Rural Voices

Spring 1998, Vol. 3, No. 3
The Magazine of The Housing Assistance Council

States Help Produce Affordable Rural Housing

In this issue...

- State Housing Trust Funds
- Combined Applications in Iowa
- Targeted Funds in Oklahoma
- Welfare Reform in Minnesota

... and more

HAC

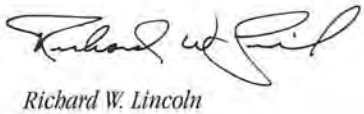
MESSAGE TO OUR READERS

Dear Friends:

State funds, and state agencies administering federal funds, are essential in developing affordable rural housing. This issue of Rural Voices *examines some of the ways states have become involved. Any one of these methods could be duplicated in states that have not yet tried them. First, an expert on housing trust funds explains how states have used those dedicated revenue sources to improve rural housing conditions. Other articles describe efforts in Iowa and Oklahoma to make state-administered funds more available in rural areas. Iowa has designed a collaborative application process, now being adopted by other states as well. Oklahoma analyzed housing needs in fast-growing rural parts of the state and targeted funds to help meet those needs.*

Continuing Rural Voices' *coverage of welfare reform, this issue also includes an article describing welfare reform in Minnesota, starting with a pilot program initiated by the state before changes were adopted at the federal level. The magazine's View from Washington department examines the possibility of enacting housing legislation during 1998 before Congress adjourns for elections in the fall. As always, the HAC Facts department summarizes some of the Housing Assistance Council's recent activities.*

If you have suggestions or comments about Rural Voices, *please do not hesitate to contact us or the magazine's editor at the address or phone number shown on the back cover.*



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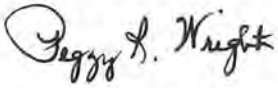

Peggy R. Wright
President

Moises Loza
Executive Director

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Cover: *Photos from the files of the Housing Assistance Council.*

HAC FACTS

Notes about some of the many recent activities, loans, and publications of the Housing Assistance Council

HAC PUBLISHES FUNDRAISING GUIDE

Rural housing nonprofits often have difficulties locating administrative funds. A new guide from HAC covers ways to begin addressing this challenge. It explains how to develop a fundraising strategy, where to look for administrative funding, and how to access such funds. Additional valuable resources in the guide include a list of over 140 foundations, corporations, and other funders that have provided support for rural housing and development in the past. *Guide to Fundraising for Rural Housing Nonprofits: Strategies for Raising Operating Funds*, ISBN 1-58064-083-4, is available for $3.50.

HAC LOANS TO HELP DEVELOP LARGEST RURAL AFFORDABLE HOUSING PROJECT IN CALIFORNIA

Two HAC loans to the Community Housing Improvement Systems and Planning Association (CHISPA) will assist in development of the Rancho Moro Cojo subdivision in Castroville, Calif., the largest rural affordable housing project in the state and one of the largest in the country. A $303,030 loan from HAC's Self-Help Homeownership Opportunity Program (SHOP) fund will help finance construction of the first 50 of 175 planned self-help units on the site. Purchasing families will help build their own and their neighbors' homes, to keep costs low. A second loan, $710,660 from HAC's Rural Housing Loan Fund, will contribute to infrastructure for the entire 120-acre site. CHISPA is exploring the possibility of developing 90 multifamily units and 100 units for seniors in addition to the self-help homes.

CHISPA has a long history of successful self-help development, with purchase prices averaging $108,820 in an area where the prevailing home price is $223,000. The Rancho Moro Cojo homes will be affordable to families with incomes below $36,250, which is 80 percent of the area median income of $45,600. It is expected that most will be purchased by families with even lower incomes, following the same trend as past CHISPA developments, in which 60 percent of units house families with incomes below 50 percent of median. The units will range from 1,100 to 1,300 square feet, with three or four bedrooms and two bathrooms. Several other funding sources will be involved by the time the development is completed.

PLANNING CONTINUES FOR NATIONAL CONFERENCE IN DECEMBER

HAC will sponsor the 1998 National Rural Housing Conference titled "A Place for Everyone" on December 9-12 at the Omni Shoreham Hotel in Washington, D.C. The conference, held every two to three years, attracts more than 700 participants to learn about current issues and network with others from around the country concerned with rural housing.

For more information about the conference, sponsorship and exhibit opportunities, contact the Housing Assistance Council by phone at 202-842-8600 ext. 47 or by e-mail at nrhc98@ruralhome.org, or visit http://www.ruralhome.org. Registration will begin August 1.

Representatives Bennie Thompson (D-Miss.) and Alan D. Mollohan (D-W.Va.) joined HAC Executive Director Moises Loza at the 1996 National Rural Housing Conference.

Secretary of Agriculture Dan Glickman spoke at the 1996 National Rural Housing Conference.

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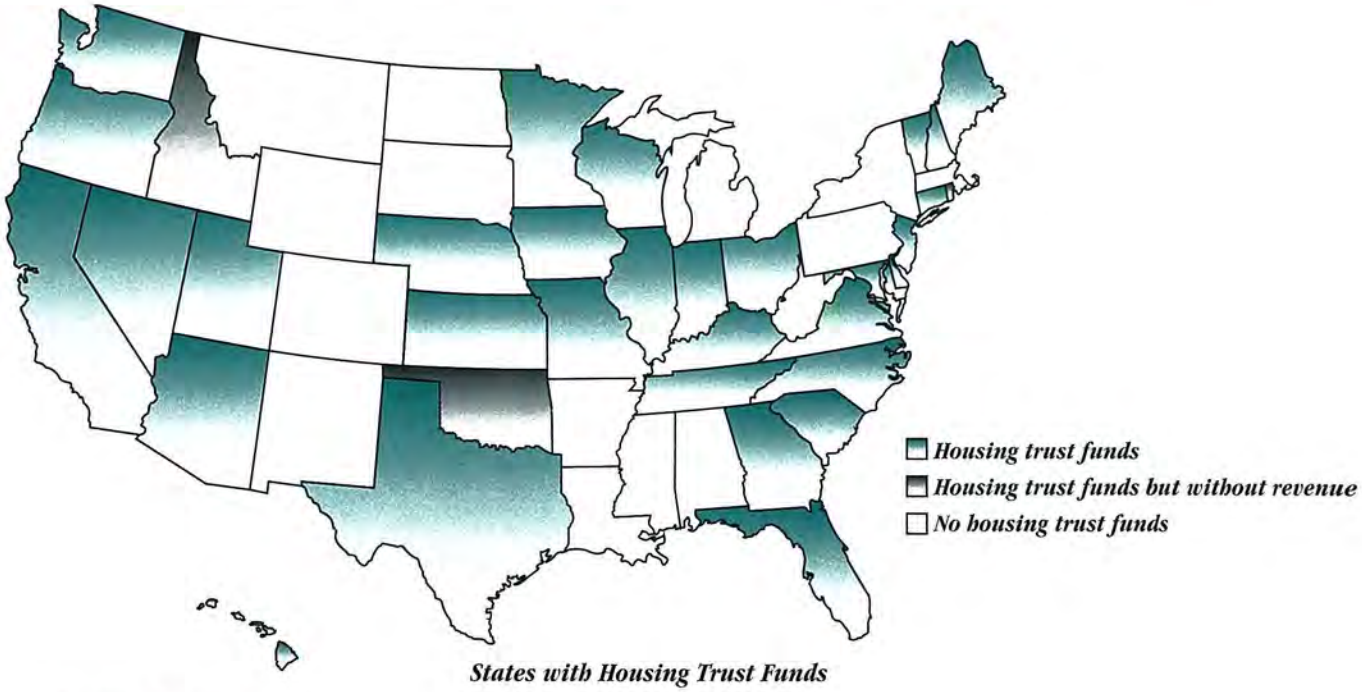
State Housing Trust Funds Find Ways to Serve Rural Communities



States with Housing Trust Funds

by Mary E. Brooks

Washington's state housing trust fund sets aside 30 percent of its monies each year for projects located in rural areas of the state. In Arizona, the figure is 20 percent; Kentucky, 40 percent; Ohio, 35 percent.

Set-asides are only one way housing trust funds have attempted to serve rural communities within their states adequately and fairly. There are numerous reasons why set-asides or other techniques to reach into rural areas are endorsed. At the top of the list, of course, are the severe housing needs in rural communities and the few resources available to address those needs.

Another reason, quite frankly, is to help get the housing trust fund passed in the first place. Where rural legislators dominate state legislatures, their support is critical. How better to do this than to ensure that their districts will not be ignored as funds are distributed? This is important leverage for rural housing advocates to ensure that elements serving rural communities be incorporated into their state's housing trust fund program.

A third reason for rural set-asides is to avoid having rural projects compete with urban projects. Some believe that in some circumstances project sponsors in urban areas, who may have more experience competing for funds, larger staff enabling them to respond more quickly, and more resources, have the upper hand for getting their applications in and for writing applications that are more likely to get funded. Others find that rural housing needs and projects to address those needs are sufficiently different from their urban counterparts that they deserve separate consideration and evaluation.

Given the many reasons for ensuring that housing trust funds help rural communities to address their most critical housing needs, many trust funds without rural set-asides have incorporated preferences for rural projects, giving them a higher score when funding applications are evaluated.

Rick Shepard of Tri-County Opportunities Council in Rock Falls, Ill. repairs a roof soffit as part of the Housing Leverage Initiative program created by the state housing trust fund.
Photo courtesy of Illinois Community Action Association.

WHAT IS A HOUSING TRUST FUND?

A housing trust fund is a distinct account with dedicated ongoing revenue committed exclusively to support housing affordable to lower income households. To date, nearly 130 housing trust funds have been created in cities, counties, and states across the United States. The key characteristic of a housing trust fund is that it receives ongoing revenues from dedicated sources of funding, such as taxes, fees, or loan repayments.

Enabling legislation or ordinances describe the purpose of a housing trust fund, how it will be administered, how the funds can be spent, what broad requirements must be met, the revenue sources dedicated to the fund, and other procedural requirements, such as monitoring and evaluation. Housing trust funds are usually administered by a governing board, appointed by the mayor, governor or other elected body, with the day-to-day tasks handled by a government agency or department. Most housing trust funds make their funds available to eligible applicants through periodic requests for proposals that outline eligible activities, application procedures, review criteria, and other priorities and requirements.

While housing trust funds vary in the types of housing activities they will support, they have provided funding for every phase of housing production and all types of housing activities. To date, hundreds of millions of dollars have been committed through housing trust funds, helping create and preserve thousands of needed housing units in urban and rural areas.

Before and after: Lamoille Housing Partnership converted this historic post office building in Jeffersonville, Vt. to seven units of family and elderly housing, using state trust fund financing.
Photos courtesy of Vermont Housing and Conservation Board.

While it might seem appropriate to meet a rural community's housing needs by creating a trust fund for that community alone, it is difficult to secure a revenue source that will produce sufficient funds to make such a housing trust fund really work. Thus, a frequent alternative is to seek creation of a county housing trust fund or look to a state housing trust fund.

At any government level, rural communities and their housing advocates work to have specific issues included in the design of the housing trust fund. A few examples are identified here.

Housing trust funds that address the needs of low- and very low-income households usually recognize that nonprofit development corporations are critical partners. Typically nonprofit objectives and experience are more likely to fit the goals of the housing trust fund. While not the only entities eligible for funding, nonprofits are often seen as both a primary applicant category and an essential one. Often, however, large rural parts of a state lack community development corporations or have none with sufficient experience to compete for housing trust fund dollars. Thus, trust funds must be careful to include as eligible applicants other key housing providers in these areas, such as public housing authorities, community action agencies, Indian tribes, regional organizations and others.

Some rural housing advocates are also concerned about income targeting and eligible activities. Eager to reach the most critical housing needs, these advocates seek tight requirements that projects receiving funding from housing trust funds actually benefit those with the lowest incomes. In some rural areas, if eligible incomes are based on the area median income, project sponsors run into trouble. Incomes of eligible tenants may then be so low that most projects will not be financially feasible without extensive subsidies. While clearly some of these projects are needed because of substandard housing conditions, requiring all projects to meet these requirements creates a portfolio that most nonprofit development corporations cannot manage. Alternatively, in rural places eligible incomes could be based on a dollar amount or on an area median income calculated for a specifically rural area.

Emergency home repairs, weatherization, and homeownership projects are among the activities that rural housing advocates seek to have included as eligible housing trust fund activities.

In addition to setting aside funds for rural areas, a few states actually distribute funds throughout the state based on some kind of formula. For instance:

- Florida's Statewide Housing Initiatives Program (SHIP) allocates funds to all of the state's 67 counties and 40 Community Development Block Grant (CDBG) entitlement cities. Funds are disbursed based on population, with each county receiving at least $250,000. In order to be eligible for funding, a local government must adopt an ordinance which meets a number of administrative requirements.
- The Tennessee housing trust fund, the HOUSE Program, has two funding phases: the entitlement program and the demonstration program. Under the entitlement phase, the agency will allocate to each eligible applicant a portion of available grant funds if these funds are matched and an acceptable application is sub-

mitted. Eligible applicants are cities, counties, and CDBG entitlement jurisdictions. A consortium of eligible political subdivisions may apply if they are physically adjacent, designate a lead administering agency, and each contribute to and benefit from the program. Funds not awarded under this first phase will be awarded under the demonstration phase based on competitive applications. Nonprofit entities are added to the list of eligible applicants in this second phase.

- Nebraska's Affordable Housing Trust Fund was passed in 1996. While the fund is not yet fully implemented, the governor's affordable housing commission has recommended that 2 percent of the funds be set aside for administration and 3 percent for technical assistance and capacity building to local housing efforts. Of the remaining 95 percent, one quarter would go to support innovative housing opportunities (defined as model programs that can be replicated; projects in response to job creation, business growth and expansion; and large rental projects) and the other three quarters would be divided among Native American tribes and eight defined regions. Each region must develop a Regional Priority Plan and is guaranteed at least $200,000. Funds would be further allocated based on population and the number of communities within the region. The regions are consistent with other programs in the state and the first announcement of funding availability will be not only for funds from the Affordable Housing Trust Fund, but also for HOME, CDBG, and federal Low Income Housing Tax Credit dollars.

Technical assistance and capacity building programs can also be designed to improve rural access. The legislation creating Florida's housing trust fund designated funds for several programs, including the Affordable Housing Catalyst Program. It provides community-based organizations and state and local government staff with the necessary training and technical assistance to meet affordable housing needs. The technical support is specialized to help local governments implement SHIP and federally funded housing programs. The Florida Housing Coalition has been providing this assistance since the program's inception.

The Texas Department of Housing and Community Affairs, in implementing its housing trust fund, has established outreach centers in rural parts of the state, in hopes of encouraging more applications for rural areas and providing technical assistance when needed. The CDBG and Housing Trust Fund programs share the costs of the staff providing the technical assistance. The Texas Department of Housing and Community Affairs issued an invitation for bids for a two-year contract to open and staff centers in Lufkin for a 29-county area in east Texas and in Lubbock for a 32-county area in west Texas.

Housing trust funds that address the needs of low- and very low-income households usually recognize that nonprofit development corporations are critical partners.

Washington state's Housing Trust Fund is administered by the Community, Trade and Economic Development Department. They have created a Housing Resource Team to provide technical assistance and capacity building to potential applicants. The Team assists rural communities in identifying housing needs, creating successful nonprofit housing organizations, and securing financing for proposed projects. The Department reports that these efforts have paid off as rural investments reached nearly 35 percent of total investments in 1996.

The Vermont Housing and Conservation Board (VHCB) has used that state's housing trust fund to help nonprofits acquire 27 mobile home parks, including this 14-unit park in Fair Haven, purchased and rehabilitated by the Rutland County Community Land Trust. *Photo courtesy of VHCB.*

For rural communities, one of the potentially beneficial aspects of the housing trust fund model is its flexibility, enabling it to serve all types of projects in many different situations. Some existing housing trust funds demonstrate this.

- The Vermont Housing and Conservation Trust Fund truly reaches all areas of the state. There are dozens of examples. In Jeffersonville, the Lamoille Housing Partnership converted a former post office to seven apartments for families and elderly persons. The Rutland County Community Land Trust acquired and rehabilitated a 14-unit mobile home park in Fair Haven. In its nine-year history, the Vermont Housing and Conservation Board has assisted in the acquisition by nonprofits of 27 mobile home parks around the state.
- The Illinois Housing Trust Fund has created the Housing Leverage Initiative Program. The program combines housing development programs with weatherization funds in order to rehabilitate affordable housing that might otherwise be lost to demolition. Working in tandem with the Department of Commerce and Community Affairs, local governments in rural areas can issue small grants to rehabilitate homes and apartments. Rehabilitation is implemented by community action agencies throughout Illinois working to create or preserve a few units of affordable housing each year.
- The Minnesota Housing Trust Fund has helped with an innovative homeownership program successful in several rural communities in the state. The program was first implemented in the town of Tracy. State trust fund monies financed a revolving loan fund, which was used to provide up to 25 percent downpayment assistance. Financial institutions provide loans for 75 percent of the purchase price in conjunction with the Revolving Loan Fund. Both loans are serviced through the financial institution providing the first mortgage. Tracy's CDBG Small Cities program funds cover rehabilitation costs. Western Community Action, a nonprofit community organization, provides technical assistance and counseling to applicants to get them through the purchase process. The nonprofit also conducts inspections and coordinates rehabilitation.
- The Arizona Housing Trust Fund funded the town of Florence with $100,000 to leverage other public and private resources, to attract a private developer and to construct an apartment complex. The town manager said these funds were the first step in solving Florence's long-term problem of housing for state prison workers and others in need of new affordable housing. In 1996, the state Department of Commerce reported that 85 percent of their housing dollars (housing trust fund, HOME, CDBG, and tax credits) went into rural areas.

For rural communities, one of the potentially beneficial aspects of the housing trust fund model is its flexibility, enabling it to serve all types of projects in many different situations.

Rural communities can indeed benefit from housing trust funds and many housing trust funds are establishing precedent for how these benefits can be encouraged, if not guaranteed.

Mary E. Brooks is the Director of the Housing Trust Fund Project of the Center for Community Change. The Center is a national nonprofit organization providing technical assistance to community-based organizations on housing and community development. The Housing Trust Fund Project has numerous publications available and provides technical assistance to those working to create and implement these funds.

The Housing Trust Fund Project encourages ideas and suggestions from others on how housing trust funds can advance their efforts to serve rural communities. Send suggestions or examples to the Project at 1113 Cougar Court, Frazier Park, CA 93225, phone 805-245-0318, fax 805-245-2518, e-mail Brooksm@comm-change.org.

Collaborative Application Process Helps Rural Iowa Developers Combine Funding Sources

by Monica Fischer

Doug LaBounty is director of Community Housing Initiatives, Inc. (CHI), a Community Housing Development Organization located in rural northwest Iowa. His is the vision behind numerous affordable apartment complexes throughout a 16-county region.

Laurie Gilbert is a housing planner for Region XII Council of Governments. She helps local governments in central Iowa develop and implement programs to meet the housing needs of their low-income residents.

Their objectives are different — LaBounty is interested primarily in rental new construction (although his organization has completed some adaptive reuse/rental rehabilitation projects in urban areas, also) and Gilbert mostly pursues owner-occupied housing rehabilitation and homeownership assistance projects for the communities with which she works. But they have one important thing in common: each has felt overwhelmed by the challenge of accessing resources to finance affordable housing, particularly in rural areas. And they are not alone.

Recognizing this, the Iowa Department of Economic Development (IDED) set out to make the challenge less overwhelming. IDED initiated the Housing Application Review Team (HART).

HART is a collaboration of the agencies that fund affordable housing in the state: the Iowa Finance Authority (IFA), the U.S. Department of Agriculture's Rural Housing Service, the Iowa field office of the U.S. Department of Housing and Urban Development, the Federal Home Loan Bank of Des Moines (FHLB) and IDED's Housing Fund (which combines the state's HOME funds with 25 percent of the state's Community Development Block Grant funds). Through HART, potential applicants for housing assistance submit a simple, one-page form along with a brief narrative about their proposed affordable housing project. Representatives of these agencies meet monthly to review and discuss the proposals.

After each monthly meeting, IDED issues joint letters of response to the HART applicants on behalf of all the participating agencies. The letters help the applicant by identifying potential funding sources for the proposed project, highlighting specific concerns or questions about the project and providing the names of resource persons who might be able to provide additional advice and assistance.

After receiving the HART response, applicants then complete and submit the full application forms for the funding programs for which they are eligible. The Housing Fund application form is included with the response letters to eligible applicants. If a HART applicant is not eligible for assistance from any of the HART partner programs, the response letter generally will try to make a referral to another funding source.

The HART process assists in packaging multiple funding sources, a practice that is becoming more and more common — even essential — in rural housing projects in Iowa. Very few communities can achieve their affordable housing objectives with a single funding source.

HART has benefited both its team members and its customers. The collaboration among the housing agencies has enhanced communication and understanding and promoted further cooperative efforts. The team hopes to expand its mission to include joint monitoring of projects. But HART's impact extends far beyond inter-agency cooperation. HART has dramatically transformed the way each individual housing agency cooperates with its customers. What was once a somewhat adversarial relationship between the powerless applicant and the powerful funding agency is now, more often, a collaborative effort between both parties

at the most critical time of a project-the development stage.

At IDED, for example, HART is responsible for at least one major change. It used to be that IDED reviewed submitted Housing Fund applications monthly, rejecting most (often for minor reasons). Applicants would revise and resubmit applications. This was repeated until the applicant gave up or until IDED deemed the project "fundable." Now, after HART review, each applicant eligible for Housing Fund assistance is assigned an IDED "staff contact." This contact works with the applicant — and the other funding agencies involved — to develop strong applications for funding.

Here are just a couple examples of HART's success.

LaBounty's CHI is general partner in several limited partnerships established for the construction of affordable rental projects. In the community of Graettinger, for example, CHI is constructing an 11-unit apartment complex for low-income tenants. HART helped CHI put together a consortium of funding for the project: a HOME loan of $266,294 from IDED, a low-income housing tax credit allocation of $276,984 from IFA, a Housing Assistance Fund loan of $20,000 from IFA, an Affordable Housing Program loan of $10,000 from FHLB and local funds of more than $100,000 (consisting of a municipal utilities loan, an operating subsidy from the city and tax increment financing).

"To develop affordable rental housing in today's market, you need financing from a variety of sources," LaBounty said. "The HART process helps coordinate those sources at an early stage, and that is very helpful in moving your project forward."

CHI also has rental projects in three other rural communities, and two in the City of Sioux City. Seven other CHI HART applications were assigned staff contacts; full Housing Fund applications have been submitted and will be reviewed this spring.

Community Housing Initiatives, Inc. (CHI) developed this 11-unit apartment complex for low-income tenants in Graettinger, Iowa, using the Housing Application Review Team process to put together a variety of funding sources. *Photos courtesy of CHI.*

Region XII Council of Governments is serving as the administrator for several active projects that also started out as HART proposals. The City of Glidden received a CDBG award of $294,709 to rehabilitate 15 single-family, owner-occupied homes (as well as to acquire and demolish one home infeasible for rehabilitation, and to relocate the occupant). The project also includes $69,040 in local funds, and assisted homeowners are required to make a contribution toward rehabilitation expenses.

"The HART response letter encouraged the City to include the maximum amount of local participation possible," Gilbert said. "It's good to know in advance what the funding sources want to see in the application."

Another Region XII project-a homebuyer assistance program in the City of Carroll-received a $579,000 HOME grant, $147,000 in state matching funds, an IFA Housing Assistance Fund grant of $6,000, a Federal Home Loan Bank grant of $6,000 and nearly $30,000 in local funds.

Region XII has several other active owner-occupied housing rehabilitation projects and homeownership assistance projects in rural communities, as well as pending projects that have been assigned IDED staff contacts. Many involve funding from the other HART agencies, too.

"HART is the starting point that helps bring the projects together," Gilbert said. "I think it has really helped us and the communities we serve."

From the time HART began in the fall of 1995 through March 1998, the team had reviewed 431 HART forms. A quarter of those received financial assistance through the Housing Fund. More than 60 percent were referred to other funding sources.

IDED began assigning staff contacts to HART applicants eligible for Housing Fund assistance in May 1996. From that time, the team has

reviewed 308 forms and 80 percent of those were assigned staff contacts (meaning the proposed project was eligible for Housing Fund assistance). Of those, nearly half have resulted in Housing Fund awards.

In 1996, the state was awarded the Council of State Community Development Agencies Outstanding Achievement Award for CDBG Program and Policy Administration for the HART process, which met the goals of the competition's theme: coordinating processes to make it easier for potential recipients to access state and federal funds. In 1997, the state was awarded a HUD John G. Gunther Blue Ribbon for Best Practices in Community Development Award for HART. The Iowa Department of Management also included HART as an example of the state's "pioneering efforts to improve service quality and accountability" in a presentation to the National Governors Association after Iowa was recognized as one of four states with significant process improvement accomplishments.

Other states also have developed or are in the process of developing approaches similar to or with the same objectives of HART. These include the following:

Colorado (contact Tom Hart at 303-866-2033)

Georgia (contact Susan McGee at 404-679-3176)

Kentucky (contact Becky Prather at 502-564-9127)

Minnesota (contact Anne Ray at 612-375-9644)

Nebraska (contact Jenne Rodriguez at 402-471-3747)

New Jersey (contact Anthony Cancro at 609-984-7726)

Oklahoma (contact Sherwood Washington at 405-815-5344 or Mary Frantz at 815-6552)

The HART contact person at IDED is Terri Rosonke (515-242-4852). The contacts for the other team members are as follows:

HUD: Donna Davis (515-284-4783)

USDA Rural Development: Bruce McGuire (515-284-6668)

Federal Home Loan Bank: Lisa O'Brien (515-699-1270)

Iowa Finance Authority: Kent Powell/Bruce Ray (515-242-4957)

Monica Fischer is an Administrative Assistant in the Bureau of Community Facilities and Services at the Iowa Department of Economic Development.

Oklahoma Targets Analysis and Funds for Affordable Rural Housing

by Mary Jane Maness

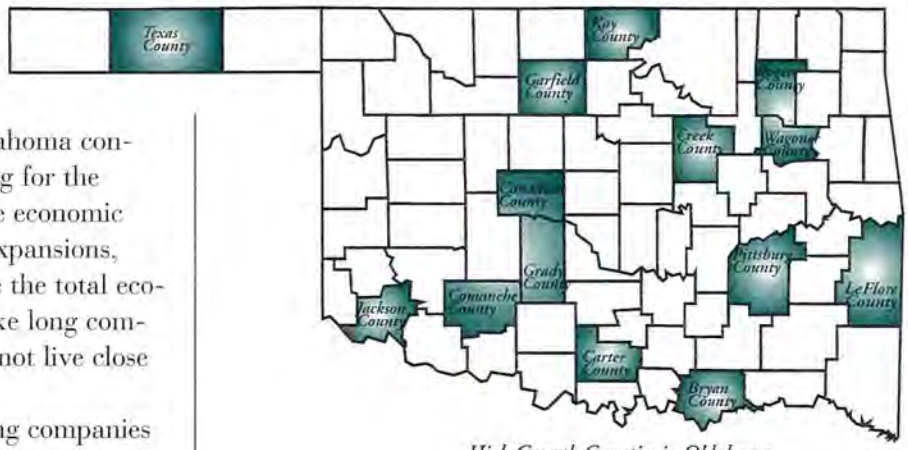
Oklahoma is all about new jobs. Over 75,000 new jobs have been added to the state's economy in the last two years alone. Oklahoma is also all about growth, which in the past five years has outpaced the nation's in manufacturing, business services, and overall employment. Oklahoma was ranked in the top ten fastest growing states in 1997, while remaining one of the lowest cost-of-business states in the nation.

This is a great comeback for a state that experienced substantial losses in both of its major employment sectors, energy and agriculture, in the mid 1980s through early 1990s. During that economic downturn, many Oklahoma builders suffered devastating losses, and all residential and commercial building stopped. A limited number of custom homes have been built. In most rural areas of the state, however, there still has been no new housing construction in the affordable range for 10, 15 or, in some places, 20 years.

As metropolitan and rural areas of Oklahoma continue to grow, providing affordable housing for the state's work force is crucial. Despite all the economic development and new plant openings or expansions, cities and towns of all sizes will not realize the total economic benefit if their workers have to make long commutes to and from work because they cannot live close to their jobs.

The business services and manufacturing companies located in rural Oklahoma are offering employment paying from $7.50 to $13.50 an hour. Their workers are traveling, in many cases, up to 70 miles one way to get to their jobs from their homes in other Oklahoma communities or, in the areas near the state borders, from surrounding states. This situation results in diminished productivity for the companies, poses a hardship on entry-level employees who must put a large part of their wages toward transportation expenses, and means that rural communities are not reaping the benefits of new residents and new growth.

"For some time, we have been hearing that there was not enough affordable housing in the rural areas of the state," said Byron DeBruler, Division Director of the Housing Development Team at the Oklahoma Department of Commerce (ODOC). "One of our first initiatives was to perform an environmental scan of the state, evaluating the condition and age of existing housing. Then, based on certain economic indicators, we identified some



High Growth Counties in Oklahoma

high-growth counties that would be prime for future housing development."

An extensive housing market analysis of 14 rural counties across the state experiencing rapid growth verified a lack of affordable housing. The results reveal a demand in rural areas for 10,596 single-family units, mostly below $70,000, and 3,849 rental units. The development opportunities for each county have been identified. In addition, a full statistical analysis has been compiled on each county. That information will be targeted toward the banking and housing industries. These analyses will be mailed out to a list of 1,500 people, ranging from builders to lending institutions, who are interested in these market opportunities.

Mary Jane Maness and Byron DeBruler of the Housing Development Team at the Oklahoma Department of Commerce (ODOC) assist with the state's efforts to identify fast-growing rural areas and target housing assistance funds to those places.
Photo courtesy of ODOC.

"Our mission in doing this analysis was two-fold," DeBruler said. "We needed to substantiate that there was a housing shortage — we did that. Next we needed to formulate a statewide plan to develop more affordable housing across the state. That plan is now in place and in the process of being implemented."

To promote homeownership and rural housing development, the Oklahoma Department of Commerce has joined forces with an initiative of the federal Department of Housing and Urban Development entitled National Partners in Homeownership. The intent of the program is to strengthen local homeownership partnerships, thereby increasing residential ownership numbers across the country to an all-time high of 67.5 percent of all American households. ODOC provides information to communities about homeownership partnerships, in addition to targeting its housing funds to single-family homes.

"One of the ODOC team's services is to assist developers and builders in their efforts to make housing happen in the rural areas of our state, and we want to participate by focusing Oklahoma Department of Commerce's HOME Investment Partnerships Program dollars to spur that development," DeBruler said.

Specifically, the Department of Commerce will do this in two ways. A total of $5 million in HOME funds will be split into funding pools. First, a pool for demonstration projects will be made available for single-family housing construction. "These funds will be available on a first-come, first-serve basis. The intent is to identify and create replicable housing development models that can be duplicated in other communities, resulting in increased development statewide," DeBruler said.

"The second pool of funds will be made available statewide through a competitive process. This pool will also be focused on single-family housing in rural Oklahoma, and will be available through community action agencies, other nonprofits, cities, counties, and state governmental agencies, and for-profit developers and builders. Applications for these funds became available April 1, 1998," DeBruler added.

Additional funds will be available through the Oklahoma Housing Finance Agency (OHFA), which has partnered with ODOC in targeting homeownership through single-family mortgage revenue bonds in specific counties. OHFA has set aside $2 million for borrowers purchasing homes in these growth counties.

In the end, the housing development team intends to accomplish three goals. "First, identify development opportunities so action can be taken regarding the market analyses. Secondly, spur rural housing developments using the agency's gap housing development resources. Third, we can assist communities in fully capitalizing on their economic growth through housing production. If we can accomplish all three, we will have made a significant impact in improving the quality of life for many Oklahomans," DeBruler said.

Mary Jane Maness is Program Manager at the Oklahoma Department of Commerce. For more information, contact her at 1-800-879-6552, ext. 120, or Mary_Jane_Maness@odoc.state.ok.us.

WELFARE REFORM BEGINS IN RURAL MINNESOTA

by Anne McGill

As a resident of rural Minnesota for the past 25 years, I know about living ten miles from town. I know about sliding off the road in the winter on the way to work and waiting for help. I know about the importance of a dependable car with a heater when it is -20 degrees. I know about needing an extra 20 minutes driving time in the morning to drop the children at day care and get to work on time. I know the challenges of living in the woods and not having a telephone or finding the telephone isn't working for a couple of days.

I live in "God's Country." That is how many people refer to beautiful northern Minnesota. The home of lakes and pine trees. It is gorgeous! Every season holds a colorful palette whether the hues are blues and greens, or browns and reds, or just lots and lots of white.

I live in an area rich in history and culture. Many residents are Native Americans coming from generations steeped in traditions and supported on the reservations. Many are descended from Scandinavian immigrants committed to living with long, cold winters.

However, living in a beautiful place does not afford every resident a beautiful job, or any job for that matter. An interesting fact about this beautiful place is the tremendous amount of poverty. Approximately 9.2 percent of Minnesotans live in poverty. There are 87 counties in Minnesota. The counties in which I live (Cass) and work (Beltrami) are ranked the 5th and 14th poorest respectively, in the state. Nearly 25 percent of children in both counties live in poverty.

In addition to the high rates of poverty, the cost of living in northern Minnesota is high. Groceries are expensive. Gas is expensive. Heat is expensive. Rents are extremely high. Taxes are high. Wages are low. The median income for Beltrami County is $20,925, for Cass $18,732. I don't think our area is much different than the national trend reflecting a growing gap between the high and low incomes and fewer families in between.

Like high poverty areas in the rest of the country, this part of Minnesota faces additional challenges including high teen pregnancy rates, lack of affordable housing, low birth weights and often lack of jobs paying a liveable wage.

Historically, Minnesota is thought of as a progressive state with high taxes, high education standards, great roads and a high quality of life. This is still true today. Minnesota spends a high percentage of its budget on assisting and supporting state residents.

This mindset is reflected in Minnesota's answer to welfare reform: Minnesota Family Investment Program-Statewide or MFIP-S. Minnesota planned and executed a pilot project (MFIP) in eight counties over a five-year period beginning in 1993. Beltrami and Cass counties were not included in the pilot. Minnesota took the initiative to develop and implement a new approach to "welfare to work" or "welfare reform" before federal law required it. MFIP has proven successful in moving welfare recipients out of poverty, rather than simply off welfare. After 18 months, poverty among MFIP recipients was reduced by 16 percent compared to a control group of AFDC recipients. Unfortunately, the statewide version of MFIP-S cuts back on many of the features of the MFIP pilot that helped move people out of poverty.

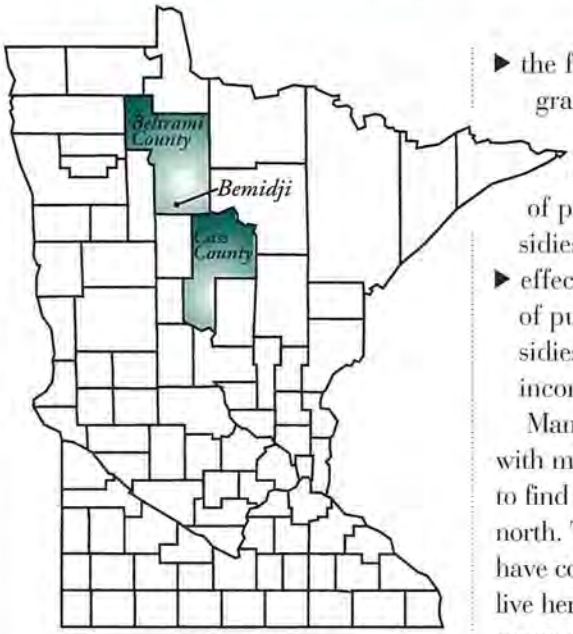
- Under the MFIP pilot, families do not lose eligibility for assistance until they reach 140 percent of the poverty level. MFIP-S ends eligibility at 120 percent of poverty.
- The MFIP pilot did not include the strict limitations on education and training that are part of MFIP-S.
- The MFIP pilot targeted case management services toward long-term welfare recipients and provided greater resources to help clients with the greatest barriers to employment move from welfare to work. Under MFIP-S, case management services are not targeted toward long-term recipients and significantly less funding for case management is provided to counties and to employment and training service providers. In essence, counties and service providers are required to do much more with fewer resources.
- Families with high shelter costs will receive a lower basic grant under the MFIP-S than they did under the AFDC and food stamp programs. This problem is explained in more detail below.

My human service peers and I largely support the concept of "welfare to work." But one of the biggest

concerns in our area is the lack of jobs paying a living wage. In Beltrami County, government employment is the leading source of wage income, but there are not enough government jobs for all who need them. Most families we work with yearn to be independent of the system and to be economically self-sufficient. Minimum wage is not a living wage. Many jobs in our area are seasonal or part-time. MFIP-S participants are having to work more than one job to meet their employment plan requirements. This raises additional issues, especially for single-parent families, including not being home enough, feeling more emotional stress, having higher transportation demands and needing more child care.

The clock started ticking for all public assistance recipients on July 1, 1997. There is now a 60-month limit on assistance, with some exceptions. In Minnesota, the conversion from AFDC to MFIP-S happened January 1, 1998 through March 30, 1998. The reform has begun. Service providers are just beginning to experience the impact of change.

I know what we are experiencing thus far at Bi-CAP, the community action agency where I work. In Beltrami County nearly 20 percent of AFDC recipients converting to MFIP-S are being sanctioned — losing 10 percent of their benefits — for failure to attend an MFIP-S orientation. A significant number were unable to keep their appointment because of unreliable child care and/or transportation. A significant number missed the orientation because they either did not understand the expectation or do not have the life style habits to be at a meeting on time. (Good work habits or work ethic will be an overwhelming issue in welfare reform regardless of rural or urban setting.)



Minnesota

Issues related to high housing costs will be a huge factor in our area, too, as the majority of low-income renters here pay 50 percent of their income or more for rent. Under the old AFDC-food stamp program, families with very high shelter costs received additional food stamps in recognition of the fact that shelter payments left less disposable income available for food. But, although MFIP-S consolidates cash and food stamp assistance under a program with the same rules, it does not include a shelter deduction for families paying more than 50 percent of their income toward rent. The lack of shelter deduction means that some families are seeing a significant decrease in their food stamp benefits under MFIP-S.

Housing subsidies may seem helpful, but MFIP-S limits their usefulness. Subsidized housing can affect an MFIP-S grant in two ways:

- the food portion of the MFIP-S grant must be reduced by $30 a month for MFIP-S recipients who are also recipients of public or assisted housing subsidies;
- effective July 1, 1998, up to $100 of public or assisted housing subsidies will be counted as unearned income against the MFIP-S grant.

Many low-income families we work with move to the Twin Cities hoping to find a better life. Many return up north. The city is too uncomfortable. I have come to the conclusion people live here because they like the environment even though it is hard to make a decent living.

As time goes by, of course, we will learn more about the impact of welfare reform in our area. It is interesting to me that during the 20 years I have worked in community action the biggest barriers to families trying to move out of poverty have remained constant:

- child care (expensive, inflexible or unavailable);
- transportation (nonexistent in many rural communities); and
- isolation.

Though every state is different, these hurdles are similar in any rural area. In rural Minnesota, so far these traditional obstacles to self-sufficiency are being identified as the primary barriers to success in welfare reform.

Anne McGill is Assistant Director of Operations at Bi-CAP, Inc., a community action agency in Bemidji, Minn. She is responsible for homeless prevention programming, homeless programming and supportive housing services programs, and is involved with regional housing groups and the statewide Coalition for the Homeless.

Housing Legislation Possible in 1998

by Joe Belden

Several pieces of major and minor housing legislation are alive and kicking in Washington as the spring progresses. The conventional wisdom a few months ago was that few if any housing bills beyond the necessary appropriations measures would move in the Congress in 1998. But now, as is often the case, conventional thinking may turn out to be wrong.

Nineteen ninety-eight is an election year, in which Congress adjourns for good in early October. This leaves little time to deal with new proposals in the lengthy committee, floor, and conference proceedings needed to enact a bill. The legislators and the Clinton Administration are also occupied this year with a number of other items. All this seemed to indicate that little would occur in housing. But in fact several bills are moving. Others have passed some thresholds but may go no further.

1999 Appropriations

The spending bills of course almost always get completed. On Feb. 2, the President submitted to Congress a budget for FY 1999, including housing programs. The agencies' hearings before the appropriations committees are now complete, and action on the bills will probably commence in May or June. Any government shut-downs due to a lack of appropriations are extremely unlikely.

The proposal would increase rural housing overall but cut the rural rental program. Total funding for U.S. Department of Agriculture Rural Housing Service programs would grow from $5.62 billion in 1998 to $5.95 billion in 1999. The FY 1999 budget calls for a substantial increase in Section 514/516 farm labor housing loans and grants, a one-third cut in Section 515 rural rental housing, level funding for Section 502 direct and guaranteed loans, an increase in rental assistance, a $5 million reduction in Section 504 repair loans, and a cut in Section 533 housing preservation grants. Self-help technical assistance grants would remain at $26 million, and the new Section 538 rental guaranteed program would receive a big boost to $150 million.

The Department of Housing and Urban Development (HUD) budget proposal for 1999 increases funding for homeless programs, HOME, and Community Development Block Grants (CDBG). Also released Feb. 2 as part of the Administration's budget for fiscal 1999, this proposal asks Congress to provide $25.02 billion in HUD funds, up from $24.08 billion in 1998. Highlights are:

- a 40 percent increase in homeless assistance grants and vouchers to $1.15 billion;
- renewal of all expiring Section 8 contracts;
- 103,000 new vouchers;
- small increases in HOME and CDBG;
- a new $100 million loan guarantee program in HOME to leverage private lending;
- cuts in the Section 202 elderly and Section 811 disabled programs;
- proposed legislation to move Sections 202 and 811 to state and local administration as part of HOME;
- a fair housing programs increase from $30 million in 1998 to $52 million in 1999; and

- an increase in the Federal Housing Administration loan limit to $227,150.

The budget proposal for USDA Rural Development also would raise water and waste water direct loans from $691 million in 1998 to $764 million in 1999. Water/waste grants would drop from $507 million to $500 million. Direct community facility loans would drop from $206 million in 1998 to $200 million in 1999, while guaranteed community facility loans would rise from $153 million to $210 million.

Supplemental Spending

On May 1, 1998, the President signed a supplemental appropriations bill into law as P.L. 105-174. It pays for international peacekeeping forces and disaster relief. The new act includes "offsets" — reductions in current programs to pay for the new spending. Of the $2.6 billion in offsets, $2.3 billion or more would come from Section 8 reserve accounts. The congressional leadership pledged during floor debate that these housing funds would be restored in the FY 1999 budget.

Authorizations

Beyond appropriations there are several authorizing bills that may or may not move:

Tax credit. The President and several lawmakers are seeking an expansion from $1.25 to $1.75 per capita in the state allocations of the Low Income Housing Tax Credit. The increase was the only housing item mentioned in President Clinton's State of the Union speech. Congressional acceptance and passage of an increase became more likely when sponsors agreed to include several reforms desired by Rep. Bill Archer of Texas, the Ways and Mean Committee chair.

Fair housing. The House Judiciary Committee is considering H.R. 3206, a bill that would allow localities to bar group homes and halfway houses from single-family neighborhoods. The bill would nullify *City of Edmonds v. Oxford House*, a 1995 Supreme Court decision. Fair housing advocates say H.R. 3206 would remove protections for minorities and the disabled.

> Conventional wisdom a few months ago was that few housing bills would move in the Congress in 1998. Now, conventional thinking may turn out to be wrong.

Reorganization of homeless programs. On March 3, the House passed H.R. 217, a bill that would reorganize and consolidate the McKinney homeless housing programs. The bill would provide the programs as a block grant and require more spending on permanent housing. The Homeless Housing Programs Consolidation and Flexibility Act would reorganize six current programs into two new components — permanent housing development for the homeless (a national state/local competition) and flexible block grants (a formula allocation to state and local governments). Both the Senate and the Clinton Administration now appear to be opposed to the House bill.

Public housing. Given up for dead but now possibly reviving is the long-awaited bill to transform public housing. The Senate in late September 1997 passed S. 462 by voice vote with no debate. In May 1997 the full House passed H.R. 2, a different and competing version. Substantial differences exist between the two current bills, such as repeal of the 1937 Housing Act. It was thought that the two bodies were too far apart on details to reach any agreement in a conference committee this year. But very recently talk of compromise and movement of a final bill has begun to emerge. One of the major issues involves tenant income targeting — a debate over what income levels public and assisted housing should serve. Both bills would create more of an income mix, with different proportions of the tenants at different incomes level below 80 percent of median. The aim is to have more working people live in public housing. This will presumably reduce the stresses that happen when large numbers of very low-income families are concentrated together. Another major issue in the public housing debate is whether local governments should be able to take over some functions of troubled local housing authorities.

Overall, 1998 may turn out to be a very interesting year for housing policy.

Joe Belden is Deputy Executive Director of the Housing Assistance Council.

HAC FACTS

continued from page 1

TECHNICAL ASSISTANCE RESULTS IN FLORIDA WATER/WASTEWATER LOAN

Technical assistance from HAC's Southeast Regional Office has enabled the Golden Rule Community Development Corp. in Seminole County, Fla. to obtain a loan from the Southeast Rural Community Assistance Project. The loan will fund development of a water/wastewater system for a single-family subdivision. HAC staff helped Golden Rule prepare and submit the funding application. Similar assistance in 1997 resulted in a $85,000 line of credit for construction of the same subdivision from the Florida Community Loan Fund.

HOMES IN APPALACHIA TO BE ASSISTED BY HAC LOAN TO INTERMEDIARY

The Federation of Appalachian Housing Enterprises (FAHE), an experienced regional community development financial institution working in central Appalachia, has received approval to borrow $253,807 from HAC's Intermediary Relending Program Loan Fund, to be reloaned to local housing producers. The HAC loan will help FAHE's Construction Loan Fund meet the needs of the organization's local member groups for capital to fund short-term costs such as land acquisition, site development, and construction. The loan will help produce approximately 24 single-family and multifamily homes throughout central Appalachia. HAC does not typically make loans to intermediaries, but using this arrangement rather than making loans directly to the local member groups takes advantage of FAHE's significant technical capacity and its staff's knowledge of the organizations and the area.

This home in central Appalachia was rehabilitated by a member of the Federation of Appalachian Housing Enterprises. *Photo from HAC files.*

HAC LOAN TO BEGIN DEVELOPMENT PROCESS FOR 12 SELF-HELP HOMES IN MASSACHUSETTS

HAC's loan committee has approved a $355,000 loan to finance Valley Community Development Corporation's acquisition and development of land for 12 self-help homes in rural Massachusetts. Valley CDC will use these funds in conjunction with a $120,000 loan from HAC's Self-Help Homeownership Opportunity Program (SHOP). Developed lots are extremely expensive in this part of the country; families will pay about $40,000 for a lot, about one-third of the total cost of their new home. The combination of below-market debt and SHOP subsidy are critical to making this project work. Seventy-five percent of the SHOP loan is forgivable when the borrower produces the specified number of housing units. Valley CDC, like many SHOP borrowers, will use a portion of the SHOP grant conversion funds to further subsidize the cost of the lots to reach lower-income families. HAC SHOP funds will become a lasting resource when Valley CDC places unused portions of the forgivable loan in a revolving loan fund for future self-help housing development.

OTHER PUBLICATIONS AND ORDERING INFORMATION

HAC publishes more than 80 technical manuals and research reports on rural housing topics. Contact Luz Rosas at HAC's national office for a free publications list or a free subscription to the *HAC News*, where new publications are always announced along with other rural housing news.

To order HAC publications, send a check to HAC's national office or call Luz Rosas at 202-842-8600 to order with a credit card. Or visit HAC's web site at http://www.ruralhome.org for a publications list, an order form, copies of the *HAC News*, or copies of brief information sheets on over 50 different topics. Prices include postage and handling.

Self-help construction methods have been used in the United States for decades. These photos were taken in Florida and South Carolina in 1969 by George Ballis.

HAC

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The Housing Assistance Council (HAC) is a national nonprofit corporation founded in 1971 and dedicated to increasing the availability of decent housing for low-income people in rural areas.

HAC strives to accomplish its goals through providing seed money loans, technical assistance, training, research and information to local producers of affordable rural housing. HAC maintains a revolving loan fund providing vital seed money at below-market interest rates to rural housing developers. Developers can use these funds for site acquisition, development, rehabilitation or new construction of rural, low- and very low-income housing. HAC has a highly qualified staff of housing specialists who provide valuable technical assistance and training, and research and information associates who provide program and policy analysis and evaluation plus research and information services to public, nonprofit, and private organizations. HAC's subsidiary, Rural Housing Services (RHS), syndicates rural housing developed with the Low Income Housing Tax Credit.