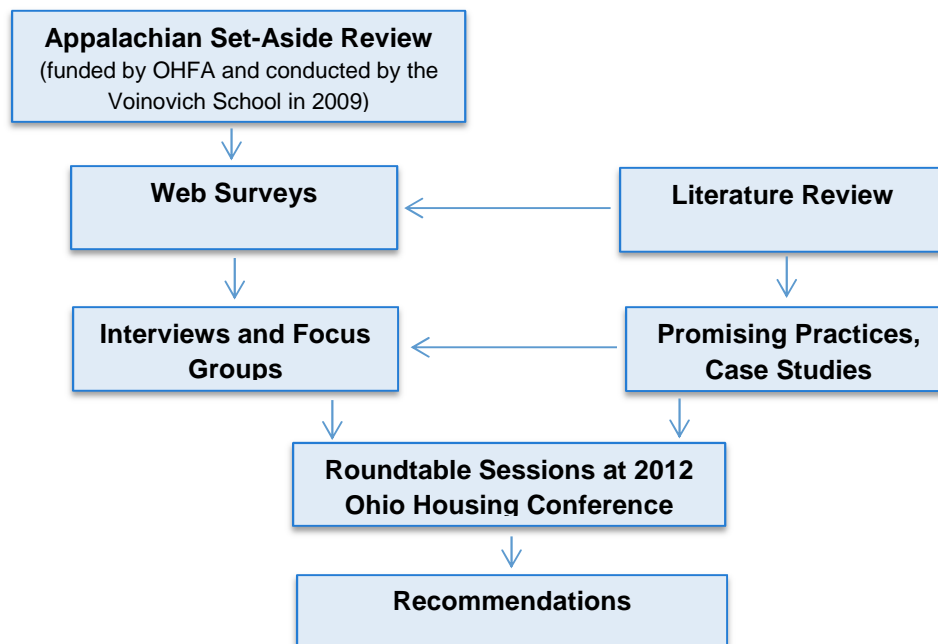
STRUCTURE OF THIS REPORT

This report begins with a description of the components of the Appalachian Housing Initiative and the methodologies behind each. The next section provides an overview of the barriers to the development of quality affordable housing that were identified by research participants, paired with the strategies that were suggested for overcoming these barriers. Final recommendations for increasing the availability of quality affordable housing in Appalachian Ohio are detailed in the last section of the report.

METHODOLOGY

There were multiple components to the research conducted by the Voinovich School. Researchers first drew on prior research, including the *Appalachian Set-Aside Review*, to develop web surveys.² Researchers also conducted a literature review to produce a list of promising practices for increasing quality affordable housing in the region. Case studies were developed in order to illustrate select promising practices. The results of the case study research, in addition to the web survey results, informed script development for the subsequent focus groups and interviews. The focus groups, interviews, case studies and surveys provided material for the 2012 Ohio Housing Conference preconference session. The strategies refined at the housing session are reflected in the list of final recommendations. Figure 1 illustrates the ways in which these research components worked together to produce the recommendations provided in this report.

Figure 1. Appalachian Housing Initiative Research Process (Voinovich School Research Activities)



² The *Appalachian Set-Aside Review* can be found on OHFA's website <http://www.ohiohome.org/research/relatedresearch.aspx> (Accessed February 6, 2013).

It should be noted that this study primarily focused on housing developed for households with low-incomes, and did not include a specific focus on permanent-supportive housing, which is a topic that merits a detailed study of its own.

Web Surveys

Researchers prepared three surveys for distribution to non-profit developers, for-profit developers and for-profit property managers operating in Appalachian Ohio. The three surveys sought to identify potential opportunities and barriers related to the creation of affordable housing in the region. Each survey was designed to include a core set of questions common to all surveys as well as other questions related to the particular type of organization for which it was targeted. Drafts of each survey underwent a review process with OCDCA and OHFA. In addition, the draft Non-Profit Developers Survey was piloted with likely participants whose clarifying suggestions were incorporated into the final question design. Once finalized, each survey was prepared for distribution via the internet as a web survey.

OCDCA identified the organizations to target for each survey, and provided the Voinovich School with contact information for each organization. Prior to deploying the survey, a joint letter from OCDCA and OHFA was e-mailed to the participant list to inform them of the purpose of the study and to encourage their participation. Organizations were ensured that their responses would only be reported in combination with all others. On January 10, 2012, the surveys were distributed via e-mail using the contact information provided by OCDCA. Each e-mail invitation was individualized with the name of a contact person at the targeted organization. Two weekly reminder messages were sent to all non-responding addresses. In addition, up to three phone calls were made to non-responding Community Housing Development Organizations (CHDOs) and Metropolitan Housing Authorities (MHAs). Surveys were collected through February 20, 2012.

The table below provides detailed information on the response to the surveys. Each survey began with a clarifying question to ensure the contacted organization operated in one or more Appalachian Ohio county. Organizations whose response indicated they do not develop or manage affordable housing in any of the targeted counties were dismissed from the remainder of the survey. All respondents, including those that did not qualify based on geographic service area, are included in the response rate calculation.

Table 1. Survey Response

Survey	Number of Contacted Organizations	Number of Responses	Number of Qualified Responses*	Response Rate
Non-Profit	89	47	45	52.8%
For-Profit	24	6	5	25.0%
Property Manager	21	4	3	19.0%

*Organizations operating in Appalachian Ohio

The responding non-profit developers included 18 MHAs, 14 CHDOs, 8 Habitat for Humanity affiliates and 5 other organizations. The respondents included organizations operating in all 32 Appalachian Ohio counties. Results of the Non-Profit Developers Survey are provided in Appendix B. In order to ensure the confidentiality of the responding organizations, results from the two other surveys are not provided.

Information from all three surveys was used in designing the data collection instrument for the subsequent focus groups and interviews. While the low response rate to the For-Profit and Property Manger surveys was problematic, the survey response did assist the researchers in developing scripts for interviews and focus groups with these entities.

Focus Groups and Interviews

Researchers conducted interviews and focus groups with affordable housing stakeholders in order to gather more in-depth information on the barriers to affordable housing development in the region and to begin generating strategies for overcoming these barriers. OCDCA recruited participants for the interviews and focus groups. In all, 48 affordable housing stakeholders participated in the focus groups and interviews. Table 2 provides a more detailed overview of the process and participants.

Table 2. Focus Group and Interview Process and Participants

Date	Location	Focus group or interview	Type of participants	Number of participants
5-Jun-12	Athens	focus group	mixed non-profit developers	5
5-Jun-12	Athens	focus group	CHDOs	3
7-Jun-12	Columbus	focus group	MHAs	8
15-Jun-12	Phone	interview	USDA-Rural Development	1
19-Jun-12	Columbus	focus group	intermediaries/experts/others*	7
25-Jun-12	Phone	interview	Governor's Office of Appalachia	1
26-Jun-12	Canton	interview	CHDOs	1
26-Jun-12	Canton	interview	non-profit developer	1
27-Jun-12	Columbus	focus group	intermediaries/experts/others	5
9-Jul-12	Columbus	interview	OHFA	3
10-Jul-12	Phone	interview	for-profit developer	1
10-Jul-12	Phone	interview	intermediaries/experts/others	2
11-Jul-12	Phone	interview	HUD	3
18-Jul-12	Columbus	interview	DSA, Office of Community Development	4
19-Jul-12	Phone	interview	Ohio Capital Corporation for Housing	1
25-Jul-12	Phone	interview	for-profit developer	1
27-Jul-12	Phone	interview	Housing Assistance Council	1

*One participant in this focus group was from a funding agency.

Focus groups were conducted using standardized, open-ended scripts based on the five questioning categories outlined by Krueger.³ Scripts for both the focus groups and interviews were reviewed by OCDCA. Select scripts were also vetted by non-profit developers, funders and for-profit developers.

All focus groups and interviews, except for the interviews with for-profit developers, were recorded. Recordings were transcribed and then analyzed using MaxQDA qualitative analysis software. Researchers conducted content analysis of the transcripts using a process of *a priori* coding and open coding, followed by recoding based on identified themes. Multiple analysts participated in the process in order to reduce the possibility of any researcher bias.⁴

³ Krueger, R. (1998) *Developing Questions for Focus Groups* Thousand Oaks, CA: Sage Publications, 21-30.

⁴ Glesne, C. (1999). *Becoming qualitative researchers: An introduction*. New York: Addison Wesley Longman, Inc.; Holton, J. (2007) "The Coding Process and Its Challenges" in Bryant, A and Charmaz K. *The SAGE Handbook of Grounded Theory*. Thousand Oaks, CA: SAGE Publications Inc.

Promising Practices Research

Researchers conducted a review of the literature on affordable housing development in Appalachia and in areas with characteristics similar to those of Appalachian Ohio. Documents were identified for inclusion in the literature review based on a search of relevant academic journals, a review of diverse organizational websites and feedback received from experts within the affordable housing industry. Over 50 articles and reports were reviewed.⁵ As each document was read, potential promising practices were entered into a database, resulting in a total of 172 recommendations. These were categorized into ten themes to be considered for additional research. These themes were discussed with representatives of OCDCA and, based on this discussion, the following six themes were prioritized for further research. (Appendix E of this report includes a list of all ten identified themes.)

Promising Practice Themes

1. Explore strategies to enable small rural housing agencies to achieve economies of scale through bundled deals, collaborative funding requests, shared services, combined back office operations, bulk purchasing, shared staffing and/or establishment of a regional consortium.
2. For rural areas with limited job growth, prioritize maintenance/restoration of existing housing stock over new builds to maximize impact and to contribute to overall community revitalization efforts. This could include (but is not limited to) facilitation of low-income household purchasing /rehab of single family homes or prevention of LIHTC projects' conversion to market rates through providing tax benefits and/or funds for rehabilitation in return for continued and/or increased affordability restrictions.
3. Focus a portion of LIHTC allocations on increasing/maintaining affordable housing in Appalachian Ohio through a designated geographic set-aside, points, non-numeric preference or some combination of these.

⁵ Among the reviewed articles and reports were: Brady D. (2010) Rural Areas and the Manufactured Housing Advantage. California Coalition for Rural Housing; Dangler, D. and Gass, A. (2007). Raising the Roof on NeighborWorks Montana: Doing Business in Rural America. NeighborWorks America; Housing Assistance Council (2010) Rural Housing Leaders Reflect: Where do we go from here? *Rural Voices*, Volume 14 Number 4; Joint Center for Housing Studies of Harvard University (2010). Long-Term Low Income Housing Tax Credit Policy Questions; Rural Community Assistance Partnership and Housing Assistance Council (2011). Housing and Water: The Critical Connection; Wodka, A. (2009). Landscapes of Foreclosure: The Foreclosure Crisis in Rural America. The Urban Institute.

4. Diversify funding sources, including tapping into energy-related funding sources to provide energy upgrades resulting in decreased long-term management costs, water/land conservation funds, historic restoration funds, etc.
5. Incentivize and/or provide technical support for the development of relationships/partnerships among nonprofit developers, between nonprofit and for-profit developers, between rural and urban developers and/or between developers, local officials and community groups.
6. Develop a targeted foundation, fund or Community Development Financial Institution to provide rural nonprofit developers with flexible lines of credit not tied to a specific project that could be used to cover predevelopment expenses, short-term overhead shortfalls or costs related to increased capacity efforts such as new technology, professional development, etc.

Case Studies

Once the six themes were selected, additional research was done to identify fourteen potential case study organizations, each of which illustrated successful implementation of at least one of the six prioritized themes. (See Appendix F of this report for a list of all fourteen potential case study organizations.) OCDCA was provided with a short description of each organization as well as the theme or themes addressed by a potential study of that organization. Selection of five final case studies was made based on a combination of factors, including range of promising practices represented, geographic distribution, the diverse types of programming and the availability of adequate information. For each project selected, available information was carefully reviewed, including websites, annual reports, newsletters, media coverage, etc. Once this was completed, an interview script was developed to gather additional information and the organization was contacted to schedule a telephone interview.⁶ Based on this research, a case study was written with emphasis placed on one or more of the targeted promising practices. A draft version of the case study was provided to each of the five profiled organizations for review and approval prior to finalization.

The five case studies included in Appendix F of this report focus on the following organizations or projects:

⁶ Due to the detailed information already available on the Federation of Appalachian Housing Enterprises from a variety of sources, including several interviews with the director, a telephone interview was not conducted with this organization.

1. Federation of Appalachian Housing Enterprises (FAHE) – Berea Performance Compacts (Kentucky)
2. Habitat for Humanity 7 Rivers, Maine – Weatherization, Repair and Rehab
3. Idaho Housing and Finance Association (IHFA) – Home Partnership Foundation
4. Public Service Electric & Gas, Residential Multi-Family Housing Program (New Jersey)
5. Southeast Rural Community Assistance Project – Baptist Valley East Sewer Project (Virginia)

Additional Research

In order to provide a picture of the resources available to those seeking to develop quality affordable housing in Appalachian Ohio, the Voinovich School also mapped the coverage areas of CHDOs and MHAs in the region and developed an overview of the main funding resources available for affordable housing development in the area.

CHDO/MHA Coverage Map

The Voinovich School created a map depicting the service areas of MHAs and CHDOs in the Appalachian region. Among Ohio's 32 Appalachian counties, 17 are served by a CHDO and an MHA, 14 are served by only a CHDO *or* an MHA and Scioto County is not served by any MHA or CHDO. Two data sources were consulted in order to develop the map. The CHDO coverage area information was obtained from an electronic database provided by OHFA of the 2012-2013 State Certified CHDOs. Among the 61 State Certified CHDOs in the database, 14 serve one or more Appalachian Ohio counties for a total of 19 Appalachian Ohio counties covered by a State-Certified CHDO. In some cases, more than one CHDO operates in a county.⁷

The MHA coverage information was developed using information from the MHA mailing list provided by OCDCA for use in distribution the Non-Profit Developers Survey in January 2012. This information was reviewed through a process of phone calls and internet research to confirm the Appalachian counties served in whole or in part by an MHA. See Appendix C for the map of CHDO and MHA coverage areas.

Funding Sources

Information on funding sources that support the development and preservation of affordable multifamily housing properties was obtained from the websites of the OHFA, ODSA, the U.S.

⁷ OHFA has published the 2012-2013 State Certified CHDO database on its website: www.ohiohome.org/chdo/2012-2013StateCertifiedCHDOs.xlsx (Accessed February 1, 2013)

Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA). Program descriptions are included in this report as Appendix D.

Roundtable Process

On November 26, 2012, after the surveys, focus groups and interviews were completed, a preconference session entitled “Appalachian Housing Initiative” was held at the 2012 Ohio Housing Conference. During the session, researchers presented findings from the Appalachian Housing Initiative and solicited feedback on strategies for increasing the availability of affordable housing in Appalachian Ohio. Twenty-five people participated in the roundtables: ten participants from non-profit development organizations; eight participants from funding agencies; five participants who were housing experts or members of housing intermediary organizations; and two participants representing a for-profit developer.

During the session, participants joined in roundtable discussions in the following thematic areas: (1) developing a consortium of affordable housing stakeholders in Appalachian Ohio; (2) enacting regulatory and process changes; (3) addressing funding shortages; and (4) building capacity of non-profit developers and local governments. These four areas were selected by the Voinovich School in conjunction with OCDCA, with the goal of representing the categories of strategies that were most often suggested by participants during prior phases of the research. Three rounds of roundtable discussions allowed participants to provide feedback on their three preferred themes.

Consortium

Participants in the consortium roundtables were asked to prioritize the possible roles that could be played by a consortium of Appalachian Ohio affordable housing stakeholders. To illustrate the types of activities a consortium could undertake, facilitators provided participants with information about FAHE (see Appendix F for the FAHE case study). Participants in the roundtable were also asked to discuss who the members of this type of consortium should be, and who should lead the consortium. After this, they were asked to identify the resources that would be needed to get a consortium started.

Regulatory/Process Change

Participants in the regulatory/process change roundtables discussed a variety of changes that were proposed during the interviews, focus groups and surveys. These potential changes included: developing a formal pre-application process for tax-credit projects; packaging multi-site developments; increasing support for sewer and water projects in rural areas; modifying environmental and accessibility requirements; increasing emphasis on rehabilitation; and shifting

to need-based allocation of development funding. Participants were asked to select the top three changes that would most impact affordable housing access in Appalachian Ohio. Once these were identified, facilitators asked participants to identify the specific changes that would need to be made, whose authority would be needed to make the changes and whether other efforts (such as outreach and publicity) would be needed to make the changes successful.

Funding

For the discussions about funding, participants were asked to identify the types of funding that were most necessary for the continued development of quality affordable housing development. Once these funding types were identified, participants discussed where the funding could currently be obtained, where else the funding might be obtained and creative ways to reduce the costs of the activities for which the funding is needed.

Capacity Building

Participants in the capacity building roundtables discussed capacity building for non-profit developers and for local governments. Participants first prioritized the types of capacity on which capacity building efforts should focus. The roundtable facilitator presented the groups with lists of capacity areas for non-profit developers and local governments. The lists were based on findings from the survey, focus groups and interviews. Roundtable participants selected three capacity areas for each group, and then were asked to develop strategies for carrying out capacity building in the targeted areas. Participants were also asked to address the critique made by some research participants that funds should not be spent on capacity building for struggling non-profit developers when there are other developers who are able to develop housing but need more development funding.

Final prioritization

At the end of the preconference session, participants voted on the strategies they thought would have the most impact on quality affordable housing development in Appalachian Ohio.

BARRIERS AND STRATEGIES

This section of the report provides an overview of the barriers to quality affordable housing development in Appalachian Ohio as described by research participants, as well as the strategies that research participants proposed to address these barriers. This section is not intended to express the views of the Voinovich School or OCDCA, but instead to convey the information provided by housing stakeholders during the research process.

Securing development funds

Research for the Appalachian Housing Initiative occurred during a period in which funding for affordable housing was being cut dramatically, and this development was reflected strongly in the information provided by research participants. Participants repeatedly referenced the lack of adequate resources to meet the affordable housing needs of the Appalachian Ohio region. Among the reduced or eliminated funding sources specifically mentioned by participants were: the Community Development Block Grant program, the Community Housing Improvement Program; the HOME program, the Neighborhood Stabilization Program; local government funding; USDA Rural Development direct program funding (especially funding for multi-family development and infrastructure development); OHFA CDHO operating grants; and HUD's Rural Housing and Economic Development program.

Participants identified two main ways in which the Appalachian region may be disproportionately impacted by the funding reductions that are affecting the whole state. First, some participants noted that Appalachia's relative lack of political influence limits the ability of local housing advocates to generate additional resources or protect existing funding, particularly during times of economic contraction. Second, many participants argued that development projects in Appalachian Ohio are generally less competitive for a variety of reasons, many of which are addressed in more detail in other portions of this report. Participants noted that non-profit developers in the region are typically not well capitalized, which

“There is still a huge gap between what we have for funding and what the actual demand is. So it's band-aiding it to an extent because there is such a huge need and funds are so scarce.”

-Housing Funder

makes meeting match requirements more difficult. They also noted that developers within the region frequently propose smaller projects or focus on single-family development, both of which they perceive to be less competitive. Respondents also pointed out that large areas of Appalachian Ohio do not have local zoning codes, which can cause developers to lose points on development applications. Finally, several participants noted that investors tend to be less interested in projects within this region, in part because of perceptions about Appalachian culture but also because of the lower median rents and decreased relevance of Community Reinvestment Act (CRA) credits in this region.

In the Non-Profit Developers Survey, 55 percent of respondents marked “always” or “frequently” as their response to whether securing development funds was a barrier to multi-family property development, while 63 percent selected these categories in relation to securing development funds for single family property development. None of the other barriers listed on the Non-Profit Developers Survey achieved a larger percentage of “always” or “frequently” responses.

Strategies

When asked how this barrier could be overcome, participants suggested the following:

- Engage in capacity building to ensure non-profit developers have the financial expertise necessary to layer enough subsidies to make development possible.
- Establish or increase an Appalachian or rural set-aside in the Qualified Allocation Plan and/or in other funding processes.
- Create a consortium of Appalachian affordable housing stakeholders, with one of the functions of this consortium potentially being advocacy.
- Package developments from multiple sites within a single funding proposal to enhance competitiveness by increasing the total number of proposed units (recognizing that this could make the management of properties more difficult and/or expensive).

PSE&G Residential Multifamily Housing Program (New Jersey)

Affordable housing developers in New Jersey have been able to supplement scarce funding for repairs and rehabilitation through a program offered by Public Service Electric & Gas (PSE&G). New Jersey's largest gas and electric utility, PSE&G, created the Residential Multifamily Housing Program to encourage affordable housing development owners to invest in energy efficiency improvements. For qualified applicants, the program provides a free energy audit, makes upgrade recommendations, and pays all upfront costs for engineering, equipment and installation. Projects may include everything from HVAC system upgrades to new programmable thermostats and high-efficiency lighting and refrigeration units. In addition, participation incentives result in the average owner being responsible for only 30-35 percent of the total cost of the project, which is repaid on their monthly PSE&G bill, interest-free, over five to ten years. Ideally, the owner's share of the costs will be significantly offset by the cost-savings resulting from lower energy consumption and initial feedback suggests that this is the case. The program is supported through ratepayer funds charged on PSE&G customer utility bills.

For more information about this program, see Appendix F.

Funding predevelopment costs

Identifying a site, securing a site, obtaining local approvals, completing environmental reviews, paying application fees and other predevelopment activities were identified as significant obstacles to increasing the availability of quality affordable housing development in Appalachian Ohio. According to one funder, “There just really is not much available out there to help cover predevelopment costs, so the developers really need to be pretty financially strong in order to be

“The predevelopment costs are astronomical. If you get awarded, it’s fantastic...If you don’t...you can get sunk really easily.”

-Non-Profit Housing Developer

able to cover these costs.” As noted already, many participants observed that non-profit developers within Appalachian Ohio are frequently not well capitalized. Especially for non-profit developers in the region, who may go a year or two between projects, predevelopment costs tend to be incurred when there is little, if any, development revenue coming into the organization.

Strategies

- Modify the application process for tax credits to include a guidance process, or an opportunity to pitch a concept to funders to gauge their interest. This would allow organizations with limited resources to use feedback to assess the project’s potential and make more informed decisions about continued investment in its predevelopment. Several participants noted that current practices in development and funding are not meeting the affordable housing needs in Appalachian Ohio, but that many developers are not willing to risk proposing an unusual project that might better meet the area’s needs without some assurance that it will be competitive.
- Create a consortium of Appalachian Ohio affordable housing stakeholders, with one of the functions of this consortium potentially being to administer a revolving loan fund that would help with predevelopment costs.
- Package developments across multiple sites in order to reduce application and other fees.

Finding a suitable building site

According to research participants, building sites that are acceptable to funders and investors can be hard to find and are often prohibitively expensive. On the Non-Profit Developers Survey, 45 percent of respondents indicated that finding a suitable building site was “always” or “frequently” a barrier when developing single-family and multi-family properties. One of the issues making it difficult to locate and obtain a suitable building site is slope. Much of the terrain in the Appalachian Ohio counties is hilly, and many participants mentioned difficulty finding sites that meet OHFA accessibility requirements. The fact that many areas of southeastern Ohio are vulnerable to flooding makes finding a suitable building site even more challenging.

“I think you could get development going on, but nobody can afford to put the gas lines, water lines and sewer lines in for 21 miles. It’s just cost-prohibitive to do that.”

-Non-Profit Developer

The most frequently reported problem related to finding and obtaining a suitable building site, however, was the inadequate extension of utilities throughout the region, especially sewer and water. Several phenomena combine to make water and sewer a large obstacle to development in the region: intense poverty in the area means that there is not a sufficient tax base to support infrastructure bonds; a lack of capacity among some local governments makes more sophisticated financing vehicles, such as Tax Increment Financing, difficult options to pursue even if there is sufficient wealth in the area; extensive infrastructure development would be needed throughout areas with little or no population due to the highly dispersed population and extensive national forests; funding for utility development has been decreased in recent years and often is allocated based on population. There was considerable consensus among research participants that the utility issue is an especially severe problem for the Appalachian region.

Strategies

- Explore the possibility of expanding Ohio’s infrastructure bank to include offering loans and credit assistance for utility expansion in addition to its current focus on transportation projects.
- Establish a consortium of Appalachian Ohio affordable housing stakeholders, with one of the functions of this consortium potentially being to increase cooperation among communities and facilitate longer-term strategic planning for coordinated infrastructure, housing, and business development.

- Acquire a portion of the severance tax on oil and natural gas development and invest the funds in infrastructure expansion, particularly sewer and water.
- Focus on rehabilitation of blighted areas instead of new construction to encourage redevelopment of sites with existing utility connections. This could include encouraging Habitat for Humanity Affiliates to work on rehabilitation projects that help residents maintain the homes they have, thereby reducing the need for additional housing.
- Work with state and local agencies to develop a waiver process for one or more of the standards that limit the feasibility of building on available rural sites. Alternately, developers could work on developing more cost-effective strategies for addressing some of these standards. For example, participants suggested establishing a waiver process for local zoning requirements that determine the maximum number of units allowed per septic system. Participants also suggested a waiver for the 60,000-person population requirement for land banks, or the approval of multi-county land banks. Participants also identified a need to develop ways to more cost-effectively address OHFA accessibility requirements and Green Communities standards.
- Some participants noted that the time restrictions on spending the Attorney Generals' National Mortgage Settlement have led to a focus on demolition without site acquisition

Baptist Valley East Sewer Project (Tazewell, Virginia)

Located in Appalachian Virginia, the Tazewell County Public Service Authority zealously seeks funding for water and sewer projects and, over the past 20 years, has been awarded over \$50 million in grants and \$35 million in low-interest loans. One example of funded activity is the Baptist Valley East Sewer Project. In this area of Tazewell, nearly 500 families relied on private septic systems that did not function effectively due to local soil conditions and were contaminating the Clinch Valley watershed. The Public Service Authority developed planning documents, wrote grant applications and organized a series of community meetings to build local support. Financing for the \$10.1 million project eventually combined money from six funding sources, including grants and loans originating at the local, state and federal levels from sources such as the Virginia Department of Environmental Quality–Clean Water Revolving Loan Fund, the Department of Environmental Quality, the Southern Rivers Watershed Enhancement Program, and the Tazewell County Board of Supervisors.

For more information about the Tazewell County Public Service Authority and the Baptist Valley East Sewer Project, see Appendix F.

and rehabilitation. Participants suggested that making site acquisition a part of this process would allow developers to acquire sites that have acceptable slopes and utilities. They also pointed out that the absence of land banks and the lack of widely available capacity to handle new sites make it difficult to use the settlement funds.

Capacity of non-profit developers

Many participants indicated that non-profit developers in Appalachian Ohio could benefit from capacity building, particularly related to financial expertise, administrative capacity and the ability to negotiate equitable development agreements with for-profit developers.

Participants frequently suggested that non-profit developers should adopt more for-profit business practices that would enable them to generate adequate revenue to remain viable between projects. Another frequent comment was that non-profit developers who want to develop affordable housing should be exclusively focused on housing: “If you have a small non-profit...that does a whole lot of other things—it’s not primarily focused on housing—they’re not going to have the wherewithal to step into a project and take on risk and do the credit delivery guarantees, the completion guarantees.”

“[Developers] have to be constantly fed in order to have a development team, in order to have people that work on finding and doing the next round of deals. So, if you are a small development group in Appalachian Ohio, and you’re doing a deal once every four years, where are you going to get the capacity? Who is going to be working on it?”

-Housing Intermediary

“The capacity that you do have gets spread really thin. So the same non-profit that is delivering a tax credit unit is also trying to do intake on foreclosure prevention and dealing with people on pre-purchasing counseling and serving on the continuum of care stuff...so a lot is expected and they do everything.”

-Housing Intermediary

Participants also described a frustrating cycle in which non-profits develop the capacity of their organization, only to have newly trained staff hired away. This could be because non-profits cannot offer salaries that are competitive with those of for-profits and/or because of a general “brain drain” from the Appalachian region. Some non-profit developers expressed hesitancy about building capacity among staff members who may leave their organization, or whom they may not be able to keep on staff during the gaps between projects or grants. Others noted that where there is capacity, the members of the organization tend to be overextended.

Because research for the AHI drew on a wide variety of housing stakeholders, researchers also heard from a small subset of participants (including for-profit and non-profit developers) who argued that CHDOs and other non-profits are not the correct organizations to be tasked with development in the region. Instead, this subset of participants argued that funding allocations should favor for-profit developers and a small number of high-capacity non-profit organizations because these entities have shown themselves capable of most efficiently and effectively addressing the region's affordable housing needs. According to participants making this argument, the community would be better served if CHDOs and other non-profits utilized their specialized skills to focus on providing resident services such as credit counseling, homebuyer education, case management, etc.

Strategies

- Improve the structure of partnerships between for-profit and non-profit developers to ensure that for-profits contribute to the capacity building of non-profits by providing training, mentoring and/or a mandated minimum developer's fee. It should be noted that many participants made this suggestion based on the assumption that partnerships between for- and non-profits would continue to be a required part of many development projects. Several participants also expressed uncertainty about whether for-profits would be willing to mentor or train non-profit developers.
- Establish a consortium of Appalachian Ohio affordable housing stakeholders, with one of the functions of this consortium potentially being to develop capacity and/or facilitate resource sharing.
 - One way to facilitate resource sharing would be to identify areas of expertise for each non-profit (although it should be noted that some non-profit developers suggested this strategy might result in the small cadre of highly capable non-profit staff members being spread even more thinly across larger service areas).
 - Another way a consortium could encourage resource sharing would be facilitating specific development partnerships among non-profits that would allow organizations to divide application tasks and other resource burdens. One example mentioned was the development of affordable housing for persons with mental health needs, in collaboration with other organizations that serve this population, such as Alcohol, Drug Addiction and Mental Health Services Boards and Developmental Disabilities Boards. These partnerships also allow for the leveraging of additional resources if participating organizations are eligible for different types of funding sources.

- Establish mentoring relationships between highly experienced non-profit developers and newer or struggling non-profit developers.

Federation of Appalachian Housing Enterprises (FAHE) Berea Performance Compacts

FAHE is a nonprofit membership organization focused on affordable housing issues and historically serving the Appalachian regions of Kentucky, Tennessee, Virginia, and West Virginia. In an effort to improve service quality and utilize economies of scale to increase impact, the group established the Berea Performance Compacts in 2006. The idea was to divide up aspects of the complex affordable housing environment, with individual members focusing on developing expertise in their strongest area and providing this specialized service to other members for a below-market-rate fee. Active compacts currently focus on Loan Servicing, Multifamily Development, and Energy Efficient Building. Although FAHE’s new focus on performance measures and earned income was not embraced by all members, it is difficult to argue with the results. In 2011, FAHE members served 7,400 families, more than a 300 percent increase in just six years.

For more information about the Berea Performance Compacts and other strategies utilized by FAHE members to increase capacity, see Appendix F.

Capacity of local governments

Developers and funders who work statewide tended to highlight the important role of local governments in affordable housing development. According to many of these research participants, local government capacity in Appalachia is not consistent and can be a significant obstacle to the development of affordable housing. According to one developer: “[In] a lot of these communities...the

I think the biggest detriment is not all communities can afford to have a professional staff that can focus their energies on housing infrastructure.

-Housing Funder

sophistication of the finance and all is just over their heads. Not everywhere, but in a lot of these places they just don't really understand what we need them to do" in order for development to take place in their community. Some research participants observed that many communities do not have the funds to hire development planners and to build up a staff that can address long-term development issues: "They just don't have the revenue to have community development offices routinely throughout the region."

Strategies

- Establish more collaborative relationships among local governments to facilitate shared capacity. This could be enforced through funding requirements or facilitated by a consortium of affordable housing stakeholders in Appalachian Ohio.
- Develop state-supported hiring of regional experts who could provide advice and assistance to multiple organizations and communities as needed. This support could include assisting local governments and non-profit developers with finding appropriate sites, assembling deals and/or negotiating equitable partnerships with for-profit developers. It should be noted that some participants questioned whether these individuals would be trusted by local governments or organizations.

Poverty of region

There was a good deal of consensus that the deep poverty that characterizes much of Appalachian Ohio means that development projects in the area must be extremely well-

"Projects in the Appalachian counties have a 15% lower median rent at any given income restriction."

-AHI Project Funding Analysis prepared by Bob Snow & Associates

subsidized by state and federal funding sources. Because of very low area median income levels, the rents that can be secured for affordable housing units in Appalachian Ohio are considerably lower than those in other areas of the state. The *Project Funding Analysis* prepared by Bob Snow & Associates for the Appalachian Housing Initiative compares median rents for Appalachian markets, rural non-Appalachian markets and urban markets and concludes that tax credit "projects in the Appalachian counties have a 15% lower median rent at any given income restriction." Lower median rents mean that developers cannot carry as much debt on a project, which increases the need for development subsidies (and as noted earlier in this document, many participants argued that state and federal

development funding is increasingly hard to obtain in sufficient quantities). In the very poor areas throughout Appalachian Ohio, local funding for development projects is also severely limited or nonexistent. One developer noted that “We can’t rely on local communities having any funding for the project.”

Another developer described the process needed to make a project work: “We layer more subsidies. Tax credits help. 515 funding controls what rent we can charge, but they have the lowest rents in the state. In the process of the project, if we find our expenses are too great, we go to Rural Development and have them approve our rent increase (which we justify with our expenses). We also go after Rental Assistance with the project... We also contact the local housing authority, HUD, CAA’s etc., to connect people with rental assistance.” Because the rents that can be secured for Appalachian projects are so low, a continual theme in the focus groups, interviews and housing conference roundtables was the crucial role that rental assistance, particularly project-based Section 8 vouchers, plays in convincing developers to undertake a project and, more generally, in making a project viable.

“We generally don’t build anything unless we can get at least a 15 or 20 year Section 8 renewal.”

-Non-Profit Developer

Strategies

- Develop state-level tax credits or additional state funding targeted to rural communities in order to further subsidize projects in the region and reduce the debt financing required by developers.
- Build the capacity of non-profit developers to layer additional subsidies and carry less debt on a project. This capacity building could take place through mentoring relationships between non-profits and/or could be facilitated by a consortium of Appalachian Ohio affordable housing stakeholders.
- Reorient the way that funders approach affordable housing development in extremely poor areas, focusing first on determining the locations in highest need for additional housing and then determining the level of subsidy necessary to make projects in those locations work.

Hydraulic fracturing

Many participants noted that the developing hydraulic fracturing industry in Ohio will have significant impacts on the availability of affordable housing. According to one participant, “There are those developers that are going to build homes for sale because they’re going to see

“Lots of people are renting rooms of their houses or renting houses and it has driven up the market. It has doubled and tripled the prices.”

-Non-Profit Housing Developer

people with incomes sufficient to get into the home, whether or not it holds 15-20 years from now... The question is who will be left holding the bag? The developer won’t.” Participants also predicted that property owners will be more likely to convert their units to market rate as soon as it is allowable. There was also concern that renters using Section 8 vouchers may have increasing difficulty finding landlords who are willing to accept vouchers.

Strategy

- No specific strategies were recommended, aside from using a portion of revenue from resource extraction to address housing issues, although this strategy was suggested more often as a response to utility access issues.

Idaho Housing and Finance Association (IHFA) Home Partnership Foundation

The Idaho Housing and Finance Association (IHFA) developed its Home Partnership Foundation in part to help meet housing needs in an area with limited affordable housing. Founded in 2005, IHFA's Home Partnership Foundation is the first independent nonprofit foundation in the country dedicated exclusively to housing issues. As one example of its work, the Foundation developed a trust to support housing access for critical service workers in Moscow, a resort community with limited affordable housing options. Local businesses involved in constructing the Green Acre subdivision made tax-deductible donations to the trust, and these funds were then used to provide subsidies for moderate-income families interested in purchasing a Green Acre home. The subsidy pays the difference between what the family can afford and the market value of the house. These subsidies are repaid with interest, but only when the buyer sells the house, at which point the funds go back into the trust to subsidize future home purchases. Through this program, over twenty families have received an average subsidy of \$25,000 towards the purchase of a home.

For information about other Home Partnership Foundation projects, see Appendix F.

Existing housing stock

According to participants, a good deal of the existing housing stock in Appalachian Ohio is substandard. Public Housing Authorities indicated that they lack funds for the maintenance of public housing, and some noted that other existing affordable housing is often in a state of severe disrepair. Substandard housing may decrease demand for quality affordable housing, especially when the affordable housing is congregate housing. Potential residents may prefer the substandard housing that is less expensive and/or a preferred housing product.

"We run into issues a lot of times in the Appalachian region, about whether there is housing stock that's available, just because a lot of the stock is aged or not in good condition."

-Housing Funder

Strategy

- Participants frequently suggested that developers should focus on rehabilitation instead of new construction.

Habitat for Humanity/7 Rivers Maine – Weatherization and Repair

In 2008 and 2009, Habitat for Humanity/7 Rivers Maine (HFH/7RM) established home repair and weatherization programs for existing low-income homeowners. Similar to new home builds, families must meet income requirements, provide sweat equity and agree to pay back a no-interest loan to cover material costs. However, these programs focus on work that can be completed in two weeks for \$5,000 or less. While HFH/7RM previously averaged about three new home builds every two years, these new programs allow them to help 80 or more families annually. As Project Coordinator Josh Reynolds sums it up, “New home builds will always be an important part of Habitat, but the proof is in our results – we are able to get more families in homes that are safe, comfortable, affordable and sustainable through weatherization, repair and rehabs.”

For more information about HFH/7RM weatherization and repair programs, see Appendix F.

Prospective renter and buyer credit history

Participants noted that problems with credit history are increasing, and some reported that their funding for credit remediation has been decreased or eliminated. According to one non-profit developer, “We may go through 15 applications and find one client that would qualify.”

“Just about the time we reached our potential, we were getting people’s credit repaired and had new people coming in...we lost our coordinator funding and when that happened, that just blew the whole project apart.”

-Non-Profit Developer

Strategy

- Establish a consortium of Appalachian Ohio affordable housing stakeholders with one of the functions of this consortium potentially being to facilitate resource sharing among non-profit developers,

with a small number of non-profits offering credit counseling and remediation services to clientele throughout the region. In exchange, the other non-profits could provide different specialty services to consortium members.

Population density

Many participants noted that the demographics of Appalachian Ohio are not favorable for development. Populations tend to be dispersed, which makes multi-family housing development a challenge. According to one housing intermediary, “The metrics don’t look good and you end up with these huge market areas [but] you can’t do a huge number of units because the market can’t support it... You don’t have the economy of scale and it makes it harder to make a deal financially viable.”

“It’s very difficult to generate the right key demographics in the highest numbers on a market study to justify the dollars necessary to do a project, whether it’s tax credits, CDBG or anything.”

-Housing Intermediary

Strategy

- Packaging of developments was the primary strategy suggested to accommodate this feature of Appalachian Ohio.

Appalachian culture

Some participants (primarily funders and intermediaries) argued that features of Appalachian

“Most housing strategies have involved clustering people in some kind of congregate housing. It is difficult for some people to adapt when they are used to having more space around them in a rural environment. It’s hard to adapt to clustering.”

-Housing Intermediary

culture can make development challenging. According to these arguments, a strong cultural preference for single-family homes causes resistance to the more efficient and cost effective development of multi-family structures. According to one intermediary, “Folks that grew up in Appalachia don’t necessarily want to live in a multi-family project... I think a lot of folks would prefer a single-family home, even if it’s a

little more dilapidated than a smaller multi-family with a big parking lot.” Some participants also ascribed an increased emphasis on self-reliance to the Appalachian population, which they argued could contribute to resistance to outside assistance. A lack of zoning in the area, which can perpetuate the problem of substandard housing and less competitive funding applications, was also attributed to an Appalachian ethos of independence and non-interference.

Strategy

- No specific strategies were suggested to address this obstacle.

Insufficient development in high-need areas

Many participants argued that the current federal and state systems of affordable housing funding do not serve the most needy. One housing intermediary observed, “We can have organizations going into a community to build housing for people in need, but they end up building housing for

“It’s about the deal, not the need.”

-Non-Profit Developer

people who are in need, but not this much need. And they will...declare victory, but they really didn’t tackle the tough parts...I’m not saying you only have to serve the poorest or anything like that, but I’m saying let’s not

be dishonest with ourselves about what we say we are going to do and what we end up doing.”

Many participants argued for a shift to need-based funding in areas with extreme need, so that housing can be developed in areas where it is very hard to put together profitable development deals.

Strategies

- Funders and developers could seek additional input from MHAs to identify areas most in need of quality affordable housing. MHAs argued that their knowledge of the geographic distribution of vouchers is not being utilized by those who are determining the location of new developments.
- Other participants argued for a more fundamental shift in funding philosophies, whereby funding is allocated in the amounts needed to make the most critical developments work.

For example, one non-profit developer suggested sizing the basis boost to the unique underwriting of each project.

Regional policy priorities and federal regulations

At times, participants suggested changes that would need to be made at the regional or national level. Specifically, participants suggested changes to the Community Reinvestment Act (CRA) and Environmental Protection Agency (EPA) regulations, as well as a shift in policy focus for the Appalachian Regional Commission.

Strategies

- Alter CRA regulations so the Appalachian Ohio region becomes more attractive to tax-credit investors.
- Increase the Appalachian Regional Commission's focus on housing and infrastructure issues.
- Relax EPA restrictions on private sewer installations.

“The money that we’re investing is not our own; it is investor dollars. They have CRA targets and if they don’t have retail branches in a very small market, they don’t have huge interest in investments in some of those more rural counties. It’s a challenge for us to try to meet our mission of serving Ohio’s affordable housing needs and touching all the counties as we are trying to do—recognizing a big hunk of our investors don’t have a huge interest in us going there necessarily.”

-Housing Intermediary

RECOMMENDATIONS

Most participants in the Appalachian Housing Initiative stressed that, like the rest of the State of Ohio, the Appalachian region does not have sufficient resources with which to meet the real and pressing need for quality affordable housing. Federal, state and local resources for affordable housing development have shrunk significantly in recent years for those who are trying to develop affordable housing just about anywhere. In the Appalachian region of Ohio, the problem of this contracting resource base has been compounded by several factors:

- The higher than average unemployment rates in the area reduce the population's ability to pay rents that are not heavily subsidized.
- The high poverty rates and low median incomes in the region make income-restricted rents too low for non-profit developers who struggle to carry hard debt.
- The aging and substandard nature of much of the housing stock in Appalachian Ohio means that there is a strong need for more funds for rehabilitation and new construction.⁸
- The relatively low-level of political influence of the region can make it harder for the region to make its needs known to policymakers and funders in other areas of the state.

For these and other reasons, participants in the study frequently called for an increase in funding for the development of quality affordable housing in Appalachian Ohio. Specifically, participants reported that development funding and rental assistance are much needed, so that developers can take on projects with lower debt burdens. When asked where the funding might come from, participants offered a variety of suggestions, including accessing the Ohio Housing Trust Fund, HOME Program funds and returning American Recovery and Reinvestment Act funds. Some suggested an Appalachian set-aside; others suggested increased points in the Qualified Allocation Process for Appalachian or rural counties. Many participants also indicated that current state and federal funding practices do not serve high-need areas well. Many suggested that there should be a reevaluation of the way the projects in high-need areas are funded, and

⁸ The market study prepared by VSI indicates that: 26 of the 32 Appalachian counties have higher unemployment rates than the state average; 27 of the 32 Appalachian counties have a higher percentage of the population living in poverty than the state average; and 27 of the 32 counties have a higher percentage of substandard housing than the state average. See footnote 1.

perhaps a shift to need-based funding in areas with features that make it extremely hard to put together viable development deals.

All participants were mindful that resources are very scarce, and for this reason the following list of recommendations does not include a specific call for increased funding to the region. It is also the case that other structural and procedural issues must be addressed in order for affordable housing development in Appalachian Ohio to be sustainable, regardless of funding levels, and the following recommendations are designed to address many of these issues. Nonetheless, the factors previously mentioned (including the high unemployment, high poverty rates, and deteriorating housing stock) indicate a clear and pressing need for more funds for development, operating assistance, and rental assistance for the region.

The following list of recommendations is designed to present a mix of strategies that will address some of the larger structural problems impeding development (such as the inadequate extension of utilities and low population density) while at the same time providing suggestions for some more near-term procedural changes that could begin to encourage more quality affordable housing development in the region.

1. Formalize an optional pre-application guidance process for Low-Income Housing Tax Credit applicants.

This recommendation addresses three main points brought up by research participants: (1) predevelopment costs can be very burdensome and as such pose risks to developers; (2) many non-profit developers in the region might benefit from capacity building; and (3) the current methods being used to produce quality affordable housing in Appalachian Ohio are not fully meeting the area's need, so more creative solutions are needed. Because applicants perceive less traditional development proposals to be risky, especially given predevelopment costs, many participants said they would appreciate receiving formal feedback on project concepts so as not to commit too many resources to a project that has little likelihood of being funded.

While some research participants reported that they already have a relationship with OHFA or other funders that would allow them to ask for feedback on projects under development, other participants (both large-scale and small-scale developers) indicated that formalizing the optional practice of a low-stakes consultation with funders would be helpful.

2. Identify a model for packaging developments across multiple sites and establish funding procedures for this type of development.

One of the main barriers to development that this strategy would address is the low population density in the region. Packaging deals across sites (including across counties) would increase the total number of proposed units for a development, which could increase its competitiveness for funding and could help developers approximate certain economies of scale. Packaging development across sites might also reduce certain application fees, which could help with predevelopment costs. Those who suggested this strategy pointed out that there is not yet a clear model for how this could be done and that, if not done carefully, packaging developments might create management difficulties down the road. Nonetheless, there is at least one LIHTC development that crosses county lines (a 72-unit mix of single-family lease purchase homes and multi-family rental homes in Morrow and Ashland Counties) and research participants were enthusiastic about the need to identify the procedures through which such packaging could happen more frequently.

If such procedures are established, the next step would be to publicize the option of packaging developments across sites and to engage in capacity building so that non-profit developers could learn how to take advantage of the opportunity to put together developments with larger numbers of units across multiple sites.

3. Acquire a portion of revenue from the severance tax on oil and natural gas production in Ohio. Invest the funds in activities that support quality affordable housing development in the region.

Many research participants suggested that, because oil and natural gas production impacts communities throughout the region, a portion of the severance tax on this production could be used to support quality affordable housing development in impacted counties. One of the ways quality affordable housing development could be supported is through the expansion of much-needed water and sewer lines throughout the region. Participants were clear that a lack of utilities is a significant barrier to the development of affordable housing in Appalachian Ohio. Expanding utilities is a time-consuming, complicated and prohibitively costly process that requires the cooperation of many parties who might not have sufficient capacity to engage in the process. Participants also noted that funds for utility expansion were very scarce. For this reason,

acquiring a portion of the severance tax on oil and natural gas production seemed a promising way to fund necessary structural changes.

To implement this strategy, it seems necessary to build a large coalition in support of using a portion of the severance tax for these purposes. Such a coalition might include the Appalachian delegation of state legislators, developers who work in the area, COAD, COHHIO, OCDCA and economic development organizations in the region. It might prove useful to look at the way Pennsylvania used a portion of extraction fees to mitigate the impact on affected communities. It might also be helpful to undertake an economic impact analysis of using a portion of the severance tax for infrastructure development as opposed to alternative uses for that portion of the severance tax proceeds.

4. Funders with discretion over their funds could consider capacity building for non-profit developers in Appalachian Ohio, especially in the areas of business practices, negotiating equitable agreements with for-profit developers and grant writing.

Research participants repeatedly identified inconsistent capacity on the part of non-profit developers as a barrier to the development of quality affordable housing. Various options for capacity building were suggested, including: establishing mentoring partnerships between more experienced non-profits and newer or struggling non-profits; establishing the state-supported hiring of regional experts who would be available to non-profit developers throughout the region and who could fill in capacity where needed (e.g. negotiating development deals with for-profit developers or conducting environmental reviews); and providing scholarships for organizations that want to pursue training in identified areas. Among the possible resources mentioned for funding these capacity building efforts is HUD's OneCPD Technical Assistance program.

The many participants who argued in favor of capacity building offered important caveats. They stressed that capacity building efforts should be long-term, and that organizations should develop strategies for staff-retention that would allow them to maintain the capacity they develop.

While there was strong support for efforts to increase the capacity of the region's non-profit developers, this support was not unanimous. Those who disagreed with this strategy suggested that funds for capacity building could be better spent on development carried out by more experienced developers.

5. Funders with discretion over their funds could consider capacity building for local governments especially in the areas of financing utilities extensions and development planning.

Many research participants, especially funders, noted that local government would benefit from capacity building as well. Funders and a few developers reported frequent difficulty working with local governments on development projects, and indicated that a capable local government was very necessary for attracting developers to the area. The need for increased capacity was especially noted in the areas of development planning, infrastructure expansion, and collaboration with other local governments. Funders especially noted that much work needs to be done to encourage local governments to collaborate on economic, workforce and development planning. Participants suggested that the state-supported regional experts (described in the previous recommendation) would be beneficial for local governments as well.

6. Establish a procedure for creating a consortium of affordable housing stakeholders in Appalachian Ohio.

One of the most frequently made and widely supported suggestions was the development of a consortium of Appalachian Ohio affordable housing stakeholders. Participants suggested a wide variety of functions that could be carried out by such a consortium, including:

- Engaging in advocacy/resource protection
- Providing or coordinating capacity building for non-profit developers
- Facilitating strategic planning among local governments
- Providing or coordinating technical assistance to local governments, including technical assistance with utility expansion
- Administering lines of credit (e.g. a revolving predevelopment loan fund)
- Facilitating resource sharing among non-profit developers (e.g. centralizing back office functions, reducing unit cost through specialization, encouraging deal flow among membership organizations, facilitating pre-application bundles incorporating multiple organizations)

- Facilitating increased collaboration across disciplines (e.g. housing, mental health, job training, banking, economic development) to reach new funding sources and provide more services

When asked who the membership of such a consortium should include, participants suggested non-profit developers who operate in Appalachian Ohio, for-profit developers who operate in Appalachian Ohio, and any agencies in the region (or who serve the region) for whom housing is a component of their work. Participants suggested that funding for a consortium might come from OHFA's Housing Investment Fund, ODSA, the Appalachian Regional Commission, the Ohio Housing Trust Fund, the Ohio Department of Alcohol and Drug Addiction Services, the Ohio Capital Corporation for Housing, and membership fees. It was noted that membership fees should be scaled to the size of the organization.

When discussing who should lead the consortium, most participants agreed that the consortium's leadership should: be housed in an already-existing organization; have a physical presence in Columbus, or be able to establish a physical presence in Columbus; and have a physical presence in Appalachian Ohio, or be able to establish a physical presence in the region. Examples of organization that were named by research participants as possible consortium leaders include: NeighborWorks, the Corporation for Ohio Appalachian Development, the Federation of Appalachian Housing Enterprises and OCDCA.

The first step in establishing a consortium should be a deliberate and careful planning process wherein potential members are convened to establish the desired goals, identify membership criteria and then select the leadership of the consortium.

APPENDIX A: Research Participants

Research participants included a mix of non-profit developers, for-profit developers, for-profit property managers, funders, housing intermediaries and housing experts. Housing developers and property managers were promised that their identity would remain confidential. The following list provides the names of housing funders, intermediaries and experts who participated in the research. The subsequent table provides details on the number of people who participated in the web surveys, interviews, focus groups, and housing roundtable.

Funding Organizations, Housing Intermediaries and Housing Experts Participating in the Appalachian Housing Initiative

Coalition for Housing and Homelessness in Ohio
Corporation for Ohio Appalachian Development
Enterprise Community Partners
Federation of Appalachian Housing Enterprises
Finance Fund
Heritage Ohio
Housing Assistance Council
Neighborhood Development Services, Inc.
Ohio Capital Corporation for Housing
Ohio Development Services Agency, Governor's Office of Appalachia
Ohio Development Services Agency, Office of Community Development
Ohio Housing Finance Agency
US Department of Agriculture, Rural Development
US Department of Housing and Urban Development

Number of Individuals Participating in Research, Based on Organization Type

	Web Surveys	Focus Groups	Interviews	Roundtable
Non-Profit Developers	45	16	2	10
For-Profit Developers	5		2	2
Experts/Intermediaries/Others		11	5	5
Funders		1	11	8
For-Profit Property Managers	4			
Total Participants in Research Component	54	28	20	25

Note: Individuals and organizations may have participated in multiple research components.

APPENDIX B: Non-Profit Developers Survey Results

Surveys were completed by 45 non-profit organizations that develop or manage affordable housing in the Ohio Appalachian Region. These included 8 Habitat for Humanity affiliates, 14 CHDOs, 18 MHAs and 5 other organizations. Included in the response are organizations from all 32 Appalachian Ohio counties. Not all respondents answered all the questions and therefore the “Total Respondents” count varies from question to question. For “Check all that apply” questions, the Percent of Respondents is calculated by dividing the number of times an answer was selected by the number of respondents who answered any component of the question (Total Respondents).

What types of affordable multi-family properties does your organization develop in Appalachian Ohio? Please check all that apply.

	Number	Percent of Respondents
Multi-family housing for individuals or families	20	44.4%
Multi-family housing for seniors	18	40.0%
Does not develop affordable multi-family properties in Appalachian Ohio	18	40.0%
Rehabilitation of multi-family properties	14	31.1%
Other type of affordable multi-family properties	9	20.0%
New construction of multi-family properties	8	17.8%
Multi-family Permanent Supportive Housing	5	11.1%
Total Respondents	45	

What size affordable multi-family properties does your organization develop in Appalachian Ohio? Please check all that apply.

	Number	Percent of Respondents
Multi-family properties with 30 or more units	17	77.3%
Multi-family properties with 2 to 5 units	11	50.0%
Multi-family properties with 16 to 29 units	11	50.0%
Multi-family properties with 6 to 15 units	10	45.5%
Total Respondents	22	

What types of affordable single-family homes does your organization develop in Appalachian Ohio? Please check all that apply.

	Number	Percent of Respondents
New construction of single-family homes	18	42.9%
Single family homes for sale	16	38.1%
Rehabilitation of single-family homes	16	38.1%
Single family homes for rent	14	33.3%
Does not develop affordable single-family homes in Appalachian Ohio	11	26.2%
Other type of affordable single-family homes	6	14.3%
Single family lease-purchase	5	11.9%
Total Respondents	42	

What types of affordable rental properties does your organization manage in Appalachian Ohio? Please check all that apply.

	Number	Percent of Respondents
Housing for individuals or families	25	56.8%
Housing for seniors	21	47.7%
Does not manage affordable properties in Appalachian Ohio	16	36.4%
Other	7	15.9%
Permanent Supportive Housing	2	4.5%
Total Respondents	44	

What size affordable rental properties does your organization manage in Appalachian Ohio? Please check all that apply.

	Number	Percent of Respondents
Multi-family rental property(ies) with 30 or more units	19	70.4%
Single-family homes	16	59.3%
Multi-family rental property(ies) with 6 to 15 units	12	44.4%
Multi-family rental property(ies) with 2 to 5 units	10	37.0%
Multi-family rental property(ies) with 16 to 29 units	9	33.3%
Other	3	11.1%
Total Respondents	27	

Please indicate how frequently your organization has encountered each as a barrier to the development of affordable multi-family properties in Appalachian Ohio

	Always	Frequently	Sometimes	Infrequently	Never	Don't know	Number of responses*	Average Score**
Securing development funds	22.7%	31.8%	13.6%	13.6%	9.1%	9.1%	22	3.5
Finding a suitable building site	13.6%	31.8%	27.3%	9.1%	18.2%	0.0%	22	3.1
Funding predevelopment or preconstruction costs	10.5%	31.6%	15.8%	26.3%	10.5%	5.3%	19	3.1
Addressing state or federal regulatory requirements (e.g. environmental regulations)	9.1%	18.2%	22.7%	27.3%	18.2%	4.5%	22	2.7
Sufficient projected demand for units	4.8%	14.3%	23.8%	28.6%	28.6%	0.0%	20	2.4
Addressing local regulatory requirements (e.g. zoning and other local ordinances)	4.8%	9.5%	33.3%	19.0%	28.6%	4.5%	21	2.4
Sufficient staff capacity for multi-family property development	4.8%	14.3%	23.8%	28.6%	28.6%	100.0%	21	2.4
Obtaining community support for proposed projects	4.8%	9.5%	28.6%	23.8%	33.3%	4.8%	21	2.3
Assembling a qualified development team	4.8%	0.0%	23.8%	42.9%	23.8%	4.8%	21	2.2
Finding a company to assume management after the property has been developed	4.8%	4.8%	0.0%	19.0%	71.4%	0.0%	21	1.5

* Includes "Don't know" responses

**Average scores were calculated by assigning a value of 5 to "Always", 4 to "Frequently", 3 to "Sometimes", 2 to "Infrequently" and 1 to "Never"

Please indicate how frequently your organization has encountered each as a site-specific barrier to the development of affordable multi-family housing in Appalachian Ohio.

	Always	Frequently	Sometimes	Infrequently	Never	Don't know	Number of responses*	Average Score**
Lack of utilities and cost to install	5.3%	31.6%	26.3%	15.8%	10.5%	10.5%	19	3.1
Cost of site	4.8%	28.6%	23.8%	33.3%	0.0%	9.5%	21	3.1
Need for significant grade/terrain adjustments	4.8%	28.6%	14.3%	19.0%	14.3%	19.0%	21	2.9
Environmental preservation or remediation requirements	0.0%	25.0%	35.0%	15.0%	15.0%	10.0%	20	2.8
Lack of road frontage/access	5.0%	0.0%	30.0%	25.0%	20.0%	20.0%	20	2.3

* Includes "Don't know" responses

**Average scores were calculated by assigning a value of 5 to "Always", 4 to "Frequently", 3 to "Sometimes", 2 to "Infrequently" and 1 to "Never"

Please indicate how frequently your organization has encountered each as a barrier to achieving sufficient occupancy of multi-family rental properties in Appalachian Ohio.

	Always	Frequently	Sometimes	Infrequently	Never	Don't know	Number of responses*	Average Score**
Prospective renters' credit or rental history do not meet requirements	4.8%	33.3%	38.1%	23.8%	0.0%	0.0%	21	3.2
Rents of affordable units are too high for eligible renters	4.8%	28.6%	28.6%	33.3%	4.8%	0.0%	21	3.0
Prospective renters' incomes do not meet income eligibility requirements	9.5%	14.3%	28.6%	47.6%	0.0%	0.0%	21	2.9
Market rate units of comparable quality can be found at equal or lower rent	4.8%	14.3%	14.3%	38.1%	23.8%	4.8%	21	2.4
Market rate units of comparable quality and rent can be found at more preferred geographic locations	0.0%	10.0%	40.0%	25.0%	20.0%	5.0%	20	2.4
Renters prefer market rate units over affordable housing units of similar quality and rent	4.8%	0.0%	33.3%	42.9%	9.5%	9.5%	21	2.4

* Includes "Don't know" responses

**Average scores were calculated by assigning a value of 5 to "Always", 4 to "Frequently", 3 to "Sometimes", 2 to "Infrequently" and 1 to "Never"

Please indicate how frequently your organization has encountered each as a barrier to the development of affordable single-family homes in Appalachian Ohio.

	Always	Frequently	Sometimes	Infrequently	Never	Don't know	Number of responses*	Average Score**
Securing development funds	26.7%	36.7%	16.7%	6.7%	6.7%	6.7%	30	3.8
Funding predevelopment or preconstruction costs	13.8%	31.0%	20.7%	20.7%	6.9%	6.9%	29	3.3
Finding a suitable building site	10.0%	23.3%	36.7%	6.7%	13.3%	10.0%	30	3.1
Sufficient staff capacity for single-family property development	20.7%	17.2%	10.3%	24.1%	20.7%	6.9%	29	2.9
Addressing state or federal regulatory requirements (e.g. environmental regulations)	6.7%	16.7%	33.3%	20.0%	16.7%	6.7%	30	2.8
Sufficient projected demand for units	6.7%	10.0%	26.7%	30.0%	23.3%	3.3%	30	2.5
Addressing local regulatory requirements (e.g. zoning and other local ordinances)	6.7%	6.7%	30.0%	30.0%	20.0%	6.7%	30	2.5
Assembling a qualified development team	6.7%	13.3%	16.7%	26.7%	30.0%	6.7%	30	2.4
Obtaining community support for proposed projects	3.4%	3.4%	34.5%	27.6%	27.6%	3.4%	29	2.3
Finding a company to assume management after the property has been developed	3.4%	3.4%	6.9%	10.3%	62.1%	13.8%	29	1.6

* Includes "Don't know" responses

**Average scores were calculated by assigning a value of 5 to "Always", 4 to "Frequently", 3 to "Sometimes", 2 to "Infrequently" and 1 to "Never"

Please indicate how frequently your organization has encountered each as a site-specific barrier to the development of affordable single-family homes in Appalachian Ohio.

	Always	Frequently	Sometimes	Infrequently	Never	Don't know	Number of responses*	Average Score**
Cost of site	20.7%	31.0%	17.2%	13.8%	10.3%	6.9%	29	3.4
Need for significant grade/terrain adjustments	10.3%	24.1%	24.1%	13.8%	13.8%	13.8%	29	3.0
Lack of utilities and cost to install	6.9%	31.0%	17.2%	17.2%	13.8%	13.8%	29	3.0
Environmental preservation or remediation requirements	3.4%	17.2%	31.0%	24.1%	13.8%	10.3%	29	2.7
Lack of road frontage/access	6.9%	6.9%	24.1%	24.1%	24.1%	13.8%	29	2.4

* Includes "Don't know" responses

**Average scores were calculated by assigning a value of 5 to "Always", 4 to "Frequently", 3 to "Sometimes", 2 to "Infrequently" and 1 to "Never"

Thinking about programs designed for single-family home-buyers with low-to-moderate incomes in Appalachian Ohio, how strongly do you agree or disagree with the following statements?

	Strongly Agree	Moderately Agree	Neutral	Moderately Disagree	Strongly Disagree	Don't know	Number of responses*	Average Score**
There are not enough applicants who meet requirements	26.7%	33.3%	6.7%	10.0%	20.0%	3.3%	30	3.4
Even with these programs, the cost of single-family homes is higher than people with low-to-moderate incomes can afford	23.3%	20.0%	13.3%	23.3%	13.3%	6.7%	30	3.2
There is a lack of interest among qualified applicants	6.7%	16.7%	13.3%	30.0%	30.0%	3.3%	23	2.4

* Includes "Don't know" responses

**Average scores were calculated by assigning a value of 5 to "Always", 4 to "Frequently", 3 to "Sometimes", 2 to "Infrequently" and 1 to "Never"

In your opinion, which rental housing types are most preferred by consumers in your service area? Please rank the following housing types from most desirable to least desirable. Assume these housing types are equal in terms of cost, quality, square footage and location.

	5: Most desirable	4	3	2	1: Least desirable	Number of responses*	Average Score**
Single family home on small lot	84.6%	10.3%	0.0%	5.1%	0.0%	39	4.7
Duplex or triplex	2.6%	30.8%	51.3%	7.7%	7.7%	39	3.1
Apartment in single story building	10.3%	12.8%	23.1%	53.8%	0.0%	39	2.8
Mobile home on small lot	0.0%	43.6%	12.8%	12.8%	30.8%	39	2.7
Apartment in multi-story building	2.6%	2.6%	12.8%	20.5%	61.6%	39	1.6

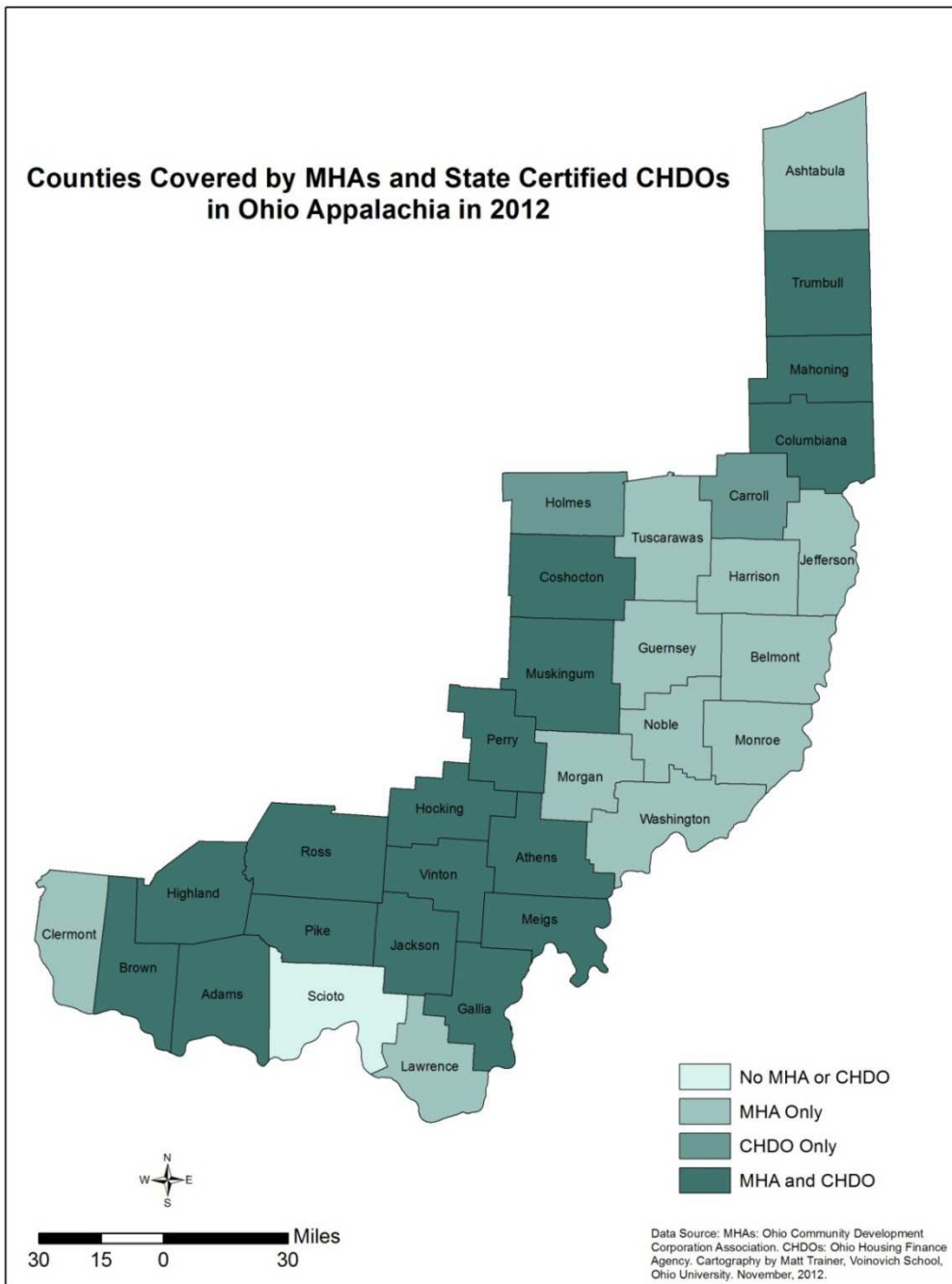
* Includes "Don't know" responses

**Average scores were calculated by assigning a value of 5 to "Always", 4 to "Frequently", 3 to "Sometimes", 2 to "Infrequently" and 1 to "Never"

For which of the following tasks does your organization hire consultants? Please check all that apply.

	Number	Percent of Respondents
We do not use consultants	19	51.4%
Financing	11	29.7%
Design including work write up for rehabilitation	10	27.0%
Feasibility analysis	8	21.6%
Construction management	7	18.9%
Contractor selection	5	13.5%
Construction close out	4	10.8%
Ongoing project compliance	4	10.8%
Other	4	10.8%
Acquisition	3	8.1%
Site selection	1	2.7%
Marketing for sale units	1	2.7%
Lease up of rental units	1	2.7%
Development team selection	0	0.0%
Total Respondents	37	

APPENDIX C: CHDO/MHA Coverage Map



APPENDIX D: Funding Sources Overview

Note: To ensure accuracy of the information provided in this report, the program descriptions are primarily extracts from the associated agency website with minimal alterations. Sources are provided at the conclusion of each program description.

Department of Housing and Urban Development (HUD)
Section 8 Housing Choice Voucher Program (HCV)
Tenant-Based Rental Assistance (TBRA)

The Housing Choice Voucher (HCV) program is the Federal Government's major program for assisting very low-income families, the elderly, and the disabled in affording decent, safe, and affordable housing in the private market. The HCV Program is administered locally by Public Housing Authorities (PHAs), which receive Federal funds to administer the voucher program. A family who is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice, the owner of which agrees to rent under the program (provided the rental unit passes a Housing Quality Standards (HQS) inspection performed by the PHA).

The PHA pays the housing subsidy directly to the owner on behalf of the participating family. The family is responsible for paying the difference between the gross rent of the property and the amount subsidized by the program. The family must pay a minimum of 30 percent of their adjusted monthly income toward rent and utilities. The amount of the subsidy is capped by the payment standard established by the PHA, which may be between 90 to 110 percent of the Fair Market Rent (FMR) for the area. If families rent units with rents above the payment standard, for instance for units located in more desirable areas with greater opportunity, the family pays the difference between the gross rent and the payment standard in addition to the 30 percent of monthly adjusted income.

The HCV program also includes several special purpose voucher programs including HUD-Veterans Affairs Supportive Housing (VASH), the Family Unification Program (FUP) the Non-Elderly Disabled (NED) Category 2 voucher program and Section 8 Rental Assistance Tenant

Protection Vouchers for families displaced due to demolition, expiration or conversion of public housing or multifamily Section 8 properties.

Source

<http://portal.hud.gov/hudportal/documents/huddoc?id=tenant-based.pdf>

HUD Section 202 Housing for the Elderly Project-Based Rental Assistance and Interest Free Capital Advances

HUD provides interest-free capital advances to private, nonprofit sponsors to finance the development of supportive housing for the elderly. The capital advance does not have to be repaid as long as the project serves very low-income elderly persons for 40 years.

Project rental assistance funds are provided to cover the difference between the HUD-approved operating cost for the project and the tenants' contribution towards rent. Project rental assistance contracts are approved initially for 3 years and are renewable based on the availability of funds.

Private nonprofit organizations can apply to develop a Section 202 project if they can, among other requirements, submit a resolution that they will provide a minimum capital investment equal to 0.5 percent of the HUD-approved capital advance, up to a maximum of \$25,000 for national sponsors or \$10,000 for other sponsors. Public entities are not eligible for funding under this program.

Eligible Customers

Occupancy in Section 202 housing is open to any very low-income household comprised of at least one person who is at least 62 years old at the time of initial occupancy.

Application

Applicants must submit an application for a capital advance, including a Request for Fund Reservation (HUD Form 92015-CA) and other information in response to the Notice of Funding Availability (NOFA) published in the Federal Register each fiscal year. Applications must be submitted to the local HUD field office with jurisdiction over the area where the proposed project will be located. Those selected for funding must meet basic program requirements, including private nonprofit status, financial commitment and acceptable control of an approvable site. Awards are usually announced in September.

Technical Guidance

The program is authorized under the Housing Act of 1959; Section 210 of the Housing and Community Development Act of 1974 P. L. 86-372 (12 U.S.C. 1701q, 73 Stat. 654, 667); the National Affordable Housing Act, P. L. 101-625 (42 U.S.C. 12701); the Housing and Community Development Act of 1992 (P.L. 102-550); the Rescissions Act (P.L. 104-19); and the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569). Program regulations are in 24 CFR Part 891. To learn more about the Section 202 program, see Supportive Housing for the Elderly (HUD Handbook 4571.3) and Supportive Housing for the Elderly--Conditional Commitment--Final (HUD Handbook 4571.5) which are available on the Internet at [HUDclips](#) or from the HUD Multifamily Clearinghouse at 1-800-685-8470. Also see notice H96-102 REV 00-23 (HUD).

Source

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/progdesc/eld202

HUD Section 811 Supportive Housing for Persons with Disabilities

Through the Section 811 Supportive Housing for Persons with Disabilities program, HUD provides funding to develop and subsidize rental housing with the availability of supportive services for very low-income adults with disabilities. The program allows persons with disabilities to live as independently as possible in the community by subsidizing rental housing opportunities which provide access to appropriate supportive services.

Type of Assistance

The newly reformed Section 811 program is authorized to operate in two ways:

1. The traditional way, by providing interest-free capital advances and operating subsidies to nonprofit developers of affordable housing for persons with disabilities; and
2. Providing project rental assistance to state housing agencies.

The assistance to the state housing agencies can be applied to new or existing multifamily housing complexes funded through different sources, such as Federal Low-Income Housing Tax Credits, Federal HOME funds, and other state, Federal, and local programs.

Capital Advances

HUD has traditionally provided interest-free capital advances to nonprofit sponsors to help them finance the development of rental housing such as independent living projects, condominium units and small group homes with the availability of supportive services for persons with disabilities. The capital advance can finance the construction, rehabilitation, or acquisition with

or without rehabilitation of supportive housing. The advance does not have to be repaid as long as the housing remains available for very low-income persons with disabilities for at least 40 years. Note: In FY 2012, no funding was appropriated for traditional 811 capital advances.

Project Rental Assistance

HUD also provides project rental assistance contracts for properties developed using Section 811 capital advances; this covers the difference between the HUD-approved operating cost of the project and the amount the residents pay--usually 30 percent of adjusted income. The initial term of the project rental assistance contract is 3 years and can be renewed if funds are available.

Each project must have a supportive services plan. The appropriate State or local agency reviews a potential sponsor's application to determine if the plan is well designed to meet the needs of persons with disabilities and must certify to the same. Services may vary with the target population but could include case management, training in independent living skills and assistance in obtaining employment. However, residents cannot be required to accept any supportive service as a condition of occupancy.

Nonprofit organizations with a Section 501(c)(3) tax exemption from the Internal Revenue Service can apply for a capital advance to develop a Section 811 project.

A new Project Rental Assistance program was authorized by the Frank Melville Supportive Housing Investment Act of 2010, and will first be implemented through a demonstration program in FY 2012.

Under this program, state housing agencies that have entered into partnerships with state health and human services and Medicaid agencies can apply for Section 811 Project Rental Assistance for new or existing affordable housing developments funded by LIHTC, HOME, or other sources of funds. Under the state health care/housing agency partnership, the health care agency must develop a policy for referrals, tenant selection, and service delivery to ensure that this housing is targeted to a population most in need of deeply affordable supportive housing. This Section 811 assistance comes in the form of project rental assistance alone. No funds are available for construction or rehabilitation.

Eligible grantees are state housing agencies that have entered into partnerships with state health and human services and Medicaid agencies can apply for Section 811 Project Rental Assistance, who then allocate project assistance to projects funded by tax credits, HOME funds, or other sources.

Eligible Customers

For projects funded by capital advances and supported by project rental assistance contracts (PRACs), households must be very low-income (within 50 percent of the median income for the area) with at least one adult member with a disability (such as a physical or developmental disability or chronic mental illness).

For projects funded with Project Rental Assistance, residents must be extremely low-income (within 30 percent of the median income for the area) with at least one adult member with a disability. States may establish additional eligibility requirements for this program.

Application

Applicants must submit an application in response to a Notice of Funding Availability (NOFA) published in the Federal Register each year and posted on Grants.gov.

Technical Guidance

This program is authorized by Section 811 of the National Affordable Housing Act of 1990 (P.L. 101-625) as amended by the Housing and Community Development Act of 1992 (P.L. 102-550), the Rescission Act (P.L. 104-19) the American Homeownership and Opportunity Act of 2000 (P.L. 106-569), and the Frank Melville Supportive Housing Act of 2010(P.L. 111–374). Program regulations are in 24 CFR Part 891. To learn more about the Section 811 program, see Section 811 Supportive Housing for Persons with Disabilities (HUD Handbook 4571.2) and Supportive Housing for Persons with Disabilities, Conditional Commitment to Final Closing (HUD Handbook 4571.4) which are available on HUDclips.

Source

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/progdesc/disab811

HUD Section 8 Project-Based Rental Assistance Programs

The Project-Based Rental Assistance program, unlike the Tenant-Based Rental Assistance program, provides rental assistance on behalf of eligible tenants residing in specific multifamily rental developments. These households are primarily seniors, families with children, and persons with disabilities. Project-based rental assistance is provided through contracts between the Department and owners of multifamily rental housing; thus, if a tenant moves, the assistance stays with the housing development. The amount of rental assistance paid to the owner is the

difference between what a household can afford (based on paying 30 percent of household income for rent) and the approved contract rent for the unit.

While funding is no longer available for new commitments, under the Rental Assistance Demonstration (RAD), authorized by the Consolidated and Further Continuing Appropriations Act of 2012 (P.L. 112–55), Public Housing Authorities and owners of rental properties assisted under the Public Housing and Section 8 Moderate Rehabilitation (MR) programs have the option to convert the assistance of their properties to long-term PBRA or Project-Based Voucher (PBV, funded in the Tenant-Based Rental Assistance account) contracts. The Department will begin to implement RAD conversions in 2013. An estimated \$51 million and \$23 million requested for the Public Housing Operating Fund and Public Housing Capital Fund, respectively, will be transferred to the PBRA account to fund the conversion of approximately 24,000 Public Housing units to long-term PBRA contracts.

Source

<http://portal.hud.gov/hudportal/documents/huddoc?id=project-based-2013.pdf>

Additional HUD Programs

Mortgage Insurance

HUD offers a variety of FHA mortgage insurance programs for multifamily and single-family properties. Additional information regarding these programs can be found on the following websites.

Multifamily Programs

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/progdesc

- Rental Housing: Section 207
- Manufactured Home Parks: Section 207
- Cooperative Units: Section 213
- Rental Housing for Urban Renewal and Concentrated Development Areas: Section 220
- Rental and Cooperative Housing: Section 221(d)(3) and (4)
- Single Room Occupancy (SRO) Projects: Section 221(d)(3) and (4)
- Two-Year Operating Loss Loans: Section 223(d)
- Purchase or Refinancing of Existing Multifamily Housing Projects: Section 207/223(f)
- Rental Housing for the Elderly: Section 231
- Nursing Homes, Board and Care and Assisted-Living Facilities: Section 232/223(f)
- Supplemental Loan Insurance for Multifamily Rental Housing: Section 241(a)
- Qualified Participating Entities Risk-Sharing Program: Section 542(b)

- Qualified Participating Entities Risk-Sharing Program: Section 542(b)

Single Family Programs

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/insured

- 203b Home Mortgage Loan
- 203h Mortgages for Disaster Victims
- 203k Rehabilitation Mortgage
- 248 Indian Reservations and Other Restricted Lands
- 255 Home Equity Conversion Mortgage (HECM)Consumers
- 255 Home Equity Conversion Mortgage (HECM)Lenders
- Adjustable Rate Mortgages
- Combo Manufactured Home & Lot
- Condominiums
- Cooperative Mortgages
- Emergency Home Loan Program
- Energy-Efficient Mortgages (EEM)
- Graduated Payment Mortgages
- Growing Equity Mortgages
- Manufactured Home Loan (Title I)
- Title I Home Improvements
- Urban Renewal

United States Department of Agriculture Rural Development (USDA RD) Section 515 Direct Loans

Rural Rental Housing Loans are direct, competitive mortgage loans made to provide affordable multifamily rental housing for very low-, low-, and moderate-income families; the elderly; and persons with disabilities. This is primarily a direct mortgage program, but its funds may also be used to buy and improve land and to provide necessary facilities such as water and waste disposal systems.

Loans can be made to individuals, trusts, associations, partnerships, limited partnerships, State or local public agencies, consumer cooperatives, and profit or nonprofit corporations. For-profit borrowers must agree to operate on a limited-profit basis (currently 8 percent on initial investment). Borrowers must be unable to obtain credit elsewhere that will allow them to charge rents affordable to low- and moderate-income tenants.

Rural Development State Directors use needs criteria to establish a list of targeted communities for which applicants may request loan funds. A list of these communities is published yearly in the Federal Register in the form of a Notice of Funding Availability (NOFA). The applications are then rated competitively in order to select recipients. The National Office publishes a Notice of Funds Availability in the Federal Register as soon after the start of the Fiscal Year as possible. Generally, the NOFA should be published around November 1.

Source

http://www.rurdev.usda.gov/HAD-Direct_Rental_Loans.html

USDA RD Section 521 Rental Assistance Subsidy

The Rural Rental Assistance (RA) program is a project-based program that provides an additional subsidy for households with incomes too low to pay Section 515 subsidized (basic) rent from their own resources. The program pays the owner of a multi-family housing complex the difference between the tenant's contribution (30 percent of adjusted income) and the monthly rental rate. Rental assistance may be used in both existing and newly constructed Housing and Community Facilities Programs (HCFP) Rural Rental Housing (Section 515) or Farm Labor Housing (Section 514) financed projects. Projects must be established on a nonprofit or limited profit basis.

Priority is given to Section 515 properties in which a market study indicates the greatest percentage of prospective tenants need rental assistance or if the area has the greatest housing need within the state and is selected for funding in accordance with the weighted criteria. The request for rental assistance is generally initiated by the project owner. However, if the project owner does not request it, people eligible for rental assistance in a project may petition the project owner to obtain rental assistance for them.

HCFP and the project owner execute a five-year contract in which HCFP commits payments on behalf of tenants in a designated number or percentage of the units. Both HCFP and the project owner agree to be bound by all applicable HCFP regulations. The contract becomes effective on the first day of the month in which it is executed (additional units may be covered if funds are available and an additional contract is executed). The agreement may be renewed as many times as funds are made available. State Directors may transfer unused and unneeded contracts or portions of contracts to other projects.

Source

http://www.rurdev.usda.gov/Rental_Assistance_Program.html

USDA RD Section 533 Housing Preservation Grants

The Housing Preservation Grant (HPG) program provides grants to sponsoring organizations for the repair or rehabilitation of low- and very low-income housing. The objective of the program is to repair or rehabilitate individual housing, rental properties, or co-ops owned and/or occupied by very low- and low-income rural persons. Examples of eligible uses of the funds include:

- Installation or repair of sanitary water and waste systems
- Energy conservation measures including insulation, windows, and doors
- Repair or replacement of heating systems
- Electrical wiring
- Repair of structural supports and foundations
- Repair or replacement of roofs
- Replacement of severely deteriorated siding or porches
- Alterations to provide accessibility for disabled individuals
- Repair of dwellings listed on the National Register of Historic Places
- Repairs to manufactured housing
- Additions to dwellings to alleviate overcrowding or to remove health hazards

The grants are competitive and are made available in areas where there is a concentration of need and a population of less than 20,000. Those assisted must own very low- or low-income housing, either as homeowners, landlords, or members of a cooperative. Very low income is defined as below 50 percent of the area median income (AMI); low income is between 50 and 80 percent of AMI. Eligible sponsors include state agencies, units of local government, Native American tribes, and nonprofit organizations. HPG funds received by the sponsors are combined with other programs or funds and used as loans, grants, or subsidies for recipient households based on a plan contained in the sponsor's application. Funds must be used within a two-year period.

Sources

http://www.rurdev.usda.gov/HAD-HPG_Grants.html,

<http://www.rurdev.usda.gov/mt/rhs/533.htm>

USDA RD Section 523 and 524 Housing Site Loans

Rural Housing Site Loans are made to provide financing for the purchase and development of housing sites for low- and moderate-income families. Section 523 loans are made to acquire and develop sites only for housing to be constructed by the self-help method. Section 524 loans are made to acquire and develop sites for any low- or moderate-income family. Low income is defined as between 50 and 80 percent of the area median income (AMI); the upper limit for moderate income is \$5,500 above the low-income limit.

Section 523 loans are limited to private or public nonprofit organizations that will provide sites solely for self-help housing. Section 524 loans are made to private or public nonprofit organizations. Section 524 sites may be sold to low- or moderate-income families utilizing a mortgage financing program which serves the same eligible families.

Loans are for two years. Section 523 loans bear 3 percent interest. At the discretion of the customer, Section 524 loans bear the market rate of interest either at the time of approval or at the time of the loan closing.

Source

http://www.rurdev.usda.gov/HAD-Site_Loans.html

USDA RD Other Opportunities

USDA also provides a variety of homeownership, community development, infrastructure development, technical assistance and farm labor housing loans and grants. For a full list of funding opportunities, visit the USDA website <http://www.rurdev.usda.gov/Home.html>

Ohio Housing Finance Agency (OHFA)
Low Income Housing Tax Credit (LIHTC) program

The Housing Credit Program (also referred to as Low Income Housing Tax Credits) is a tax incentive program designed to increase the supply of quality, affordable rental housing by helping developers offset the costs of low-income rental housing developments.

The amount of housing tax credits is based on the total development cost to be financed. Developers use the credits by selling them to investors to raise cash for acquisition, rehabilitation, and construction costs. The individual or corporation that purchases the housing tax credit will receive the credit for 10 years and can subtract the amount of the housing credit on a dollar-for-dollar basis from federal income tax liability. In exchange for the credits, the owner of the development must maintain income and rent restrictions for 15 years. Following the compliance period, the owner must enter into an extended use period of an additional 15 years by filing a Restrictive Covenant on the development with the County Recorder. The IRS regulates the Housing Credit Program.

Recipients can use the housing credit to offset the cost of acquiring, substantially rehabilitating, and/or constructing residential rental housing to be occupied by low-income individuals and families. These units must be available to the general public and have initial leases of six months or longer. Some costs and types of developments are not eligible for housing tax credits.

Organizations committed to developing low- to moderate-income homes for Ohioans can apply for an allocation of federal housing tax credits. Due to the demand for credits, OHFA typically funds only 25-30% of the applications submitted. In addition, because of the cost of applying for the program and the extensive compliance requirements, the program is best suited for rental housing developments with 20 or more units. OHFA strongly encourages all applicants to seek experienced legal and accounting counsel in order to comply with all program requirements.

OHFA accepts applications at one time during the year—usually in the Spring. OHFA's Qualified Allocation Plan describes the competitive application process and the procedures and policies for the distribution of the state's allocation of housing credits.

Source

<http://www.ohiohome.org/lihtc/default.aspx>

OHFA Housing Development Assistance Program (HDAP)

The goal of the Housing Development Assistance Program (HDAP) is to provide financing for eligible affordable housing developments to expand, preserve, and/or improve the supply of decent, safe, affordable housing for very low- to moderate-income persons and households in the State of Ohio. Recipients may use funds as low-interest, deferred payment loans, or in some cases as grants. HDAP program funds are divided into two different types of funding.

OHFA Housing Credit Gap Financing (HCGF)

These funds can be combined with housing tax credits to provide additional resources for the development of affordable rental housing. HCGF has its own unique compliance requirements and underwriting guidelines separate from the Housing Credit Program.

OHFA Housing Development Gap Financing (HDGF)

A portion of HDAP funds are intended for rental and homeownership developments that do not apply for tax credits. HDGF developments may be smaller in scope. The funds are allocated through a separate funding round, and program guidelines are released each year describing the eligibility, application, and compliance requirements in detail.

Eligible Uses

- Acquisition of land and/or building(s) (from unrelated parties only)
- Demolition (not applicable for preservation developments)
- On-site improvements
- Construction and/or renovation costs including construction fee items, construction contingency, and contractor overhead and profit (excluding costs associated with construction of commercial property)
- Furnishings and appliances
- Architectural and engineering fees
- Developer fees and developer overhead
- Consultant fees
- Legal fees

HDAP applicants can be private for-profit housing developers, not-for-profit 501(c)(3) and 501(c)(4) organizations, and public housing authorities proposing to develop affordable for-sale homes, provide new affordable rental housing opportunities, or preserve affordable at-risk

housing. Entities receiving an award of HDAP funds must act as the majority/controlling partner, sole owner, or a general partner/managing member during the entire construction phase.

Source

<http://www.ohiohome.org/hdap/default.aspx>

OHFA Housing Investment Fund (HIF)

The Housing Investment Fund (HIF) is intended to support housing initiatives and meet housing needs that are not met by other programs of the Agency.

Eligible uses of the fund include:

- Connecting housing to services and jobs
- Promote revitalization by addressing vacant and abandoned housing by building capacity and comprehensive development in targeted geographic communities
- Provisional services for special needs populations through evidence-based approaches
- Acquisition, holding and disposition of residential real estate for affordable housing or comprehensive community development purpose
- Pre-development, construction, and/or permanent financing for rental or for-sale property development not eligible for funding using other OHFA programs. New construction projects must be competitively bid.
- Capitalized operating subsidy for affordable rental housing
- Homeowner loans for refinance, new purchase or renovation that are part of a comprehensive community redevelopment strategy and are offered through participating lenders or non-profit partners
- Planning grants for comprehensive community redevelopment
- Innovative, new approaches to administering programs or services in an affordable housing setting, and have not been previously funded with local, state, or federal funds. These activities must demonstrate a previously untested approach to addressing affordable housing needs in Ohio.
- Matching funds for federal or private foundation housing grants or loans
- Other activities or projects that address an urgent affordable housing need

All proposals must meet the following threshold requirements:

- Activities and projects must primarily benefit households with incomes at or below 120% of the Area Median Gross Income (AMGI) for the appropriate county and household size. Reasonable affordability and compliance periods will be required.

- Proposals must be for housing needs and/or populations not addressed by other OHFA programs. For example, a request for additional gap financing for a new Housing Tax Credit development or a project under development would not be eligible.
- All applicants must be currently in good partnership with all OHFA programs.
- Proposals must include documentation verifying the commitment of sufficient matching funds.
- Demonstrate partnerships.
- Applications must be complete and include required information.

Eligible funding recipients include for-profit and nonprofit organizations, public housing authorities, and local governments.

Source

<http://www.ohiohome.org/housinginvestmentfund.aspx>

OHFA Multifamily Bond Program

The Multifamily Bond Program (also known as tax-exempt bonds) is a tool for increasing affordable housing opportunities for Ohioans. Through the issuance of tax-exempt mortgage revenue bonds, the program provides lower-cost debt financing for the acquisition, construction, and substantial rehabilitation of multifamily housing and single-family housing for low- and moderate-income residents. OHFA issues the tax-exempt bonds and the proceeds are used to fund construction loans and mortgage loans at below-market interest rates. In exchange for the benefits of the bonds, developments must meet federal and state restrictions on occupancy and the use of the proceeds from the bonds.

The program can be effective as a sole financial resource; however, many developers choose to combine tax-exempt bond proceeds with housing credits.

Nonprofit and for-profit developers of affordable housing can apply for the Multifamily Bond Program. A 501(c)(3) organization must wholly own all developments receiving funding. Because of the costs of issuing bonds, the Multifamily Bond Program is most appropriate for developments that are larger in scale, usually exceeding 100 units in size. All potential users are advised to consult legal counsel for more on the specifics and benefits of bond financing.

Source

<http://www.ohiohome.org/mfbond/default.aspx>

OHFA Housing Development Loan Program

The Housing Development Loan Program provides financial support for the development of housing for low- to moderate-income Ohioans. The loans are used in conjunction with OHFA's three major housing development programs: Housing Credit Program, Housing Development Gap Financing (HDGF), and Multifamily Bond Program. OHFA requires that developers or other entities provide sufficient collateral to ensure repayment of their housing development loans. Three different types of loans are available:

LOAN TYPE	DESCRIPTION
Construction Deposit Grant	Financing that "writes down" the cost of construction loan interest
Equity Bridge Loan	Interim financing for deferred equity from the sale of housing credits
Flex Loan	Flexible loan that may be used to address financing needs unmet by other OHFA products

All funding requests for housing development loans are subject to approval by the OHFA Board and depend on OHFA's ability to reserve funds for the development. OHFA reserves funds for developments based upon the availability of funds through the Department of Commerce's unclaimed funds or other sources available to the Agency.

Source

<http://www.ohiohome.org/hdl/default.aspx>

OHFA Community Housing Development Organization (CHDO) Program

Community Housing Development Organizations are private, nonprofit, community-based service organizations that are organized under state or local law to develop affordable housing in the communities they serve. Operating grants are used to fund reasonable and necessary costs for the operation of the CHDO. Typical uses for operating grant funds include staff salary and benefits, training and travel expenses for staff and board members and operating costs such as office supplies, rent, maintenance, phone and wireless communications and postage.

2012 Grant Requirements

- Applicant must have effective control of an OHFA funded HOME- or match-eligible housing development that is in the development or construction phase at the time of application
- Applicant must be a State-Certified CHDO at time of application
- Applicant must be in good standing with OHFA
- Operating grant may not exceed 50% of the organization's operating expenses for the fiscal year, or \$50,000, whichever is greater. (This includes all operating grants from all other jurisdictions)
- A narrative describing how the organization will carry out their mission if they do not receive an award of operating grants this year.

Sources

<http://www.ohiohome.org/chdo/default.aspx>

<http://www.ohiohome.org/chdo/CHDOguidelines-approved.pdf>

OHFA Additional Opportunities

OHFA also offers a variety of programs to assist Ohioans with the purchase of a home.

First-Time Homebuyer Program

Qualifying first-time homebuyers can choose from our competitive conventional and government-insured loans, all with 30-year, fixed-rate mortgages.

http://www.ohiohome.org/homebuyer/first_time.aspx

Target Area Loan Program

Any qualified buyer purchasing a home in a federally-designated target area can benefit from this competitive loan program. <http://www.ohiohome.org/homebuyer/target.aspx>

Ohio Heroes Program

Ohioans working in critical professions can take advantage of a special first-time homebuyer program with a lower interest rate. <http://www.ohiohome.org/homebuyer/heroes.aspx>

Down Payment Assistance Grant

Eligible buyers can combine OHFA's Down Payment Assistance Grant with our homeownership loan programs to help pay for down payments, closing costs, and other out-of-pocket expenses associated with buying a home. <http://www.ohiohome.org/homebuyer/downpayment.aspx>

Grants for Grads Program

Recent college graduates, including those earning a postgraduate degree, may be eligible to receive 2.5% of their home's purchase price to help pay for down payment and closing costs when you apply within 24 months of earning your degree.

<http://www.ohiohome.org/homebuyer/grantsforgrads.aspx>

New Home Sweet Home Program

The New Home Sweet Home Program is an extended lock option for homebuyers who purchase a new home and want to use OHFA's first-time homebuyer programs.

<http://www.ohiohome.org/homebuyer/sweethome.aspx>

Mortgage Credit Certificate Program

For qualifying homebuyers, a Mortgage Credit Certificate can increase a household's income by reducing federal income tax liability, giving the household additional funds that can be used to make mortgage payments. <http://www.ohiohome.org/mcc/default.aspx>

203(k) Program

Many homes for sale are currently in need of repair or modernization, but it can be challenging to pay for improvements after purchasing the property. If you're buying a property that needs rehabilitation and repair, the 203(k) loan offered by several OHFA participating lenders may be right for you. <http://www.ohiohome.org/homebuyer/203k.aspx>

Source

<http://www.ohiohome.org/homebuyer/default.aspx>

Ohio Development Services Agency (DSA) Community Development Block Grant (CDBG) Program

The Community Development Block Grant Program is administered by DSA's Office of Community Development and provides federal funding to communities to address a variety of needs. Below are the programs available to communities through DSA's Community Development Block Grant Program

DSA Residential Public Infrastructure Grant Program (RPIG) provides funding to ensure a safe and sanitary living environment for Ohio citizens, through the provision of safe and reliable drinking water and proper disposal of sanitary waste. The RPIG program only funds projects which provide water and/or sanitary sewer service to primarily residential users.

DSA CDBG Discretionary Grant Program provides funding for "target of opportunity" community development, housing, emergency shelter and special projects and activities that do not fit within the structure of existing programs and to provide supplemental resources to resolve immediate and unforeseen needs.

Source

http://development.ohio.gov/cs/cs_cdbg.htm

DSA Ohio Housing Trust Fund (OHTF)

The Ohio Housing Trust Fund is a flexible state funding source that provides affordable housing opportunities, expands housing services, and improves housing conditions for low-income Ohioans and families.

The Fund supports a wide range of housing activities including housing development, emergency home repair, handicapped accessibility modifications, and services related to housing and homelessness. In addition, Ohio Housing Trust Fund dollars may be used for predevelopment costs, rental assistance, housing counseling, rehabilitation, and new construction.

The Fund is targeted to those who need help the most: low-income working Ohioans. A broad range of organizations are eligible to apply for money from the Ohio Housing Trust Fund including local governments, housing authorities, nonprofit organizations, private developers and private lenders.

Ohio Housing Trust Fund dollars are allocated based on recommendations by a 14-member advisory committee representing various sectors of the housing and lending industry and local governments.

Source

http://development.ohio.gov/cs/cs_htf.htm

DSA Community Housing Improvement Program (CHIP)

The Community Housing Improvement Program (CHIP) utilizes Federal Community Development Block Grants and HOME program funds for the improvement and provision of affordable housing for low- to moderate-income citizens. Non-entitlement counties and cities with an approved Community Housing Improvement Strategy or included in a nonparticipating jurisdiction consortium and entitlement cities located in a nonparticipating county with an approved Consolidated Plan and meeting CHIP requirements are eligible to apply. CHIP funds are distributed in one competitive funding round. A community is allowed to submit only one application in any application round.

The following is a list of the current eligible CHIP activities, and their eligible funding sources:

Primary Housing Activities

	<u>Eligible Funding Source</u>
Private Owner Rehabilitation	HOME and CDBG
Rental Rehabilitation	HOME and CDBG
Homeownership (formerly Down Payment Assistance/Rehabilitation)	HOME and CDBG
Acquisition/Rehabilitation/Resale	HOME and CDBG
Home Repair***	CDBG and OHTF
Home Repair – Septic***	CDBG and OHTF
New Housing Construction*	HOME and CDBG
Emergency Monthly Housing Payment*	CDBG only
Tenant-Based Rental Assistance*	HOME only

Supportive Activities

	<u>Eligible Funding Source</u>
Clearance/Demolition**	CDBG only
Acquisition*	HOME and CDBG
Relocation Payment/Optional Relocation	HOME and CDBG
Code Enforcement*	CDBG only
Planning (not to exceed \$10,000)	HOME and CDBG
Public Service (not to exceed 15 percent of the grant) (e.g., Homebuyer Education, Family Self-Sufficiency Program, Financial/Budget Counseling and Home Maintenance Training)	CDBG only
Equipment Acquisition (Tool Loan Program)*	CDBG only

Administration Costs

Fair Housing

Eligible Funding Source

CDBG only

- * Special restrictions on using CDBG funds for this activity apply.
- ** Must be related to a specific project linked directly to the provision of land required by a housing development activity or redevelopment activity.
- ***Home Repair and Home Repair Septic activities are limited to a combined request of \$125,000 per grant.

Sources

http://www.development.ohio.gov/cs/cs_chip.htm,

<http://www.development.ohio.gov/files/cs/FY%202013%20CHIP%20Planning%20Instructions.docx>

DSA Additional Opportunities

The Office of Community Development assists local communities by providing grant funding to local governments and nonprofits operating homeless outreach, emergency shelters, homelessness prevention, rapid re-housing, transitional housing and permanent supportive housing, as well as emergency home repair.

Homeless Crisis Response Programs (HCRP) prevents homelessness for low- and moderate-income individuals and families, provides for emergency shelter operations, and helps to rapidly move persons from emergency shelter into permanent housing. The program is funded through the federal Emergency Solutions Grant (ESG) and the Ohio Housing Trust Fund (OHTF). Grant funds are awarded to state-appointed service providers on a regional basis.

Homeless Management Information System (HMIS) is a non-duplicative computerized data collection system designed to track Ohioans who are receiving homeless prevention assistance or are experiencing homelessness. ODSA award recipients serving homeless persons or helping to prevent homelessness accurately track client intake, produce system-wide reports, and better provide homeless persons with needed services. The project is funded with a grant from the U.S. Department of Housing and Urban Development (HUD) and Ohio Housing Trust Fund (OHTF) dollars.

Housing Opportunities for Persons With AIDS (HOPWA) funds organizations to assist with meeting the housing and supportive service needs of low- and moderate-income persons with AIDS or HIV-related diseases. Nonprofit organizations and units of local government are eligible to apply for HOPWA grant funds.

Housing Assistance Grant Program (HAGP) promotes affordable housing opportunities and improves housing conditions through emergency home repair and limited down payment assistance for low- and moderate-income citizens. Grant funds are provided through the Ohio Housing Trust Fund (OHTF). Eligible applicants include nonprofit organizations, local governments, public housing authorities and consortia of any eligible applicants.

Supportive Housing Program (SHP) provides funding for operations (and limited funding for services) in permanent supportive housing and facility-based transitional housing programs for low- and moderate-income citizens. Qualified individual nonprofit agencies are eligible to apply for grant funding provided through the federal Emergency Solutions Grant (ESG) and the Ohio Housing Trust Fund (OHTF).

Emergency Shelter Grant Discretionary Program provides funding for emergency repairs to address health/safety issues at OCD-funded emergency shelters and, as a lower priority, supportive housing facilities.

Homeless Assistance Grant Program provides grants to eligible applicants for emergency shelter, supportive housing, and permanent supportive housing activities that meet the housing needs of homeless families and individuals. Grants funds are provided through the federal Emergency Solutions Grant (ESG) and the Ohio Housing Trust Fund (OHTF). Nonprofit organizations, local governments, public housing authorities and consortia of any eligible applicants may apply.

Source

http://development.ohio.gov/cs/cs_hshp.htm

APPENDIX E: Promising Practices

Initial Promising Practice Themes

(Items with an asterisk were prioritized for further research.)

1. Increase utilization of high-quality manufactured housing as a less expensive and less time intensive alternative to site-built homes for low-income home ownership in rural areas.
2. *Explore strategies to enable small rural housing agencies to achieve economies of scale through bundled deals, collaborative funding requests, shared services, combined back office operations, bulk purchasing, shared staffing and/or establishment of a regional consortium.
3. *For rural areas with limited job growth, prioritize maintenance/restoration of existing housing stock over new builds to maximize impact and to contribute to overall community revitalization efforts. This could include (but is not limited to) facilitation of low-income household purchasing /rehab of single family homes or prevention of LIHTC projects' conversion to market rates through providing tax benefits and/or funds for rehabilitation in return for continued and/or increased affordability restrictions.
4. *Focus a portion of LIHTC allocations on increasing/maintaining affordable housing in Appalachian Ohio through a designated geographic set-aside, points, non-numeric preference or some combination of these.
5. Develop coordinated education activities aimed at elected officials and the general public regarding the role of well-designed affordable housing projects in community stabilization, economic development and other concerns related to rural development.
6. Explore shared equity ownership, cooperative housing trusts, lease-purchase, resident-owned manufactured home communities, and other strategies for reducing risks and barriers to home ownership for very low-income rural households.
7. *Diversify funding sources, including tapping into energy-related funding sources to provide energy upgrades resulting in decreased long-term

management costs, water/land conservation funds, historic restoration funds, etc.

8. *Incentivize and/or provide technical support for the development of relationships/partnerships among nonprofit developers, between nonprofit and for-profit developers, between rural and urban developers and/or between developers, local officials and community groups.
9. Increase emphasis on supportive service provision to residents of affordable housing and/or education for potential homeowners. Despite tight economic situation, assisting households to achieve self-sufficiency is less expensive than developing /managing additional units and could have the effect of increasing access to affordable housing in Appalachia if long-term residents can be supported through transition to market-rate housing.
10. *Develop a targeted foundation, fund or CDFI to provide rural nonprofit developers with flexible lines of credit not tied to a specific project that could be used to cover predevelopment expenses, short-term overhead shortfalls or costs related to increased capacity efforts such as new technology, professional development, etc.

APPENDIX F: Case Studies

Potential Case Studies

(Items with an asterisk were prioritized for further research.)

3Green Energy Partners

This collaboration of three rural California Housing Authorities was specifically formed to provide the economy of scale necessary to provide a more attractive energy performance contract opportunity to interested energy service companies (ESCO). Under the terms of an energy performance contract, an ESCo agrees to make energy-related capital improvements to an existing building or buildings (such as the installation of more efficient lighting, heating, plumbing, etc.) and to cover all up-front costs. In addition, the ESCo guarantees that the cost of repaying these expenses will not exceed the cost savings realized as a result of these improvements, resulting in no net loss to the owner for the term of the contract. At the end of the contract, the upgrades will be paid for in full and any ongoing savings due to the efficiency upgrades will accrue to the owner. *Example of Promising Practices #2, 7 and 8*

Community Housing Partners

Headquartered in Christiansburg, Virginia, Community Housing Partners is one of the largest nonprofit multifamily housing developers in the southeastern United States and has significant experience successfully layering funding sources to make LIHTC deals work in rural Appalachia, including new construction and rehab projects in Virginia, North Carolina and Kentucky. CHP has also received several awards for energy innovation in multifamily housing. *Example of Promising Practices #3, 4 and 7*

**Federation of Appalachian Housing Enterprises (FAHE)*

A membership organization comprised of 49 housing development organizations in Central Appalachia, FAHE has nearly quadrupled annual home sales and production of housing units, in part due to adoption of the Berea Performance Compact. This effort increased efficiency by reducing the need for all member agencies to develop individual expertise in all areas. Instead, organizations with a particular core competency focused on further developing this expertise, serving as a consultant to fellow FAHE members and receiving similar specialized assistance for activities outside their area of expertise. Berea Performance Contract areas of specialization have included loan servicing, multifamily development, manufactured housing, cooperative

purchasing, volunteer services and green building. *Example of Promising Practices #2, 7, 8 and 10*

**Florida Non-Profit Housing, Inc. (FNPH)*

Despite its name, this nonprofit organization provides technical assistance and training to low-income housing organizations in eleven states. Since 1978, FNPH has focused on building capacity by “spreading the knowledge of how-to”, with an emphasis on mutual self-help homeownership projects and rental housing for migrant workers. Specific activities include assisting in the development of funding applications; training board members and staff in everything from bookkeeping to administrative tasks; conducting conferences and workshops; distributing information about state and federal policy changes; publishing statistical reports and newsletters; facilitating networking and developing new approaches to rural housing. *Example of Promising Practice #2*

Frontier Housing and Clayton Homes

Frontier Housing, a nonprofit housing organization in Kentucky, established a strategic alliance with Clayton Homes, a manufactured housing producer in Tennessee, to develop a national distribution channel of nonprofit manufactured home builders. Unlike traditional trailers, these manufactured homes are high-quality, ENERGY STAR rated, meet all HUD guidelines, and sit on a solid masonry foundation (allowing them to be deeded as real estate). Through this alliance, Frontier Housing and Clayton Homes hope to utilize economies of scale to continue to bring down costs and make quality home ownership feasible for more low-income, rural families. *Example of Promising Practices #2 and 8*

Genesee County Land Bank

Although land banking for residential purposes has been most often used in urban areas, this strategy has been mentioned during focus groups as a way to obtain affordable, utility-serviced lots in rural communities. In Michigan’s Genesee County, policies were enacted to make it easier and faster to transfer control of tax delinquent properties to local government. Depending upon location and condition, housing may be renovated and resold or demolished to make way for the development of new affordable housing by local nonprofit or for-profit developers. *Example of Promising Practices Example of Promising Practices #3, 7 and 8*

**Habitat for Humanity Neighborhood Revitalization Initiative – Critical Home Repair*

In an effort to broaden their impact, some Habitat for Humanity affiliates began piloting the Neighborhood Revitalization Initiative in 2010. Critical Home Repair is one of several components within this effort and is designed to provide urgent home repairs for low-income homeowners. Under this program, the Habitat affiliate will mobilize trained volunteers to

complete necessary structural and/or system repairs on dwellings with owner occupants who meet income requirements, are up-to-date with their taxes and are not in danger of foreclosure. Homes cannot be assessed above \$100,000 and owners are expected to contribute volunteer labor and pay back building material costs through a no-interest loan. This program helps prevent run-down homes from being condemned, improves quality-of-life and safety for families living in these homes, and contributes to community revitalization and the maintenance of local property values, typically at significantly lower costs than those required to build a new home. In addition, affiliates are typically able to significantly increase the number of families assisted per year when new home builds are combined with home repair projects. *Example of Promising Practice #2 and 3*

**Home Partnership Foundation*

The Idaho Housing and Finance Association created the Home Partnership Foundation (an independent 501c3) to increase housing-related funding resources. This foundation encourages individual and corporate donations of money and property through a variety of innovative development programs, including matching gifts up to a certain amount each year. These resources are then utilized to provide financial support for housing and homelessness related projects that would not otherwise be possible due to funding cuts, eligibility requirements, etc. *Example of Promising Practices #7 and 10*

**Low Income Investment Fund (LIIF)*

LIIF is a nationally accredited nonprofit community development financial institution (CDFI) that has established a revolving loan fund to finance low-income housing and other community building efforts. Established in 1993, this fund offers flexible lines of credit up to \$750,000 that can be used as bridge funding to cover project-related activities and other organizational needs. Typically, this money is utilized to fill funding gaps left by other forms of financing and/or to enable nonprofits to operate more effectively within a competitive marketplace. Since its founding, LIIF has utilized \$750 million in loans and grants to leverage total capital of over \$4.7 billion to benefit low-income households. *Example of Promising Practice #10*

**New Jersey Smart Codes*

The barriers that Ohio's building code poses to rehab projects has already come up during the focus groups. Although not particularly rural or new, the rehabilitation code adopted by New Jersey in 1998 has reduced redevelopment costs by up to 40 percent, dramatically improving the economic feasibility of rehabilitating existing housing stock. Under the "smart codes," buildings are not automatically required to meet modern-day standards if certain safety thresholds are met. To publicize the new requirements, compliance instructions were compiled in an easy-to-read manual providing step-by-step instructions for various types of rehabilitation projects. One year

following the adoption of these new rules, rehab activity increased by up to 60 percent in some parts of the state. *Example of Promising Practice #3*

Renovation of the Tuttle Building in Rutland, Vermont

Private/public/nonprofit partnership succeeded in renovating this downtown commercial space in rural Rutland Vermont (population 16,495 in 2010). This project was deemed unfeasible for private development but, with layered funding and significant patience, the 1906 building has gone from being a public eye sore to mixed residential and commercial use, serving as an anchor and stimulus for additional community revitalization. *Example of Promising Practices #3, 8*

**Southeast Rural Community Assistance Project*

The Southeast Rural Community Assistance Project is a nonprofit organization that provides training, technical assistance, grants and loans to support water and waste water infrastructure development in low-income rural communities. Assistance provided can include funding for preliminary engineering studies, tap fees, hook-on fees and a variety of other development costs through financial support provided by a combination of local, state and federal sources. *Example of Promising Practices #2, 7, and 8*

**Utility-Funded Energy Efficiency Programs*

According to research conducted by the National Housing Trust, a majority of states have implemented utility-funded energy efficiency programs, and a few have structured these programs to meet the unique needs of multifamily affordable housing owners. For example, New Jersey's largest utility, PSE&G has worked with the New Jersey Housing and Mortgage Finance Agency to create a multifamily housing energy retrofit program. Following a free professional energy audit, PSE&G covers the up-front costs of eligible recommended improvements, which may include upgrading lighting, HVAC, humidification, building envelope, windows, doors, motors, etc. As an incentive, owners are only required to repay a portion of the total installation cost. No interest is charged and payments are included in the property's PSE&G energy bill over the next ten years, again with the anticipation that energy savings produced by the upgrades will result in no net increase in the bill. *Example of Promising Practices #2, 7 and 8*

Yolo County Housing

This housing authority in rural California operates out of a central office and six satellite sites, covering a jurisdiction of over 1,000 square miles. In 2007, the organization had been losing money for several years and was deemed financially non-viable by HUD's Recovery and Protection Corps. Through a combination of technology upgrades and changes in operating procedures, costs were reduced from \$5.04 million in 2005 to \$2.2 million in 2010, eliminating the budget deficit while still focusing on improving customer service and increasing data

security. Key elements of the system include a VOIP phone system, off-site data storage and back-up, automated wait-list information and electronic payment system. In 2010, Yolo County Housing was named the PHA of the Year by the San Francisco HUD office. *Example of Promising Practice #2*

Case Study: Federation of Appalachian Housing Enterprises (FAHE) Berea Performance Compacts

The Federation of Appalachian Housing Enterprises (FAHE) was established in 1980, after a study commissioned by the Human Economic Appalachian Development corporation concluded that Central Appalachia's need for affordable housing was not being adequately addressed by local development efforts. Due in part to geographic isolation, many small housing organizations were working independently in communities that lacked adequate resources, jobs, education and infrastructure. Despite the pressing need for more quality housing in this region, limited capacity prevented many of these groups from effectively accessing and utilizing available Federal and state funding. "The core group that started FAHE figured out that many voices together was better than one," says member Stacy Epperson.

Based in Berea Kentucky, FAHE is a nonprofit membership organization historically serving the Appalachian regions of four states, including eastern Kentucky, eastern Tennessee, southwestern Virginia, and all of West Virginia. Membership is open to nonprofit organizations that have identified affordable housing as a major focus of their work. Within each state, members are organized into a caucus that meets quarterly and elects two individual to serve on the Board of Directors, which is made up of the 8 state representatives and five non-FAHE representatives. Although the number shifts somewhat from year to year, about 50 organizations are currently members.

FAHE initially functioned similarly to other housing-related trade associations, providing members with help and support related to advocacy, networking, training, technical assistance, and financing. Most members focused on building and selling stick-built homes, utilizing funding from HOME and the USDA 502 Direct program to increase affordability for low-income families. In addition, a few members also did some limited development of multifamily rentals. In 1995, FAHE became a Community Development Financial Institution (CDFI), and in time, members' housing production plateaued at about 2,000 units per year. Unfortunately, as of the year 2000, nearly one in five homeowners in FAHE's service area were paying more than 30 percent of their income for housing, and for renters, this figure was closer to one in three. As FAHE's President and CEO Jim King describes it, "We challenged ourselves to really look at the number of households that were in need of assistance and how many were going unserved and we...concluded that the housing problems were at scale but our solutions were not." Further, a steady decline in funding for housing-related grants and subsidies was eroding the financial viability of many nonprofit housing developers. Clearly, something had to change.

In 2006, FAHE established a series of stretch goals to challenge members to radically increase the scale and efficiency of their work. Over the next ten years, the group pledged to increase their annual number of families served from 2,000 to 8,000. They committed to dramatic increases in staff productivity and the number of mortgages generated as well as setting ambitious targets for reducing mortgage delinquency rates. Efforts to achieve these goals proceeded on several fronts, including upgrading systems and infrastructure, providing enhanced training and promoting a performance-oriented culture that held staff members and organizations accountable for having a meaningful, measurable impact on the problem of inadequate housing in Central Appalachia. Focus shifted from activities to outcomes, and members were pushed to become more productive, efficient, self-supporting and savvy in combining traditional and nontraditional financing.

One strategy for encouraging this transformational shift is embodied in the Berea Performance Compacts. Introduced in 2006, the Compacts were envisioned as a way to simultaneously improve service quality, limit unnecessary duplication of effort and utilize economies of scale to reduce costs. This is accomplished by borrowing a management approach from the for-profit sector which encourages companies to build on core competencies and outsource other functions. For FAHE members, this involves collaborating to divide up aspects of the complex affordable housing environment, with individual members focusing on developing expertise in their strongest area and providing this specialized service to other members for a below-market-rate fee. This generates revenue for the providing organization while also allowing the recipient organization to obtain higher quality services for less money than it would cost to provide them in-house. Based on FAHE's experience, collaborations are only successful when all participants benefit financially and when senior management believes the effort has the potential to solve a critically important organizational issue. "Collaboration is about giving up something in order to gain something a little better" says King.

When deciding what to focus on when developing the Compacts, FAHE members looked for services that were offered by a majority of members and in which at least one member had already established expertise and could provide leadership to the effort. Given the reduction in housing grants and subsidies, preference was also given to services that could eventually be marketed to non-FAHE members at market rates, potentially generating additional revenue. The initial Berea Performance Compacts included manufactured housing, loan servicing, multifamily housing development, cooperative purchasing and volunteer management, with Energy Efficient building being added in 2009.

Participation is voluntary, and 28 FAHE members are currently involved in one or more Compacts. For each, participating members work together to devise a mutually beneficial service

delivery model. This involves piloting the effort at one or two sites to work out any logistical issues, standardizing the model and then expanding it to scale. FAHE staff members support this process by providing technical assistance, facilitating solutions to problems as they arise and raising funds to support the project. Currently, three of the original compacts (cooperative purchasing, volunteer management, and manufactured housing) are not actively being pursued and the rest are in various stages of development, as described below.

Loan Servicing – By centralizing loan servicing activities, enough economy of scale was generated to reduce the cost of managing each individual loan and to fund upgrading to more sophisticated technology for managing the loan portfolio. The increased capacity facilitated by this upgrade has allowed the Compact (since spun off as an independent organization) to service loans for six FAHE members as well as three non-members. Participating members report that purchasing these services has reduced costs, freed up staff time for other activities and, in some cases, resulted in dramatically decreased delinquency rates.

Multifamily Development – The purpose of this compact is to provide less-experienced developers with access to the expertise of those with more expertise in developing and managing multifamily rentals. This allows projects to move forward in communities that would not otherwise have the capacity to undertake this type of development. For example, Boodry Place is a newly built facility in Morehead Kentucky which was developed as a result of this Compact. One organization provided multifamily design and construction expertise, another facilitated lining up the necessary funding and a third is providing management services for the property. Despite depression of the LIHTC market due to the recent economic downturn, four multifamily development projects have been completed to date.

Energy Efficient Building Compact– This relatively new Compact was established in response to a lack of third-party inspectors in Central Appalachia who can certify construction as complying with energy efficient and or green building requirements. This is an issue because FAHE members see potential for this region to take advantage of new federal and state programs to combine energy efficient building with economic development and affordable housing. At least eight FAHE members have been trained and approved by BPI to provide inspection services for other members while 30 members are developing Energy Star Homes

According to King, “The biggest issue with having organizations collaborate is trust.” This is because effective collaboration requires that participants focus resources and attention on the

achievement of long-term collaborative goals rather than short-term organizational goals. This can be risky, particularly in times of economic contraction, and will not happen unless time and resources have been devoted to building trust among participants. One way FAHE works to establish this trust is through regular, in-person meetings. Each state caucus meets quarterly for a day-long meeting, and the whole membership meets twice a year. In addition, FAHE has a rigorous application and monitoring process. Potential members must be recommended by their state caucus, complete a detailed application including financial documentation, pay a \$500 membership fee, sign a contract, and commit to actively participate in meetings. Further, once accepted, members are expected to submit quarterly production reports and an annual portfolio of documentation including copies of organizational audits, annual reports, board minutes, proof of liability insurance, etc. FAHE acknowledges that this is more than other membership organizations typically require, but argue that FAHE also provides more services to its members and, as King sums up, “Trust is an investment and the return is greater impact through collaboration.”

It is worth noting that FAHE’s efforts to scale-up their housing development activities have not been universally well-received. Some organizations have ceased to be members, and there has been significant turnover in staff since these changes have been implemented. Although some of those who left resisted being held to higher performance standards, others expressed philosophical objections to FAHE’s new business model. These included concerns about sacrificing quality for quantity and that centralizing functions would achieve efficiency at the expense of local jobs and relationships. Some also worried that the increased focus on generating earned income was causing the organization to stray from its commitment to serving the “poorest of the poor.”

Nonetheless, it is difficult to argue with the results. In 2011, FAHE members served 7,400 families, more than a 300 percent increase in just six years. With an annual budget of about 5 million dollars, the organization leveraged about 45 million for local projects and also generated about 75 percent of its budget through earned income. Thirty-two FAHE staff people work in five areas, including mortgage lending, loan servicing, and community lending as well as two for-profit subsidiaries – a Kentucky LIHTC syndicator and a consulting group that offers grant writing, design, project management and other technical assistance services. As summed up by Kelly Spears, Executive Director of a two-person housing organization in rural Tennessee, “FAHE offered services that made us able to grow and increase our capacity. They fill a lot of gaps.”

Sources

Philanthropy Chat: Jim King on Collaboration (podcast). Produced by the Foundation Center and accessed 8/3/12 from <http://grantspace.org/Multimedia-Archive/Podcasts/Philanthropy-Chat-Jim-King-on-Collaboration-2012-01-26>

Crutchfield, L. and Grant, H. M. (2012). *Forces for Good: The Six Practices of High-Impact Nonprofits, 2nd Edition*. San Francisco: Jossey-Bass.

Frontier Housing. The City of Morehead, Community Housing Partners and Frontier Housing Break Ground on Boodry Place. Accessed August 3, 2012 from <http://www.frontierhousing.org/BoodryGB2007rpt.htm>.

King, J. (N.D.) Building with Hope in Appalachia: Federation of Appalachian Housing Enterprises, Inc. Accessed August 16, 2012 from <http://appalachiantransition.net/sites/ati/files/essays/Jim%20King%20Essay%20FINAL.pdf>

Okagaki, A. (N.D.) Federation of Appalachian Housing Enterprise: A Case Study. Accessed 7/12/2012 from <http://www.fahe.org/wp-content/uploads/AlanOkagakiReport-FINAL.pdf>

Case Study: Habitat for Humanity/7 Rivers Maine – Weatherization, Repair and Rehab

Habitat for Humanity/7 Rivers Maine (HFH/7RM) is a highly successful affiliate on the southern coast of Maine that serves Lincoln County, Sagadahoc County and portions of Cumberland County. In early 2008, the organization decided to establish a home repair program focusing on low-income families who already own a home but need help to make it safe, accessible and/or energy efficient. Eligible repairs included fixing porches, installing a new furnace, adding a wheelchair ramp and other similar projects. “This is an opportunity to reach more families in need in our area who are struggling in substandard housing,” said Tara Hill, HFH/7RM Executive Director at that time.

Shortly after this program started, HFH/7RM was confronted with a new challenge during the winter of 2008-9 when the price of heating oil rose to over \$4.00 a gallon. In addition to having the largest percentage of oil-heated homes, Maine is known for its cold winters, old housing stock, and large number of retired residents living on fixed incomes. Monthly heating bills of \$500 - \$600 were stretching many homeowners’ budgets to the breaking point. In response, HFH/7RM partnered with the United Way of Mid Coast Maine in 2009 to pilot a program designed to keep low-income families in their homes by reducing their heating costs through weatherization efforts. The following year, HFH/7RM took over sole management of the Weatherization Program, which is now co-administered with the Repair Program. “Even when someone applies for a home repair, we try to include some weatherization work as well,” says Josh Reynolds, HFH/7RM Weatherization and Repair Coordinator. “Most homes in Maine need it.”

To be eligible for the Weatherization and Repair program, projects must be able to be completed within two weeks for \$5,000 or less and must be focused on improving safety, accessibility and/or energy efficiency. In addition, the house cannot have extensive structural, moisture, or mold problems. Like families applying for a new home, participants must earn 25 – 80 percent of area median income, have lived in the area for at least a year, meet minimum credit requirements and commit to providing sweat equity to the project. While volunteer labor and donated materials are contributed to the project at no cost, homeowners receive a no-interest loan from HFH/7RM to repay the cost of purchased materials over the next two to five years. These funds are then recycled to support the weatherization and repair of other local homes.

During its first twenty years, HFH/7RM averaged about three new home builds every two years, a truly impressive accomplishment. With the addition of weatherization and repair activities, the program is able to dramatically increase the number of families assisted. For example, 250 homes were weatherized in the first three years of the program. Says Reynolds, “This is a way

for us to touch families and make an impact in a short period of time. It motivates volunteers to see such a quick return on their investment.”

The organization originally maximized the number of families assisted through a one-step weatherization process that combined evaluating the home and closing up major leaks in a single visit. This strategy required limited volunteer training and materials (primarily caulking and weather-stripping), and could result in energy savings of about 15 percent. More recently, HFH/7RM has progressed to doing slightly fewer weatherization projects each year (currently targeting 80 down from a peak of 100), and offering more comprehensive services. This new approach required hiring a BPI- and state-certified energy auditor, providing more extensive volunteer training and also purchasing several thousand dollars’ worth of equipment, including a thermal camera and blower door. However, as a result, HFH/7RM is now able to do a complete energy audit, add insulation to basements and attics, help to remediate moisture problems and perform other, more advanced work that can result in up to a 50 percent reduction in heating costs. Given the current cost of oil, this can result in immediate savings of \$2,000 or more per heating season for participating homeowners. “You can’t deny this meets the mission of Habitat to house low-income people because that’s exactly what we’re doing,” says Josh Reynolds. “We’re just helping people stay in their homes rather than putting people into new homes.”

One particularly interesting initiative developed through this program involves the on-site manufacture of interior storm windows. Early on, HFH/7RM realized that installing new windows in an older home is so expensive that it is difficult to achieve an adequate return on the investment through energy savings. As an alternative, the organization set up a small workshop in which volunteers build wood frames bordered with v-strip weather-stripping and covered in a clear heat-shrunk film. The result is a relatively inexpensive, aesthetically pleasing storm window that replicates the energy saving that would be achieved through the installation of new windows. If carefully measured and constructed, the frame fits tightly into the window opening and is light enough to be held in place by the pressure of the v-strip alone. As a result, homeowners can easily self-install these storm windows and remove them again in the spring.

In 2011, HFH/7RM further expanded its efforts to include housing rehab. Due to the economic crisis, the organization saw an opportunity to obtain distressed properties, address critical structural issues, and resell to a partner family at or below the cost of building a new home. In addition to being economically feasible, rehabbing was viewed as an effective strategy for reducing the negative impact of run-down properties within otherwise well-kept neighborhoods. However, the organization stresses the critical importance of selecting the right property to ensure the project stays within budget. “You need a substantial pool of available houses and some savvy people, either volunteers or staff members, who have the expertise to know that

you're not getting yourself into a big problem," cautions Reynolds. To date, HFH/7RM has moved one family into a rehabbed home and is currently involved in rehabbing a second.

Aside from maintaining adequate funding, the biggest challenge faced by these programs is building and maintaining an adequate volunteer pool. "Weatherization is dirty, nasty work so you need a specific type of volunteer," says Reynolds. However, the program has also found that this type of project is uniquely appealing to some segments of the community, particularly those who are committed to energy conservation or who have a passion for rehabbing old homes. As a result, a whole new pool of volunteers has been identified, allowing the organization to be actively involved in both a new build and these other activities simultaneously.

Similar to the HFH/7RM affiliate, Habitat for Humanity International as a whole seems to be recognizing the importance of expanding beyond its original focus on new home builds. In the 2011 Annual Report, HFHI Board Chair Ken Klein acknowledges that the problem of inadequate shelter has continued to escalate despite the organization's hard work and phenomenal growth. As he states, "Now into our fourth decade, we have learned that new housing is not the singular answer for all families in need of decent shelter," and he singles out housing rehab and repair as two promising strategies for increasing impact.

Reflecting this diversified approach, affiliates throughout the country have established an array of new programs including A Brush with Kindness and Critical Home Repair, both of which provide low-income homeowners with volunteers and no-interest loans to assist with the completion of maintenance and repair projects. Similarly, the Repair Corps Program is a joint initiative with HFHI and the Home Depot Foundation that focuses on housing repair and accessibility modifications for veterans and their families. Although the majority of Habitat families in the U.S. and Canada still partner with the organization to build a new home, 1,603 families participated in rehabbing an existing home and an additional 2,920 received home repair assistance in 2011.

As HFH/7RM's Josh Reynolds sums it up, "New home builds will always be an important part of Habitat, but the proof is in our results – we are able to get more families in homes that are safe comfortable, affordable and sustainable through weatherization, repair and rehabs. There's no question. It's faster and we can do it more economically."

Sources

Critical Home Repair Description. Habitat for Humanity Charlotte web site. Accessed August 10, 2012 from <http://www.habitatcharlotte.org/how-to-apply/critical-home-repair>

Habitat for Humanity International 2011 Annual Report. Accessed August 7, 2012 from http://www.habitat.org/support/report/2011/AME_AnnualReport.pdf

Habitat for Humanity 7 Rivers Maine Newsletters, Winter 2007 – Spring 2012. Accessed August 7, 2012 from http://www.habitat7rivers.org/about_us/newsletters.php

Interview with Josh Reynolds, August 8, 2012

Repair Corps Program Press Release. Habitat for Humanity International web site. Accessed August 10, 2012 from http://www.habitat.org/newsroom/2012archive/07_19_2012_homedepot_repair.aspx

Weatherization and Repair Program Description. Habitat for Humanity 7 Rivers Maine web site. Accessed August 9, 2012 from <http://www.habitat7rivers.org/apply/weatherization.php>

Case Study: Home Partnership Foundation Case Study

In 2005, the Idaho Housing and Finance Association (IHFA) faced challenges at both ends of the economic spectrum. In the state's most impoverished communities, emergency shelters and related nonprofit organizations were struggling due to Federal cuts and a lack of dedicated state funding for housing and homelessness efforts. At the same time, sky-rocketing real estate costs in Idaho's popular resort areas were pricing teachers, firemen and other public service workers out of the market, hampering efforts to fill these critical positions.

In response, IHFA established the Home Partnership Foundation, the first independent nonprofit foundation in the country dedicated exclusively to housing issues. "We saw an opportunity to leverage IHFA's expertise and experience with the collection and disbursement of donations," says Julie Williams, Executive Vice President of IHFA and the Home Partnership Foundation. "Rather than identify specific initiatives that the Foundation was interested in, we looked for the areas of activity that were critical to the state." This responsiveness to community needs has led the Foundation to focus its efforts on supporting shelters and related services, preventing evictions, encouraging asset-building and education, and developing affordable workforce housing.

Developing the Home Partnership Foundation as an independent nonprofit opened the door to several new or expanded funding opportunities. As a 501(c)(3), the Foundation is eligible to apply for grants and other private foundation programs not available to a quasi-public entity like IHFA. In addition, potential individual and corporate donors receive the tax advantages associated with charitable giving, increasing the attractiveness of the Foundation as a philanthropic vehicle. Finally, financial awards made by the Foundation to local housing programs can help generate additional money by providing a portion of the matching dollars required by many Federal funding programs. As a result, within its first five years, the Home Partnership Foundation acquired \$3.4 million in assets and allocated \$2.5 million to low-income households and organizations.

The Foundation emphasizes flexibility in the face of evolving community needs, and this orientation is evident in the diversity of its activities. Examples of sponsored projects include:

The Avenues for Hope Housing Challenge – This innovative fundraising campaign encourages housing-related nonprofits to solicit donations through a dedicated website during a specific period of time over the traditional winter holiday season. Organizations receive cash prizes ranging from \$500 - \$5,000 for receiving the most donations before the end of November, the most donations over \$25, and the most donations over \$100. To track their charity-of-choice, donors can view an online "Leaderboard" that shows each

participating organization, the number and amount of donations received and current prize eligibility. In addition to motivating increased donations through competition, Foundation staff view this campaign as a critical tool for cultivating younger donors who are less likely to participate in traditional fundraising events. According to Williams, “It’s a longer path because these are not large donors yet, but I think relationships and outcomes are the main ways younger people will establish their future philanthropy practices and giving patterns.” In its first year, the Avenues for Hope Housing Challenge raised over \$46,000 for participating programs and received a 2012 Apex Award for excellence in campaign communication.

Moscow Home Equity Partnership Fund – This collaborative project was established to provide access to housing for critical service workers in an expensive real estate market. The Foundation’s Home Equity Partnership Program established and committed to the long-term management of a trust for the community of Moscow, Idaho to which the developer of the Green Acre subdivision and other local businesses made tax-deductible donations. Next, qualified homebuyers making less than 100 percent of median area income and employed within the county applied for traditional financing to purchase a Green Acres home, with funds from the trust (up to \$35,000) being used to cover the difference between the purchase price and what the buyer could afford to pay. Homeowners will not be required to pay back this subsidy unless the house is later sold for a profit, at which point the trust receives the original investment plus a percentage of appreciation equal to the percentage of the original discount provided. For example, if a buyer received money from the trust equal to 12 percent of the purchase price of the home, this original amount plus 12 percent of the appreciated sales price would be paid back into the trust for the benefit of a future buyer. Future buyers must comply with the qualification requirements but are not restricted to purchasing homes within the Green Acres subdivision. More than \$500,000 has been contributed to the trust and this money has been used to provide over twenty families with an average subsidy of \$25,000 towards the purchase of a home.

Self-Sufficiency and Asset Building Program – Through this program, families receive financial education and case management as well as encouragement to save through a program that matches their savings dollar-for-dollar up to \$2,000. This money can then be used towards a down payment for a house or to help pay for educational expenses. Over 100 people have participated in this program, receiving a combined total of over \$64,000 in matching funds. “We have been very successful working with private foundations to fund home-owner education and the savings matching program,” says

Executive Vice President Williams, “That’s been very gratifying from our perspective and certainly for the families who have participated.”

When the Home Partnership Foundation was started, The Idaho Housing and Finance Association provided the initial staffing and financial support to manage legal requirements, create marketing materials, develop community partnerships and overall administer the program. Although IHFA continues to provide office space, expertise and in-kind support, the Foundation hired a full-time Development Director in 2009. IHFA leadership considers this dedicated staff role as critical to the development of the Foundation for at least two reasons. First, bringing someone in with experience in corporate fundraising has significantly increased the organization’s ability to successfully compete for private foundation dollars as well as individual donations through programs such as the Avenues for Hope Campaign. Second, IHFA recognizes the importance of providing a “face” for the Foundation, someone who can be its representative within the community and develop relationships with organizations, donors and community leaders. “Otherwise, you become simply a name on a website, asking people to give money,” says Williams. In addition to the Development Director, the Foundation also has a seven-member board that meets quarterly and assists with both decision-making and fund-raising.

Not surprisingly, the Home Partnership Foundation has faced some challenges due to the recent economic downturn. Despite the generosity of Idaho residents, donations inevitably decline during a recession and that can be particularly difficult for a young organization. Further, the recession has acted as a “double-edged sword” in many Idaho communities, with real estate costs becoming more affordable at the same time that job opportunities have become scarce. As a result, little development is currently occurring in the Home Equity Partnership Fund program and the overall asset portfolio has grown more slowly than originally anticipated. However, despite these setbacks, the Foundation has continued to expand its outreach and programming activities. Over the next several years, efforts will be made to further increase the organization’s visibility, expand fundraising efforts and develop the resources necessary to further support the continuum of housing services, from emergency shelters through home ownership. “There’s no shortage of need for our funds,” says Williams, “We need to build our assets.”

Idaho Housing and Finance Association is an independent financial institution and administrator of Idaho’s affordable housing resources. Established as the Idaho Housing Agency in 1972, IHFA’s mission is to “improve lives and strengthen Idaho communities by expanding housing opportunities, building self-sufficiency and fostering economic development.” The organization pursues this mission by administering a wide array of housing programs and services related to homelessness, transitional housing, rental assistance, homeowner education, counseling, and mortgage services as well as financing, development preservation and oversight of diverse affordable housing projects throughout the state.

Sources

Avenues for Hope Housing Challenge website. Accessed July 19, 2012 from <http://avenuesforhope.org/>.

Barron, M. (2011). Managerial Marvels: NAHRO's Awards of Excellence in Administrative Innovation. *Journal of Housing and Community Development*, Jan/Feb, p. 24-5.

Home Partnership Foundation Newsletter (2011). Accessed July 18, 2012 from <http://www.homepartnershipfoundation.org/portals/ae290052-9e2a-4fc1-ad63-a975a96524e4/media/foundation/hpf%20newsletter%201%20feb%202011.pdf>

Idaho Housing and Finance Agency (2010). Creation of the Home Partnership Foundation. NCSHA Annual Awards Special Achievement Entry. Accessed July 17, 2012 from www.ncsha.org/IHFA_Entry_Description_Special+AchievementDESC.pdf

Idaho Housing and Finance Agency (ND). The Home Equity Partnership Program: A Community Investment in Workforce Housing. Accessed July 18, 2012 from <http://www.docstoc.com/docs/85991073/The-Home-Equity-Partnership-Program-A-Community-Investment-in-Workforce-Housing>.

Interview with Julie Williams, July 20, 2012.

Case Study: Public Service Electric and Gas Company (PSE&G) Residential Multifamily Housing Program

New boilers, thermostats and high-efficiency refrigerators were recently installed at New Community Corporation's Douglas Homes, a 16-story senior housing development in Newark, New Jersey. In addition to improving residents' quality of life, the upfront cost of these upgrades were funded by PSE&G's Residential Multifamily Housing Program and are expected to reduce the building's annual energy bill by about \$55,000 per year. "It's definitely a win-win situation for both the owners and tenants," said Hugh Streep of Nex Gen Technologies, who served as energy auditor on this project.

PSE&G is New Jersey's largest gas and electric utility, servicing 1.8 million gas customers and 2.2 million electric customers in over 300 communities. In the summer of 2008, the Governor's staff facilitated a conversation between PSE&G and a number of diverse stakeholders that resulted in the development of PSE&G's Residential Multifamily Housing Program, to address market barriers that often prevent owners of affordable housing developments from participating in traditional energy efficiency programs. This is an important issue because slim operating margins and a limited ability to raise rents often lead to deferred maintenance, deteriorating conditions, inefficient energy usage and higher costs for multifamily housing. Yet, owners rarely have the up-front capital necessary to cover energy efficiency upgrades and are generally unable and/or reluctant to take on additional debt. In recent years, these issues have been further exacerbated by economic recession and high energy costs.

To respond to this need, PSE&G worked with the New Jersey Housing and Mortgage Finance Agency (NJHMFA) to develop the Residential Multifamily Housing Program. For qualified applicants, this program pays all upfront costs for energy efficiency improvements, including assessment, engineering, design, architectural work, equipment costs, construction and installation. There is no upper cap on project costs because "we want the customer to get the benefit of comprehensive energy efficiency measure installation, as long as it meets our payback requirements and is cost-effective," says PSE&G Product Manager Susan Lacey Ringhof. In addition, PSE&G offers a participation incentive for a portion of the total cost based on the measures to be installed. For example, a project with a projected 15-year payback would typically receive a PSE&G incentive "buy down" of seven years, resulting in a payback of only eight years for the customer. As a result, the average owner is charged for only 30-35 percent of the total costs for the project, and the owner's cost is repaid on the customer's monthly PSE&G bill, interest free, over a period of over ten years for NJHMFA mortgaged properties and five years for Non-NJHMFA projects. The program was designed so that the owner's share of the cost of the energy efficiency upgrades should be significantly offset by the cost-savings

recognized as a direct result of the energy efficiency upgrades. As a result of the upfront project funding, program incentives and on-bill repayment, Ringhof reports, the Residential Multifamily Housing Program “has required very little marketing. The program pretty much sells itself.”

This program is supported through ratepayer funds as a charge on PSE&G customer utility bills, and participation is open to owners of multifamily buildings with at least five living units who are PSE&G utility customers in good standing. Preference was initially given to NJHMFA financed (mortgaged) affordable housing developments; however the program now serves all multifamily housing. Interested owners submit an eight-page application that includes detailed information about their multifamily facility; its location and mechanical/electrical systems as well as ownership, management and financing information; which is used by PSE&G to determine program eligibility. Once a project has been accepted into the program, a free energy audit of the facility and current systems and its related energy usage is completed by qualified engineering professionals hired by PSE&G. The building owner receives a detailed written report of the findings and recommended upgrades. The most frequent recommendations include installation of new boilers, CFL lighting, programmable thermostats, high efficiency refrigerators, and low-flow showerheads as well as related upgrades to the building’s ventilation, heating, cooling, and energy recovery systems.

Once the owner decides to proceed with the project, the proposed plan and projected project costs must be approved by PSE&G (and by NJHMFA for NJHMFA managed properties). Next, engineering analyses are conducted, final decisions are made about the work to be performed and bid-ready documents are provided to the building owner. This step has been identified as key to moving projects forward into the construction and installation phases by ensuring that proposed upgrades have been appropriately vetted for cost-effectiveness and, at the same time, providing the customer with the technical assistance needed to efficiently solicit contractor bids.

As work is completed, PSE&G provides payment to the building owner who, in turn, is responsible for paying their contractor. Initially, the Multifamily Housing Program had a structured payment schedule, with one third of the money released prior to construction, one third half way through the project, and one third when the completed job passed a final inspection. However, Ringhof states, “In the course of delivering the program, we faced some challenges where the payment structure wouldn’t necessarily reflect milestones that the contractor would reach and it wasn’t really as practical as it needed to be in terms of getting the payment out the door to match construction schedules.” As a result, the program has since been modified to provide an initial payment of approximately 30% of the project cost, a second payment of approximately 50% of the project costs which can be made in a series of smaller amounts as needed to accommodate the work schedule, and a final payment for the balance of the project cost totaling approximately 20%.

To date, 506 buildings have been enrolled in the program and an additional 105 buildings are currently under application review. The timeline for project participation can often be long, perhaps up to 24 months, from the time of the program application, to the energy audit, engineering phase, contractor bidding, equipment ordering, etc. As of the Fall of 2012, four projects had been fully completed and were in the repayment phase. An impact evaluation is being conducted to measure program results and is scheduled to be completed by year-end 2013. However, engineering projections as well as cost effectiveness and payback screening for each project suggest that this program offers a promising model for improving living conditions and energy efficiency within multifamily facilities while simultaneously supporting over-arching economic development and sustainability goals. Says Ringhof, “This is a very, very popular program that serves an important market sector.”

Sources

New Community Corporation (2011). Energy Upgrades to Save NCC and its Residents Thousands in Utilities Costs. E-Clarion Electronic Newsletter, November. Accessed September 10, 2012 at: http://www2.newcommunity.org/userimages/media/e-clarion_November2011_103111.html

PSEG (2011). The PSEG Advantage Fact Sheet. Accessed September 10, 2012 at: http://www.pseg.com/family/about/pdf/corp_factsheet.pdf

State of New Jersey Green Homes Office (N.D.) Green Solutions for Customers: PSE&G Residential Multi-Family Housing. Accessed September 10, 2012 at: <http://www.njgreen.gov/dca/hmfa/gho/dprograms/multifamily/pdf/PSEG%20Program%20Introduction.pdf>.

PSEG (2011). Expands Investments in Infrastructure Upgrades and Energy Efficiency Program (July 14 Press Release). Accessed September 10, 2012 at: <http://www.pseg.com/info/media/newsreleases/2011/2011-07-14.jsp>.

Interview with Susan Lacey Ringhof, October 10, 2012.

Case Study: Baptist Valley East Sewer Project

Located in the southwest corner of Virginia, the town of Tazewell is home to 4,627 residents. Tazewell County's median household income is less than \$36,000 per year, and over 16 percent of the population lives below the poverty line (compared to approximately 10 percent statewide). Further, although home ownership rates in this Appalachian-designated county are slightly higher than the state average, the median value of these owner-occupied units is only \$80,200 (compared to \$255,100 for Virginia as a whole).

Until recently, nearly 500 families living in the Baptist Valley region to the north of Tazewell were not connected to the town's wastewater system. Instead, these households relied on private septic systems which did not function effectively due to local soil conditions and resulted in increased contamination of the nearby Clinch Valley watershed. This situation further exacerbated Tazewell's problems by reducing residents' quality of life as well as opportunities for economic development and residential growth.

Although the Baptist Valley East Sewer Project officially began in October 2009, efforts to raise the estimated 10.1 million dollars necessary to complete the work started much earlier. Since at least 1992, the Tazewell County Public Service Authority was pushing for a large-scale infrastructure upgrade in this region, including developing planning documents, writing grant applications and organizing a series of public hearings and community meetings to build local support. "People may want water and sewer service, but not necessarily be ready to pay a water and sewer bill," said Larry Wallace, Virginia State Program Director for the Southeast Rural Community Assistance Project. "It takes time to help them understand it's worth the extra cost." Financing for the project eventually combined moneys from six funding sources, including grants and loans originating at the local, state and federal levels:

- A \$4,634,378 loan from the Virginia Department of Environmental Quality–Clean Water Revolving Loan Fund, which was developed to provide a renewable source of low interest loans for publicly-owned wastewater systems. This fund was initially financed through a grant from the State Revolving Fund Capitalization Grant Program established by the Federal Water Quality Act of 1987, which required a 20 percent state match on all Federal dollars. Since then, the fund has invested over \$2.5 billion in projects throughout Virginia. Although the State Water Control Board is officially responsible for this fund, the Department of Environmental Quality provides day-to-day management and the Virginia Resources Authority serves as financial manager of the fund. Loan payments are delayed until one year after the project has been completed and, in addition, Tazewell County was able to negotiate a zero interest loan due to the financial conditions within

the area and the impact of the current waste disposal arrangements on the local watershed. “You can’t beat a deal where it is 25 or 30 years at 0 percent interest,” said Bill Rasnick, Chairman of the Tazewell County Board of Supervisors.

- A \$4,000,000 grant from the Department of Environmental Quality as part of the American Recovery and Reinvestment Act of 2009. Although Baptist Valley was selected for this funding in part because of the preference given to “shovel-ready” projects, qualifying for the funding required a last-minute push by the Tazewell County Public Service Authority to obtain 640 outstanding easements to provide the necessary right-of-way for the new sewer line prior to the June 1st deadline. “I have never had to get that many easements in that short a period of time,” said Jim Spencer, Tazewell County administrator. To get it done, a two-day easement assembly line was established by the Public Service Authority staff and the county attorney to work with local residents to process the necessary paperwork.
- A \$927,300 construction grant from the Southern Rivers Watershed Enhancement Program, which receives state funding through Virginia’s Water Quality Improvement Fund. Founded under Virginia’s 1997 Water Quality Improvement Act, this fund provides grants to local governments for pollution prevention, reduction, and control programs. To finance this, the Code of Virginia stipulates that the fund will receive “10 percent of the annual general fund revenue collections that are in excess of the official estimates in the general appropriation act and 10 percent of any unrestricted and uncommitted general fund balance at the close of each fiscal year whose reappropriation is not required in the general appropriation act.”

Additional funding included a \$450,000 loan provided by the Tazewell County Board of Supervisors to cover the cost of obtaining the necessary right-of-ways; a \$100,000 grant from the Southwest Virginia Water/Wastewater Fund which receives appropriations from the General Assembly to finance projects deemed high priority based on the water needs of the region; and a \$50,000 Facilities Development Grant provided by Southeast Rural Community Assistance and funded through the Virginia Department of Housing and Community Development. “You have to be real creative to string all this funding together,” said Wallace, commenting on both the Baptist Valley project and rural water projects in general, “And the money is only getting tighter.”

Despite some weather-related delays, the Baptist Valley Sewer Project was completed in September, 2011. “It is always good to see a project come to a completion and provide the service we are anticipating,” said Tazewell County Public Service Authority Administrator, Dahmon Ball. The new sewer system has the capacity to serve up to 760 families and, to

encourage residents to connect to the new system, the Public Service Authority Board temporarily reduced the tap fee from \$700 to \$275 per household.

This project is just one example of this agency's efforts to improve water and sewer services within their region. "No matter how big or how small the project is, the Tazewell County Public Service Authority has always tried to zealously seek funding for capital project for folks who need water and sewer services," said Spencer. As a result, over the past 20 years, this office has been awarded over \$85 million, \$50 million in grants and \$35 million in low-interest loans.

Sources

Archer, B. (April 16, 2009). Tazewell County PSA making push for Baptist Valley sewer line. *Bluefield Daily Telegraph*. Retrieved August 15, 2012 from <http://bdtonline.com/local/x241166551/Tazewell-County-PSA-making-push-for-Baptist-Valley-sewer-line>

Bluefield Daily Telegraph. (January 19, 2012). Clean water — Progress continues in Tazewell County. *Bluefield Daily Telegraph*. Retrieved August 15, 2012 from <http://bdtonline.com/editorials/x180452872/Clean-water-Progress-continues-in-Tazewell-County>

Code of Virginia. 10.1-2128. Virginia Water Quality Improvement Fund established; purposes. Retrieved September 6, 2012 from <http://leg1.state.va.us/cgi-bin/legp504.exe?000+cod+10.1-2128>

Jordan, G. (October 19, 2009). Water flowing to Baptist Valley. *Bluefield Daily Telegraph*. Retrieved August 15, 2012 from <http://bdtonline.com/cnhiwebsevice/x546088499/Water-flowing-to-Baptist-Valley>

Lenowisco. (October 11, 2007). Governor Kaine announces \$7 million in water quality improvement grants. Retrieved August 14, 2012 from <http://www.lenowisco.org/news/SRWEPoct07.pdf>

Owens, C. (September 17, 2011). Phase 1 of Baptist Valley sewer project complete. *Bluefield Daily Telegraph*. Retrieved August 15, 2012 from <http://bdtonline.com/local/x2063029245/Phase-1-of-Baptist-Valley-sewer-project-complete>

Owens, C. (August 5, 2011). Baptist Valley phase I sewer project 'substantially complete'. *Bluefield Daily Telegraph*. Retrieved August 15, 2012 from <http://bdtonline.com/local/x541064695/Baptist-Valley-phase-I-sewer-project-substantially-complete>

Owens, C. (June 13, 2010). Snow still causing headaches for Tazewell projects. *Bluefield Daily Telegraph*. Retrieved August 15, 2012 from <http://bdtonline.com/local/x1358982893/Snow-still-causing-headaches-for-Tazewell-projects>

Owens, C. (July 20, 2009). Award of federal funds to Southwest Va., lags behind much of state. *Bluefield Daily Telegraph*. Retrieved August 15, 2012 from <http://bdtonline.com/local/x1048529716/Award-of-federal-funds-to-Southwest-Va-lags-behind-much-of-state>

Owens, C. (June 3, 2009). Richlands' boundary expands to include schools, shopping center. *Bluefield Daily Telegraph*. Retrieved August 15, 2012 from <http://bdtonline.com/cnhiwebservice/x211816111/Richlands-boundary-expands-to-include-schools-shopping-center>

Owens, C. (March 3, 2009). Tazewell officials await steering committee's input. *Bluefield Daily Telegraph*. Retrieved August 15, 2012 from <http://bdtonline.com/cnhiwebservice/x241157663/Tazewell-officials-await-steering-committee-s-input>

Owens, C. (April 10, 2009). Tazewell PSA could get \$4 million. *Bluefield Daily Telegraph*. Retrieved August 15, 2012 from <http://bdtonline.com/cnhiwebservice/x241165879/Tazewell-PSA-could-get-4-million>

Owens, C. (April 29, 2008). Sewer survey, funds push Tazewell PSA project forward. *Bluefield Daily Telegraph*. Retrieved August 15, 2012 from <http://bdtonline.com/local/x519520698/Sewer-survey-funds-push-Tazewell-PSA-project-forward>

Owens, C. (October 21, 2007). \$8 million more could be coming for Baptist Valley sewer project. *Bluefield Daily Telegraph*. Retrieved August 15, 2012 from <http://bdtonline.com/local/x519510968/-8-million-more-could-be-coming-for-Baptist-Valley-sewer-project>

Owens, C. (October 11, 2007). More than \$1 million to help improve water, sewer in Tazewell communities. *Bluefield Daily Telegraph*. Retrieved August 15, 2012 from <http://bdtonline.com/local/x519510474/More-than-1-million-to-help-improve-water-sewer-in-Tazewell-communities>

Owens, C. (July 8, 2007). Sewer project needs public help. *Bluefield Daily Telegraph*. Retrieved August 15, 2012 from <http://bdtonline.com/local/x519506684/Sewer-project-needs-public-help>

Southeast Rural Community Assistance Project. (n. d.). Retrieved August 14, 2012 from <http://www.sercap.org/>

U.S. Census Bureau: State and County QuickFacts. Retrieved September 6, 2012 from <http://quickfacts.census.gov/qfd/states/51/51185.html>

Virginia Department of Environmental Quality. (February, 2012). Procedural Guidelines for the Virginia Clean Water Revolving Loan Fund. Retrieved September 6, 2012 from http://www.deq.virginia.gov/Portals/0/DEQ/Water/ConstructionAssistanceProgram/ProGuideChapterNumbered-DB_2-2012.pdf

Virginia Department of Environmental Quality (May, 2001). Virginia Wastewater Revolving Loan Fund Design Manual. Retrieved September 6, 2012 from <http://www.deq.state.va.us/Programs/Water/CleanWaterFinancingAssistance/VCWRLFTableofContents.aspx#FUNDING>

2010 Census Summary File 1—Tazewell town[machine-readable data files]/prepared by the U.S. Census Bureau, 2011. Retrieved September 6, 2012 from <http://www.cubitplanning.com/city/14684-tazewell-town-census-2010-population>

Interview with Larry Wallace, September 7, 2012



OHIO
UNIVERSITY

Voinovich School of
Leadership and Public Affairs