DISCUSSION PAPERS

DISCUSSION PAPERS

2012 National Rural Housing Conference

Housing Assistance Council

December 6–7, 2012
Pre-Conference Activities December 5
Hyatt Regency Washington, Capitol Hill

HAC

BUILDING A NEW GENERATION OF RURAL HOUSING PROFESSIONALS AND LEADERS

by Gisela Salgado and Rob Wiener, California Coalition for Rural Housing

Background

Many rural affordable housing and community development corporations (CDCs) came from a grass-roots movement that dates back to the 1960s. Many of today's CDC executive directors and leaders were the 'movers and shakers' of that movement. They are now reaching retirement age. As they do, the need for qualified, culturally sensitive leaders is becoming more pressing, especially as the nation's rural population becomes more diverse.

Issues/Challenges and Opportunities

This is an opportunity to grow and cultivate new leaders within the field, based in the organizations and the communities we serve. Engaging a new generation of leaders calls for a systematic approach beyond initial entrance to the field and mid-management-level experience. Organizations are called to prepare for these changes and plan for leadership succession, if they are not already doing so, in order to ensure survival and continued success in the future.

Rural CDCs face particular challenges attracting qualified and experienced new talent and professionals who want to pursue careers in the nonprofit housing and community development field, particularly from existing and emergent immigrant, minority, farmworker, and low-income communities. Rural CDCs compete directly with their counterparts in urban areas for the same pool of talent and, oftentimes, young people opt for life in the city. In other cases, professionals and young talent are not even aware of the varied career paths and opportunities in the field of affordable housing and community development and that rural America has a foundation of solid and ground-breaking CDCs.

Rural CDCs also experience challenges retaining and developing young professionals and leaders once they are in the industry. As an industry, we are currently experiencing uncertainty about diminishing resources and the future, which is affecting the morale of current professionals. It is challenging at times to offer a positive outlook to young people coming in.

Passionate, talented, and committed young people aspire to grow, develop their skills, and be considered for leadership positions, but within many organizations, especially smaller ones, the opportunities and pathways to reach these positions may not exist. Scarce financial resources may limit the ability of organizations to invest in the development of young talent by sending them to professional training workshops and conferences where they can be exposed to big-picture program and policy issues and connect with other practitioners in the field.

Succession planning is critically important to ensure there are systems in place for smooth transition of leadership when the time comes for executive directors and other executive-level staff to leave. It is also important for young people and new talent who aspire to these positions to know that there is a path and a plan for mentoring, leadership-shadowing, and increasing responsibility. Although organizations typically recognize the value of succession planning, it may seem very time-consuming. The time needed for succession planning competes with other priorities. It may even be uncomfortable to begin the conversation about envisioning the organization without the current executive leadership, but deferring such planning may cause dysfunction and chaos when that time comes. It is crucial to plan for the future.

Discussion Questions

- Are we prepared as an industry and within each of our respective organizations for leadership succession?
- Is leadership succession and planning a priority among our organizations, and if not why not? What steps do we need to take to achieve a smooth transition?
- Where do leaders come from? Are we cultivating them, mentoring from within the organization, hiring from the outside? What are we doing to attract, groom, and retain new talent in the field?
- What have we learned as an industry and what are the best models to implement leadership succession?

ENERGY EFFICIENCY ISSUES IN RURAL AFFORDABLE HOUSING

By Meghan Walsh, USDA Rural Development, Washington, D.C.

Background

USDA Rural Housing Service has implemented a robust incentive scoring system for energy efficient building construction and energy generation in its Notices of Funding Availability in its Multifamily Housing programs. The projects funded in 2010 are now completing construction and we are seeing some fantastic successes across rural America. There are still challenges in some areas, particularly where there is lack of familiarity with the national measurement and verification programs in the NOFA, but these last few years have been very useful in gaining information to continue with a policy that aims at lower energy usage across the portfolio.

Issues/Challenges and Opportunities

USDA awards points for participation in nationally recognized measurement and verification systems such as ENERGY STAR for Homes, Challenge Home, LEED for Homes, NAHB's Green Building Standard, and Green Communities. While these are national programs, rural areas tend to have less familiarity with them, and fewer qualified professionals for implementation. Because of USDA's inclusion of these programs in its Multifamily Housing NOFAs, companies that serve rural communities are building their skills in these areas, but more is still needed.

California has its own green standards that surpass those of other states. There is now a need to rate California differently than other states because their baseline requirements are beyond the baseline of some of these programs. Other states could benefit from working with folks in California to learn about their achievements and try to emulate them.

Many of the green building programs award incremental points for higher density and increased transportation options. Rural areas have very different standards of density than cities and suburbs, however, and fewer forms of public transportation. Some national programs are beginning to tailor their programs by developing "rural tracks" for scoring projects in rural areas. Through increased collaboration with USDA Rural Housing Service and these programs, adjustments may be able to be made in other programs as well.

Discussion Questions

- What happens in California tends to trickle east over time, but how can other states adopt these policies when some do not have the means to enforce them?
- What organizations are focusing on improving the quality of building construction in rural areas specifically? Can these organizations adopt a green/energy-efficient focus to accomplish quality assurance?
- Enterprise Community Partners has worked to create a rural track in its Green Communities program, but what about other programs? And how do we address ideas about housing, density, and transportation that may be built into the ethos of rural America when it comes to energy conservation and efficiency?

HOUSING OPTIONS FOR RURAL SENIORS

by Gus Seelig, Vermont Housing & Conservation Board, Vermont

Background

Like most rural states, Vermont is graying. Not only are current residents aging, but we are also seeing an in-migration of retirees, some attracted to our quality of life, some relocating to be near family. We are challenged, not just to find sufficient resources for our graying population, but to consider how to deliver services that elder populations depend upon. Thirty years ago, it was not unusual for persons in their 50s and early 60s to move into elderly housing. Today, most residents are in the 75-85 cohort. This makes it essential to rethink how we deliver housing and health care and how each can benefit the other.

Over 25 years, the Vermont Housing & Conservation Board (VHCB) has been a funder of 1,670 homes for the elderly. These developments are a vital resource to the stability and identity of our communities. Towns as small as Cabot, population 1,433, have insisted on the need for elder housing. A local group developed a simple eight-unit complex in its village center so that folks did not have to move 25 miles away from the community they have known, nourished, and loved.

Issues/Challenges and Opportunities

VHCB has found the developments that provide the greatest service to our aging residents have several important elements. First, they are located in or near the center of our rural villages convenient to services without depending on a car. Second, they offer affordability and, we hope, rental assistance that the HUD Section 202 and RD Section 515 programs have provided for a generation.

Third, they provide a setting in which folks can age in place. They have facilities that promote a sense of community and individual well being, such as common gathering places. They provide access to services such as medical, nutrition, or transportation assistance.

Equally important is investment in the preservation and modernization of the facilities built a generation ago. That means investments in accessibility, in energy efficiency, and, sometimes, in the costs of transfer to new owners.

Our challenge today is to develop the policies and the programs that let us account for the money that housing saves our health care system so that some of those savings can be used by housing providers to keep people healthy and out of emergency rooms, hospitals, and nursing homes.

Finally we must enhance both the capital and operating resources that will let us both preserve and reinvest in the housing stock that has served our communities so well for a generation while also building to meet the growing demand that our graying population requires.

Discussion Questions

- Can we find the resources to make home access modifications so people can stay in their homes despite disabilities?
- Can USDA Rural Development get a change to its authorizing statute so that service coordination can be part of a 515 project's operating budget?
- Can we use housing as a platform, as it is in a Vermont Medicare demonstration program, for the delivery of services that help people stay healthy, stay out of nursing homes, and reduce falls, isolation, and mental health problems?

RURAL RENTAL HOUSING PRESERVATION

by Tom Bishop, Homestead Affordable Housing, Kansas, and Leslie Strauss, Housing Assistance Council, Washington, D.C.

Background

Billions of public dollars have been invested through tax breaks and subsidies over more than 50 years to create and maintain decent, affordable homes for low- and very low-income rural renters. Thousands of units have been removed from this housing stock, however, as owners prepay their mortgages or as buildings deteriorate over time. These losses outstrip the number of newly built affordable rural rentals each year. If this trend continues, tenants will continue to lose their homes, the gap between supply and demand will grow larger, and the value of current taxpayer investments used to build the new properties will be undermined.

Issues/Challenges and Opportunities

In response to a 2004 assessment that identified serious physical needs among the properties in USDA's Section 515 portfolio, the George W. Bush USDA focused attention and resources on physical preservation of the Section 515 stock. Congress helped these efforts by creating two new rental preservation programs in 2006 – a Multi-Family Preservation and Revitalization (MPR) demonstration and a Preservation Revolving Loan Fund – and adapting the previously unused Section 542 voucher program for tenants in properties where mortgages were prepaid. Section 515 funding continued to be used for both new construction and preservation of existing properties.

The Obama Administration's approach, on the other hand, has been inconsistent. Its FY12 budget requested no funding for the preservation programs and indicated all preservation efforts would be conducted through the Section 515 program. Its FY13 budget took the opposite approach, requesting funding for the preservation programs but none for Section 515. For both years, Congress has maintained funding for both Section 515 and MPR, as well as Section 542 vouchers (but not for the Preservation Revolving Loan Fund).

In August the rural housing world learned that USDA would not issue an FY12 NOFA for Section 515 new construction funds. Owners of over 100 Section 515 properties had agreed to accept incentives to keep their properties in the program and had then been placed on a waiting list. USDA believed a Supreme Court decision related to other federal funds required prompt payment of the backlogged incentives, and used its FY12 Section 515 appropriation for that purpose.

Also in August, USDA RD re-issued an Unnumbered Letter, first released in May 2011, informing field staff that the national office intended to "retire" unused Section 521 Rental Assistance. In response to questions about this policy, RD has said it intends to reuse all RA. Clarity on this issue is important because reallocation of Rental Assistance has been an essential tool in the agency's preservation efforts.

Discussion Questions

- How do we ensure the details of a strategy to move forward? Several suggestions for advocacy and action are outlined below. Are there additional suggestions? Is there a priority ranking for what is most important, e.g., preservation vs. new development?
    - Pursue preservation of existing properties and development of new ones.
    - Propose legislation authorizing MPR, and advocate for that legislation.
    - Support authorization and funding of the Preservation Revolving Loan Fund.
    - Request and advocate for full funding for Section 515 direct rental housing loans, Section 521 Rental Assistance, MPR, PRLF, and vouchers, as well as for Section 514/516 farmworker housing, Section 538 loan guarantees, the Low Income Housing Tax Credit, HUD Section 8 vouchers, the authorized but unfunded Housing Trust Fund, and other HUD programs.
    - Implement Section 2833 of the Housing and Economic Recovery Act of 2008 to expedite sales of Section 515 properties to new owners who would keep them affordable for low-income tenants.
    - Set aside $6 million in Section 521 Rental Assistance (RA) each year for debt forgiveness or new RA contracts in preserved properties.
    - Protect tenants of Section 515 and 514 properties by:
        - ✓ providing portable vouchers without time limits for tenants of properties whose mortgages are prepaid or foreclosed, and require owners to allow the tenants to remain in their homes;
        - ✓ under USDA's voucher program, recertify tenants annually or when households experience hardship such as death or loss of a job;
        - ✓ adjust USDA's voucher amounts annually to reflect inflation; and
        - ✓ make immigration restrictions consistent with those used by HUD, pursuant to the statutory provision that applies to both agencies.
- How do we document the effect of the loss of Section 521 Rental Assistance on our communities and projects?
- How do we best convey the real impact on tenants and properties to members of Congress?

SAVING USDA RURAL DEVELOPMENT AND ITS PROGRAMS

by Peter Carey, Self-Help Enterprises, California

Background

For well over half a century, USDA has been the one consistent resource available to assist rural communities in their efforts to meet housing, infrastructure, and facility needs. With a local presence unrivaled by most federal or even state agencies, USDA Rural Development (RD) has been the go-to resource for local community development. With financing for homeownership, rental and farmworker housing, water and wastewater systems, mutual self-help housing, economic development, and facilities like libraries and fire stations, the local USDA RD office has been the doorway to opportunity for communities across rural America.

Section 502 Direct, Section 515 Multifamily Housing, Section 514/516 Farm Labor Housing, Sections 504 and 533 Home Repair, Section 523 Mutual Self-Help, and Section 521 Rental Assistance are key to meeting the housing needs of very low-income rural residents. Yet reduced appropriations and a shift to loan guarantees threaten the safety net of housing for rural America's poorest households.

Issues/Challenges and Opportunities

Community Eligibility for Rural Housing Programs: On March 27, 2013 nearly 1,000 communities are scheduled to lose eligibility for rural housing programs because their populations have grown since 1990 or their counties have been designated as parts of metropolitan areas. Congress has not extended the statutory "grandfather clause" that has maintained their eligibility so far, and USDA has not delayed its impact beyond March. Debate over an appropriate definition of "rural" has gone on for decades, with no single, clear answer. In this vacuum, the Census definitions of metropolitan and nonmetropolitan are commonly used as the equivalent of urban and rural. Yet this oversimplification ignores the fact that half of all rural residents live in metropolitan counties.

While rural housing programs face narrowing eligibility, there is movement to expand eligibility for USDA's other rural development programs to include communities with populations up to 50,000. Unless there is an increase in funds – a change that seems very unlikely – more (and larger) communities will be competing for the same limited resources.

Reduced Funding: Despite the importance and success of USDA Rural Development programs, they suffer from a lack of priority within the massive Agriculture budget. This is especially true of direct lending for rural housing. Reduced appropriations have become the norm, with an increased focus on loan guarantees. Overall RD funding has declined over the past decade, and funding for both homeownership and rural rental housing has borne the brunt of the reductions. While the USDA budget fell by 16 percent, rural housing programs were cut by 23.5 percent.

The Shift to Guarantees: While guaranteed loans have expanded the reach of rural housing programs, guaranteed loans do not reach the same low- and very low-income population as direct loans. In fact, USDA's own Economic Research Service labeled the Section 502 guarantee program as the "least-targeted" RD program. In the current interest rate environment, Section 502 guaranteed has been able to serve an increased number of very low-income borrowers. When interest rates inevitably rise again, however, the program will certainly return to its historic profile of higher income borrowers. Similarly, a shift from Section 515 rental housing loans to Section 538 guarantees diminishes the ability to develop housing affordable to those with the lowest income levels.

The Shrinking RD Organization: As a result of ongoing budget reductions, local RD offices and staff have been lost, with a corresponding reduction of the agency's footprint in rural America. The offices that remain occasionally struggle to meet the demand for services. Until the early 1990s Farmers Home Administration (precursor to RD) had more than 2,800 offices in almost 2,000 counties. By 2010, the number had dropped to about 800 offices, with more cuts proposed for the future.

Discussion Questions

- What should be done to encourage legislation that establishes realistic community eligibility for USDA rural housing and community development funding?
- Are there ways to improve the efficiency of rural housing programs without losing the important connection with rural borrowers? What are the opportunities for nonprofit organizations to build an expanded role in USDA RD program delivery? What role should HAC and other national organizations play?
- Several proposals are on the table for the use of potential savings from reform of the mortgage interest deduction; should there be a proposal specific to USDA rural housing programs?
- With tight budgets ahead, what is the best way to gain support for rural housing programs? What allies and constituency groups have mutual interests?

SERVING HIGH NEED AREAS AND VULNERABLE POPULATIONS

by Marty Miller, Office of Rural and Farmworker Housing, Washington; Andy Saavedra, Mid South Delta LISC, Louisiana; and Leslie Strauss, Housing Assistance Council, Washington, D.C.

Background

Residents in every part of rural America experience housing problems, but concentrations of housing needs exist in some geographic areas and among some populations. These high need areas and vulnerable populations include the Lower Mississippi Delta, the colonias along the U.S.-Mexico border, Native American Lands, Central Appalachia, and farmworkers. Each one is unique and has its own challenges, but they also have some things in common: histories of poverty and exploitation, shortages of resources to address housing and numerous other issues, and limited economic opportunities. Racism plays a part in the impoverishment of most of them. Their housing issues are complicated by land tenure issues and geographic isolation.

Issues/Challenges and Opportunities

Financial resources flowing to high needs areas and populations have never been enough, and now further funding cuts are looming.

The demographics of some high needs areas and populations are changing. Farmworkers, for example, are more likely than in the past to live in one place year-round and to be undocumented. Also, in some ways they may be competing with temporary farm laborers who enter the U.S. under the H-2A visa program. Changes in immigration laws have affected them as well.

Examples of two high need populations/places illustrate some of the unique and shared aspects of their housing needs.

Farmworkers: Farmworkers are the backbone of a multi-billion dollar agricultural industry. In particular, labor-intensive crops require a significant workforce to operate successfully. Unfortunately, such farm work is often low-paying and seasonal. Additionally, many farmworkers are immigrants (often undocumented) with a variety of cultural, language, and educational backgrounds. Providing affordable housing for an extremely low-income population with many cultural and language difference is challenging.

Demographics are not the only challenges to serving this population. Capital for construction/development (particularly from public sources) is in decline. Operating funds are in short supply, particularly for seasonally occupied housing where such funding is essential. Many small- and medium-sized rural communities have limited infrastructure (water, sewer systems) necessary to serve additional affordable housing.

Mississippi Delta: The Mississippi Delta region was devastated by high poverty, unemployment, and population loss long before recent events such as Hurricane Katrina and the foreclosure crisis. Historic issues of race and slavery have left a legacy of hyper-segregated populations. Opportunities to step up into the middle class are scarce, particularly for African Americans, for several reasons, including the population loss and subsequent "brain drain," the lack of community cohesiveness and leadership seen in other parts of the country, and the failure of community leaders and institutions to analyze and seek opportunities based on existing resources. Because the Delta is a very rural area, transportation is another major factor as transit systems – if they exist at all – are inadequate. Community development efforts around housing, education, financial independence, and workforce development occur in silos and lack the coordination which can lead to efficiency in an era of reduced financial support. Weaker community development corporations are floundering or out of business and have been slow to adapt their business models.

Elderly Delta residents, especially African-American elders, face futures of further diminished resources. When they retire from service as domestics or in other jobs where they did not pay into the Social Security system, they are allowed only supplemental assistance, and that is insufficient to live on. Affordable elderly housing and assisted living options are needed. The aging population presents opportunities as well: the Mid South could be the next attractive region for retirees, after Florida/Georgia and Arizona. The related medical care field is also slated for growth with jobs that cannot be outsourced.

The economy is affecting rural housing development in the Delta. Single-family housing development is down overall. Some producers of affordable single-family housing are having trouble selling their units, even with mortgages from Habitat for Humanity with no interest or from USDA Rural Development at a 1 percent interest rate. Low-income families are clearly hesitant to make the commitment to buy homes and may be bypassing a tested method for building their wealth.

Discussion Questions

- How do we maintain a focus on the best interests of the residents in the changing environment of affordable housing?

- With tight budgets ahead, what is the best way to gain support for rural housing programs? What allies and constituency groups have mutual interests?
- Should high housing costs, low wages, and economic fears steer market forces towards rehab of single- and multifamily housing rather than new construction? Should rural nonprofits shift their focus accordingly?
- How can farmworker housing providers build/leverage relationships with employers/agricultural industry?

STRATEGIC PARTNERSHIPS FOR RURAL NONPROFITS

by Tom Carew, Federation of Appalachian Housing Enterprises, Kentucky, and David Dangler, NeighborWorks America Rural Initiative

Background

For rural nonprofits involved in the broad range of affordable housing activities, the days of being able to rely upon a single source of funding are long gone. Just as we have learned to diversify our funding sources, an equally powerful strategy can be to diversify our strategic partnerships.

What do we mean by strategic partnerships? This phrase can mean many things to different people. For the purposes of this discussion, we're suggesting that nonprofit leaders ask themselves, *"Are there things we care about doing that we could do better, or that we can only do, if we take a partnership approach?"* This is the kind of question to spend time on at staff and board planning retreats.

Issues/Challenges and Opportunities

For many rural nonprofits, especially those that have been delivering the same services for decades, the notion of having to negotiate new relationships, often with organizations that compete for the same resources, is not very appealing. But the challenges, particularly for smaller organizations, are increasing. The status quo is no longer acceptable, and we are all continually expected to do more with less. This implies change, and change, as we know, is difficult. Once an organization realizes that it must demonstrate increased impact in order to remain competitive, a second question can spark useful discussion: *"In order to increase our impact and leverage our strengths without increasing our overhead, who could we partner with?"*

Just as there are nonprofits who may be new to strategic partnerships, clearly there are many who think of themselves as quite effective. No matter how sophisticated your organization may be, it is useful to check in on your existing partnerships periodically and to look aggressively for new opportunities.

Here are a couple of examples:

The Federation of Appalachian Housing Enterprises (FAHE): In order to connect more low- and very low-income customers across central Appalachia to durable homeownership, and insure that the customers' experience with a federal home loan program is positive, FAHE spearheaded a national demonstration of nonprofit underwriting for USDA Rural Development's Section 502 direct loan program, partnering with other regional intermediaries as well as national organizations such as HAC and NeighborWorks America. Even though a partnership at this scale took time and hard work, FAHE has already reaped benefits such as dramatic reduction in the cycle time from loan application to closing, increased production over a larger service area, and healthy cash flow from fees. The customers are happier too.

Even though the national scale of this example is what draws attention, it's important to note that FAHE had to invest a lot of attention to partnership and understanding with each of the RD state offices with which it worked. The jumps in production came as a direct result of outreach and training at the local level.

NeighborWorks organizations in Vermont: To open up a healthier flow of resources to each rural nonprofit in a core group of Vermont affordable housing providers, the groups – Champlain Housing Trust, Gilman Housing Trust, NeighborWorks of Western Vermont, Central Vermont Community Land Trust, and Windham-Windsor Housing Trust – formed a statewide network, the NeighborWorks Alliance of Vermont. Even though the individual members still occasionally compete for grants, they have a long established track record of partnering for shared resources. The investment of time and effort has changed the way the individual members conduct their businesses. As the partnerships have seasoned, they have grown beyond the initial impulse to attract new resources and now can consider new economies of scale in shared functions across lines of business. Does each nonprofit have to maintain the capacity to service loans, for example? Does one have excess capacity for shared accounting? Do all of them need to manage property? These are the kinds of questions that partners can ask once trust and mutual benefits have been established.

Discussion Questions

- What are some of the considerations your organization might have when structuring a partnership with one or more rival organizations? Are there trade-offs you can build into agreements to insure a win-win situation?
- What are some other examples from your own experience of particularly effective strategic partnerships, especially those that did not seem promising at first?
- What advice would you give to a rural nonprofit thinking about branching out into strategic partnerships?