Minnesota Coalition for the Homeless
Working to ensure everyone has a safe, decent, affordable place to call home

Policy Brief: New Resources Needed for Housing & Homelessness Programs

Facts about Affordable Housing and Homelessness in Minnesota

Wilder Research Center's **Homeless in Minnesota 2003** estimates that on October 23rd, 2003, the total number of homeless and precariously housed persons in Minnesota numbered 20,347. The homeless persons estimate is 8,800 to 8,900, including nearly 2,000 individuals who are forced to "live on the streets."

- 59% are homeless for the ***first time in their life***. (Wilder)
- ***Long-term homelessness is a growing problem.*** 43% of homeless adults were homeless over one year; up from 37% in 2000. (Wilder)
- 30% of homeless adults ***are working***; 13% are working full-time. (Wilder)
- ***Lack of affordable housing*** is the most common barrier to stable housing reported by homeless adults (and the 2nd most common barrier to employment reported by unemployed homeless adults). (Wilder)
- **The need for affordable housing is growing.** In 2000, almost 300,000 low-income households statewide could not afford their housing. It is projected that this number will grow by another 33,000 low-income households by 2010. (Source: "The Next Decade of Housing in Minnesota," BBC Research and Consulting, 2003.)

New Resources Would Fund Low-Income Rental Assistance, and Affordable Housing Rehab & Production

Housing programs have been under fire in recent years as they faced significant budget cuts to help solve the state's budget deficit. Advocates have done a good job of defending against some of the deeper cuts, but any cut means we are losing ground in our efforts to meet the housing needs of low-income Minnesotans. A proactive strategy is needed to ensure that we reverse that trend and start gaining ground.

In 2005, MCH worked with Sen. Cohen (DFL—St. Paul) and Rep. Gunther (R—Fairmont) to introduce legislation providing *dedicated funding* for housing and homelessness programs. The legislation, **SF 1953 (Cohen) and HF 2724 (Gunther),** would dedicate approximately **$20 million per biennium** to two critical housing programs that provide flexibility to meet the state's changing housing needs. The new resources would be split, with half providing new resources to the State's **Housing Trust Fund** for rental assistance, and half providing new resources to the State's **Housing Challenge Fund** to fund workforce housing. Momentum is building around this effort and the newly formed coalition is considering making a larger request for much-needed resources.

About the Housing Trust Fund:

There is a growing need for resources for low-income and extremely low-income families and individuals. This proposal would put at least $10 million toward rental assistance for extremely low-income households. The **median income of recipients of HTF rental assistance is $7,938.** (MHFA Assessment Report 2002-2003) Governor Pawlenty's own **plan to end long-term homelessness relies heavily on the availability of rental assistance** as a tool to help pay for the housing needs of people who have been homeless for a year or longer, or 4 times in the last three years. Federal rental assistance was the planned source for those additional resources, but federal rental assistance is currently at risk for significant cutbacks.

About the Challenge Fund:

This program has maximized resources statewide because it **encourages private funding and has been an especially important housing resource in Greater Minnesota**. Between 2000 and 2004, 40 percent of the $74.8 million expended through the Challenge Fund on both single-family and multi-housing development went to build or rehab housing in Greater Minnesota. Statewide, the annual median household income of a family benefiting from the program is just under $30,000, less than 50 percent of median statewide income. (HousingMinnesota) Providing gap loans to develop affordable workforce housing provides an incredible and immediate return to the state. A $10,000 gap loan provided by the state (for a $155,000 home) yields **an immediate return to the state of $11,438** through sales tax on materials, income tax for the workers building the home, and the mortgage registry and deed tax. Plus, the loan is repaid at the end of its 30 year term or before, if the home is sold. (Greater Minnesota Housing Fund)

Source of New Funds: Surcharge on Deed Transfers

The deed tax is a one-time transfer tax imposed on the value of the real property transferred. Under current law .33% of the value of the property goes towards paying the deed tax. The new surcharge would increase that amount to raise revenue for housing and homelessness programs. Many other states have used this as a source for dedicating revenue to housing and homelessness programs. According to a report from the Pennsylvania Association of Realtors, thirty-seven out of the fifty states had some version of this transfer tax with rates ranging from .01% to 2% of the sales price or value. According to this report, Minnesota's deed tax is at the low end of this range.

The rate currently used to calculate the deed tax is .33% of the value of the property, which collects $242 million statewide for 06-07.

- Adjusting the rate to .358% provides $262.8 million raising $20 million for housing in 06-07.
- Adjusting the rate to .40% provides $293 million raising $51 million for housing in 06-07.
- Adjusting the rate to .50% provides $366 million raising $124 million for housing in 06-07.

The funds raised through the surcharge would be dedicated to the Housing Trust Fund and the Challenge Fund. Ninety-seven percent of the deed tax goes to the state General Fund, while counties retain three percent of the fee collected.

How would a change impact the cost of real estate transfers?

Under current law, the deed tax on a $200,000 home would be $660. The table below provides examples of the impact of potential deed surcharges on purchases of a home valued at $200,000:

Current deed tax rate + surcharge rate = **new rate**	**Surcharge on home valued at $200,000**	Total deed tax with surcharge	**Amount raised for the 06-07 biennium**
.33% + .028% = **.358%**	**$56**	$716	**$20 million**
.33% + .07% = **.4%**	**$140**	$800	**$51 million**
.33% + .17% = **.5%**	**$340**	$1,000	**$124 million**

(For more information on the deed tax, see the report, "Mortgage and Deed Taxes in Minnesota," by House Research, 2002 at http://www.house.leg.state.mn.us/hrd/pubs/mortdeedtx.pdf)

For further information contact Rachel Callanan, state policy director, Minnesota Coalition for the Homeless at Tel: 612-230-3285 Fax: 612-870-9085 e-mail: callanan@mnhomelesscoalition.org Web: www.mnhomelesscoalition.org .

Minnesota Coalition for the Homeless

Working to ensure everyone has a safe, decent, affordable place to call home

Alliance for Dedicated Housing Funds

1. Alliance for Metropolitan Stability (Twin Cities metro)
2. Alternative Homes of Minneapolis
3. American Indian Community Housing Organization (Duluth)
4. Avenues for Homeless Youth (Mpls.)
5. Battered Women's Legal Advocacy (Statewide)
6. Baxter Youth Services (Baxter)
7. Bi-County Community Action Program (Bi-CAP) (Beltrami and Cass Counties)
8. Cabrini House (Mpls.)
9. Catholic Charities Office for Social Justice (Mpls. and St. Paul)
10. Central Minnesota Housing Partnership (16 counties of central MN)
11. City of Lakes Community Land Trust (Mpls.)
12. CommonBond Communities (Statewide)
13. Community Involvement Programs (CIP) Mental Health Services (Mpls.)
14. Community Stabilization Project (Ramsey Co.)
15. Cornerstone Advocacy Service (Bloomington)
16. Corporation for Supportive Housing (Statewide)
17. Dakota Woodlands (Dakota Co.)
18. Damiano Center (Duluth)
19. Dorothy Day House of Hospitality (Moorhead)
20. Elim Transitional Housing (Twin Cities metro)
21. Families Moving Forward (Twin Cities metro)
22. Family and Children's Service (Mpls.)
23. Family Investment Center (Hibbing)
24. Greater Minnesota Housing Fund (Statewide)
25. Greater Minneapolis Metropolitan Housing Corporation (Twin Cities metro)
26. Hennepin County and City of Minneapolis Community Advisory Board on Homelessness
27. HOME Line (Statewide)
28. Hope Community, Inc. (Mpls.)
29. Housing Access Center (Duluth)
30. HousingMinnesota (Statewide)
31. Human Development Center (Duluth)
32. Intercongregation Communities Association (ICA) (West Metro--Minnetonka)
33. Interfaith, Outreach, & Community Partners (West Metro--Wayzata)
34. Itasca County HRA
35. Jewish Community Action (Twin Cities metro)
36. Lakes & Pines CAC, Inc. (Aitkin, Carlton, Chisago, Isanti, Kanabec, Mille Lacs and Pine Counties)
37. League of Minnesota Cities (Statewide)
38. Life House (Duluth)
39. Mental Health Resources
40. MICAH (Twin Cities metro)
41. Minneapolis Consortium of Community Developers
42. Minnesota Coalition for Battered Women (Statewide)
43. Minnesota Coalition for the Homeless (Statewide)
44. Minnesota Housing Resources, Inc. (Statewide)
45. Minnesota Senior Federation Metropolitan Region
46. Minnesota Youth Service Association (Statewide)
47. Northern Communities Land Trust (Duluth)
48. Park Cooperative Apartments (Mpls.)
49. People Incorporated (Twin Cities metro)
50. Prairie Community Services (Morris)
51. Range Mental Health (Virginia)
52. Range Transitional Housing (Virginia)
53. Red Lake Homeless Shelter (Red Lake)
54. Red Wing Area Coalition for Transitional Housing (Red Wing)
55. Residents for Affordable Housing (Mpls.)
56. Riverton Community Housing (Mpls.)
57. Seward Redesign, Inc. (Mpls.)
58. Simpson Housing Services (Mpls.)
59. Southwestern Minnesota Opportunity Council, Inc. (Worthington)
60. St. Anne's Place (St. Paul)
61. St. Paul Coalition for Community Development
62. St. Stephen's Housing Services (Mpls.)
63. Street Works Collaborative (Twin Cities metro)
64. Sunrise Recovery Home (Spring Grove)
65. The Bridge for Runaway Youth (Twin Cities metro)
66. The Salvation Army (Duluth)
67. Theresa Living Center (St. Paul)
68. West Bank Community Development Corporation (Mpls.)
69. West Central Minnesota Communities Action, Inc. (Douglas, Grant, Pope, Stevens, Traverse, Clay, Wilkin, Becker, & Ottertail Counties)
70. Women's Community Development Organization (Duluth)
71. YWCA of Minneapolis

122 West Franklin Avenue, Suite 306 Minneapolis, MN 55404
Tel: 612-870-7073 Fax: 612-870-9085 e-mail: home01@isd.net www.mnhomelesscoalition.org

HousingMinnesota

Homes For All

Snapshot of Minnesota's Housing Needs

There are nearly 195,000 households in Minnesota that spend more than half of their income on housing. That is 1 out of every 10 Minnesota households. (Source: The National Low Income Housing Coalition's Tabulations of the 2003 American Community Survey PUMS Data)

Between 2000 and 2004, the percentage of cost-burdened households went up by 60% from 22.6% to 36.2%. This is the fastest cost-burden growth in the nation. (Source: US Census Bureau, American Community Survey 2000 and 2004)

Minnesota's population is projected to grow by a little over 200,000 households in the next decade. Of these households, nearly 120,000 —more than half—are projected to be low-income. (Source: BBC Research and Consulting, "The Next Decade of Housing in Minnesota," November 17, 2003)

From 1990 to 2000, median home sales prices increased 37%. In the same period, incomes increased only 17% – less than half the increase in home prices. (Source: The median home sales price dataset calculated by the Property Tax Division of the Minnesota Department of Revenue; Income data from the US Census Bureau, 1990 and 2000 Census. Both of the datasets are adjusted for inflation.)

There are 92,000 renters in Minnesota who spend more than half of their household income on rent. That is 1 out of every 5 renter households in Minnesota. (Source: The National Low Income Housing Coalition's Tabulations of the 2003 American Community Survey PUMS Data.)

In the metro area, transportation costs consume more than 18% of a typical worker's budget. This is a higher percentage than many major metro areas including Los Angeles and Chicago. (Source: Surface Transportation Policy Project's analysis of the Federal transportation data, available at www.transact.org.)

The construction of an affordable rental unit requires approximately $88,000 in subsidies. (Source: HousingMinnesota calculations from 2004 MHFA numbers. The numbers are inflated by 3.5% to reflect annual costs increases from 2004 to 2005.)

The construction of an affordable owner unit requires approximately $41,000 in subsidies. (Source: HousingMinnesota calculations from 2004 MHFA numbers. The numbers are inflated by 3.5% to reflect annual costs increases from 2004 to 2005.)

Assuming we maintain our current breakdown of 58% owned and 42% rental units, Minnesota will need an annual commitment of approximately $200 million for the next decade to meet its housing shortfall. (Source: The tenure breakdown is based on the National Low Income Housing Coalition's Tabulations of the 2003 American Community Survey PUMS Data; Annual commitment number calculated by HousingMinnesota based on 13,657 rental units and 19,168 owner units.)

MHFA appropriations declined from a high of $173 million in the 2000-2001 biennium to a low of nearly $70 million in the 2004-2005 biennium—a decline of nearly 60%. (Source: HousingMinnesota, "Housing in Minnesota: An Overview," January 2005.)

Affordable Housing Provides a Foundation for a Community

When people have fundamental family and community supports, they are often able to weather a short-term crisis. When those resources are not in place, people are more likely to fall into homelessness in the course of a crisis.

Fundamental Resources

Safe, Decent, Affordable Housing
Family and Community Support
Stable Employment/Income
Access to Healthcare

Unaffordable or Absent Resources

Unaffordable or Substandard Housing
Family and Community Support Unavailable
Unstable or Underemployment/No Income
No Health Care

CRISIS HITS!

Job Loss

Over the last four years the number of job openings has declined by 47 percent.
–Jobs Now Coalition, www.jobsnowcoalition.org

Job Loss

24% of homeless parents in Minnesota left their last housing because they lost their job or had their hours cut.
–Amherst Wilder Foundation, www.wilder.org

Public Safety

1 in 3 homeless women in Minnesota is homeless at least in part due to domestic violence.
-Minnesota Coalition for Battered Women, www.mcbw.org

Public Safety

1 in 4 women will experience domestic violence in her lifetime.
-National Center for Victims of Crime, www.ncvc.org

Mental Health Issues

Almost half (46.4%) of Americans reported symptoms that would qualify them for a diagnosis of a mental disorder over the course of their lifetime, with 28.8% anxiety disorder, 20.8% mood disorders, 24.8% impulse-control disorders, and 14.6% substance use disorders.
-Ronald C. Kessler, Ph.D., Harvard Medical School,

Mental Health Issues

Up to 50% of people experiencing homelessness have co-occurring mental illnesses and substance use disorders; They often receive no services or treatments and have difficulty securing shelter, food, and employment.
-National Mental Health Association, www.nmha.org

Emergency Health Problem

People with basic needs met can better respond to costs of hospital visits through health insurance, savings, or family assistance.

Emergency Health Problem

Hospital visits can push people without basic supports into homelessness when limited income is depleted on medical care.

Individual and Community Response

An individual or household is able to address their crisis and seek *appropriate* services if needed.

If the Individual or household looses their housing in the course of a crisis, finding stable housing or shelter competes for attention and may compound the original crisis.

Minnesota Coalition for the Homeless
Working to ensure that everyone has a safe, decent, affordable place to call home

A Report on Homelessness in Minnesota

Each night, approximately 7,000 individuals are "fortunate" enough to receive shelter from a variety of homeless service providers across the state, according to a number of quarterly shelter surveys conducted by the Department of Human Services over the past few years. Unfortunately, due to inadequate resources, roughly 1,000 individuals are turned away from shelter each night. Children and unaccompanied youth regularly account for nearly half of those sheltered and turned away.

Shelter numbers do not completely represent the homeless population. Wilder Research Center's "Homeless in Minnesota 2003" estimates that on 23 October 2003, the total number of homeless and precariously housed persons in Minnesota numbered 20,347. The following data are excerpts from that report:

Homeless children and youth in Minnesota:

- An estimated 10,600 children are either homeless or living in temporary arrangements on any given night.
- 69% of homeless women ***had children under age 18***, and 53% had at least one child with them; for men, the percentages were 36% and 6% respectively.
- On any given night in Minnesota, between 500 and 600 ***unaccompanied youth in Minnesota*** (persons 17 or younger) are without permanent shelter; over the course of one year, an estimated 10,000 to 12,000 Minnesota unaccompanied youth experience at least one episode of homelessness.
- 81% of ***homeless youth are enrolled in school***.
- Nearly half (46%) of the ***youth experiencing homelessness have been physically or sexually mistreated***.

Many people experiencing homelessness face significant challenges, others are simply struggling to make ends meet:

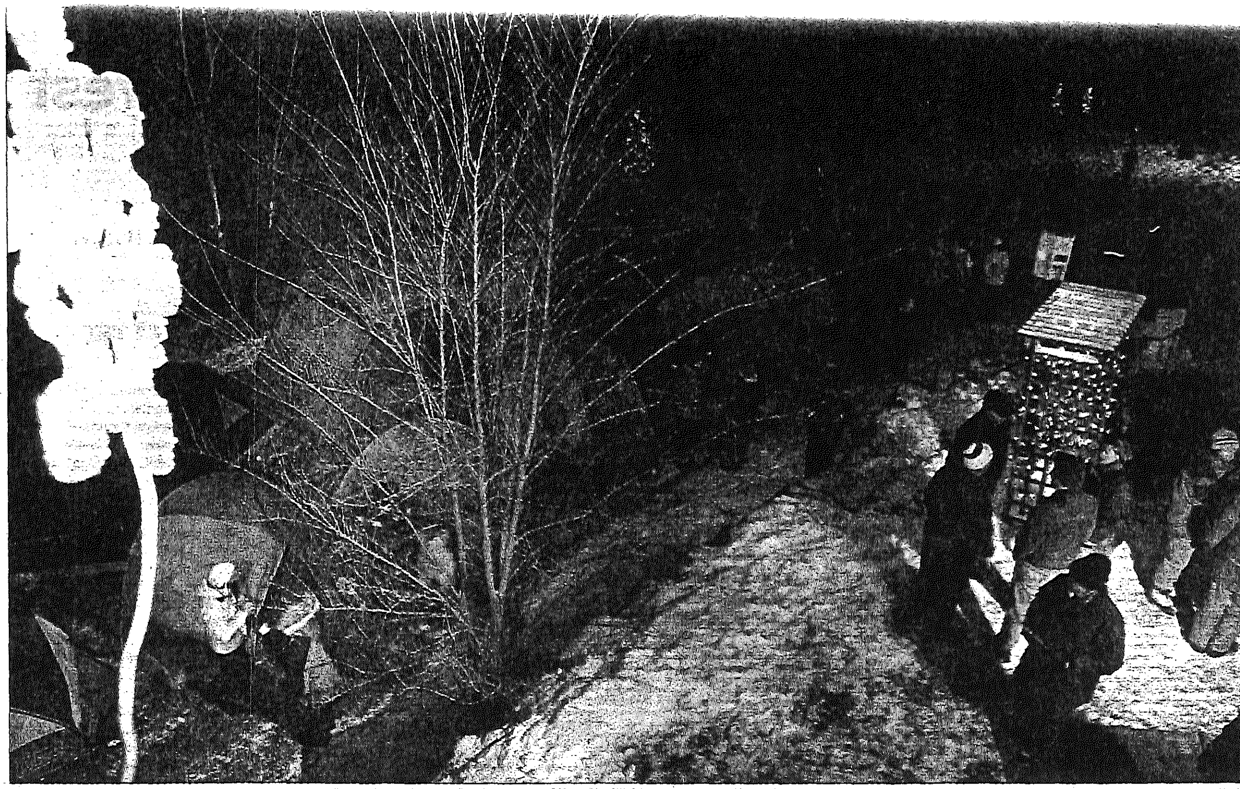
- From 1991 to 2000, the percentage of ***employed homeless adults*** more than doubled from 19% to 41%. The proportion working full time rose over the same decade from 7.5% to 26%. However, a few years into the recession in the early 2000s, the employment rate for homeless adults in 2003 has fallen to 30% employed, with 13% working full time.
- 34% of homeless adults (and 46% of women) reported that they had ***stayed in an abusive relationship*** because they had nowhere else to live.
- 47% of homeless adults reported a ***significant mental health problem***.
- 24% of homeless adults have less than a high school education (46% have ***completed high school or a GED***; 30% have some amount of post-secondary education).
- 44% of households reported being ***homeless a year or more*** (37% being homeless more than a year in 2000).
- 69% have ***lived in institutional arrangements***. 58% of those who had recently left correctional facilities, and 48% of those leaving other kinds of institutions did not have a stable place to live when they left.

The demographics of homelessness:

- 59% are homeless for the ***first time in their life***.
- Homelessness ***disproportionately impacts communities of color***—57% of homeless adults and 65% of homeless youth are people of color. Of the general population, only 9% of adults and 15% of youth are people of color.
- Just over one-quarter (28%) of ***Minnesotans experiencing homelessness*** were ***living outside the Twin Cities***. Homeless adults are similar across the state on many measures, including education levels, ages, how long they have living in Minnesota and their main sources of income. On other measures, however, the picture in Greater Minnesota differs:
    - 40% of children were in short-term, emergency arrangements (25% in the metro area)
    - 36% of men were veterans (23% in the metro area)
    - 53% were mentally ill (45% in the metro area)
- 52% of homeless adults have ***lived in Minnesota*** for more than 10 years; 64% have lived here more than five years. The percentage of people experiencing homelessness who have lived in Minnesota for two years or less has dropped from 39% in 1991 to 27% in 2003. Of those in Minnesota for two years or less, one-third had lived in Minnesota before.

122 West Franklin Avenue, Suite 306 Minneapolis, MN 55404
Tel/TDD: 612.870.7073 Fax: 612.870.9085 email: home01@isd.net www.mnhomelesscoalition.org

StarTribune west
WEDNESDAY · DE[CE]MBER 7, 2005
NEWS FROM THE WESTERN TWIN CITIES SUBURBS · STARTRIBUNE.COM/LOCAL · SECTION W



Photos by JENNIFER SIMONSON • jsimonson@startribune.com

Holy Name School students and families gathered last week in the Rosengren family's back yard in Plymouth, where 20 sixth-graders spent the night in tents to raise money for Interfaith Outreach and Community Partners' Sleep Out 2005. Money from past sleep-outs has helped fund an $8.8 million housing complex.

Group parlays cold nights into affordable housing

Holy Name School sixth-graders, from left, Ryan Philbin, Christopher Sather and Brennan Gensch had hot apple cider during a party before their sleep-out on Friday. The party included music, a prayer service, a bonfire and games. The fundraisers have become an annual tradition to raise money and awareness about homelessness. The group hopes to raise $1.5 million this year for the cause.

- Using $200,000 in seed money raised by volunteers who slept outdoors, a charity pulled off a complex deal to build 50 affordable apartments in Plymouth.

By BEN STEVERMAN
bsteverman@startribune.com

What began with residents sleeping outside in tents as a fundraiser to fight homelessness will result next year in the construction of 50 rental apartments in Plymouth for low-income families.

Interfaith Outreach and Community Partners, the Wayzata nonprofit that runs a food shelf and other services, started with $200,000 raised from previous years' sleep-outs.

That seed money allowed the charity to gather more than $8 million in grants, loans and tax credits from federal and state agencies.

Next spring, work is expected to start on Vicksburg Commons, a 50-unit townhouse development that will cost $8.8 million to build.

Housing continues: Organization also plans to offer social services to residents of complex. **W13**

A GROUP EFFORT

THE PROJECT
50 affordable rental units in Plymouth

COST
$8.8 million

WHERE THE MONEY WILL COME FROM
- $200,000 in "seed money" from annual sleep-out fundraisers
- $10,000 donated by local businesses
- $5.5 million through a federal tax credit
- $2.4 million in state loans
- $300,000 from the Metropolitan Council
- About $500,000 still to be raised, probably from Hennepin County

Group parlays cold nights into affordable apartments in Plymouth

◄ HOUSING FROM W1

Rents will be set so they are permanently affordable to families making less than half the area's median household income.

"It's such a painful reality for so many families that they simply can't find a safe, stable place to live," said LaDonna Hoy, IOCP's executive director. "This is part of the solution."

The nonprofit knows there is a strong need for more affordable housing in the west suburbs, Hoy said. Each month, IOCP gives "emergency housing assistance" to about 180 families in danger of losing their place to live.

To create the new development, IOCP worked with a larger nonprofit, St. Paul-based CommonBond Communities, which will build and own the apartment complex. They also got help from the city of Plymouth, state government grants and Lundgren Brothers, a developer that sold the land for the townhouses at a discount.

John Berg, a volunteer and retired Wells Fargo executive who lives in Wayzata, helped make the complex transaction happen. "It's just incredibly exciting that everything came together like this," he said.

Piecing the project together

First, IOCP and CommonBond, which specializes in building and maintaining affordable rental housing, had to find land in the expensive and rapidly developing area. IOCP's service area includes Wayzata, Plymouth, Long Lake, Medina, Minnetonka Beach and Orono.

They started working with Lundgren Brothers, which was preparing to develop 200 acres along County Road 47 in Plymouth. The developer is building more than 500 homes in the area, along with a small retail shopping center, in the Legacy Park and Taryn Hills developments.

The city of Plymouth encourages developers to include some form of affordable housing in any new development.

Mark Anderson of Lundgren Brothers said because of this encouragement and because "we think affordable housing is important," the for-profit developer offered to sell three acres at Vicksburg Lane and County Road 47 to CommonBond.

Once they had the land, IOCP and Common Bond then had to gather enough funding to build the $8.8 million development.

Most of the money came from a $5.5 million federal tax credit, awarded by the state, along with almost $2.5 million in state loans and $300,000 from the Metropolitan Council. Another $477,000 still must be raised, but the money is likely to come from Hennepin County, according to Kim Vohs, IOCP's housing director.

Social services, too

When the apartments are built, the rents will be heavily subsidized. Four one-bedroom units will be set aside for the recently homeless at very low rents. The remaining two- and three-bedroom units will be subsidized at various rates for low-income residents who earn less than 30 percent or less than 50 percent of the median area income. The median area income is $77,000 for a family of four.

But Hoy said IOCP believes that housing "isn't enough," so the nonprofit will provide social services to the complex's residents, including help finding jobs and education and programs for children.

The hope is that, with lower rents and with social services, families can start taking steps toward buying their own homes.

People whose rents are a "very reasonable percentage" of their income find it easier to save up money and move up to other types of housing, said Deb Sakry Lande of CommonBond Communities.

The $200,000 in seed money for development came from IOCP's biggest annual fundraiser, the Sleep Out. In late November and December, local residents spend their nights in tents to raise money and awareness to fight homelessness and poverty. Part of each year's donations — this year's goal is to raise $1.5 million — is devoted to long-term solutions to homelessness.

Also holding an annual sleep-out fundraiser is Intercongregational Communities Association, a food shelf serving Minnetonka, Hopkins and the southern Lake Minnetonka area.

For more on IOCP's sleep-out effort, go to www.iocp.org or call 952-473-2436. For more on ICA's efforts, go to www.icafoodshelf.org or call 952-938-0729.

Ben Steverman • 612-673-7168

JENNIFER SIMONSON • Star Tribune

Gail Munsell, right, gave Brenda Heim slippers during a party at Interfaith Outreach and Community Partners on Thursday. Munsell celebrated her birthday at IOCP to raise funds for "Sleep Out 2005." After the party, seven of the women went outside to sleep in a tent. They collected more than $15,000 in pledges.

Greater Minnesota Only

Employer Assisted Housing

Track Record of Employer Participation in Local Affordable Housing Production

Employer Name	Employer Contribution	# Units	Location
Chokio-Alberta School District	$59,982	3	Alberta
Bell Farms	$2,000	1	Le Roy
Anderson Fabrics	$88,000	22	Blackduck
20 local New Richland Employers	$70,000	8	New Richland
Cross Consulting; Northwest Financial	$100,000	15	Sebeka
Multiple Courtland Employers	$50,000	9	Courtland
Seven downtown Duluth employers	$171,800	75	Duluth
Fey Industries	$5,000	1	Edgerton
Nine local employers and the Lions Club	$27,050	4	Grygla
Hayfield Window & Door; Citizens State Bank	$24,000	12	Hayfield
Hendricks Hospital	$6,000	3	Hendricks
Multiple Hoffman Employers	$32,000	3	Hoffman
Multiple Northfield Employers	$540,000	14	Northfield
Davisco Foods	$475,000	6	Nicollet
Hormel Food Company	$2,230,000	50	Austin
Schwan's Food Company	$1,500,000	190	Marshall
Hormel Food Company	$93,000	40	Pelican Rapids
Peoples Bank	$3,000	6	Plainview
Peoples Bank	$2,000	4	Elgin
Peoples Bank	$5,000	10	Plainview
Multiple Perham Employers	$40,000	8	Perham
Grand Portage Casino	$450,000	13	Grand Portage
Grand Portage Lodge and Casino	$250,762	16	Grand Portage
Kenneth Keller Foundation	$285,000	18	Aitkin
Multiple Employers in the Southwest Region	$78,000	78	Southwest Region
Blue Fin Bay Resorts	$175,000	5	Tofte
Multiple Ulen & Hitterdal Employers	$16,000	2	Ulen and Hitterdal
Jennie-O Foods	$225,000	48	Willmar
Weerts Companies	incl.	incl.	Winnebago
Weerts Companies	$120,000	8	Winnebago
Xcel Energy & Goodhue County Family Services Cooperative. Red Wing HRA	$50,000	48	Red Wing
Crystal Cabinetry	$3,500	19	Zimmerman
Keupers Const., Bremer Foundation	$4,500	24	Baxter
Multiple Fergus Falls Employers	$30,000	8	Fergus Falls
MN Power, Lake Superior College	$98,000	15	Duluth
Stearns County Electric	$109,224	36	St. Cloud
Stearns County Electric	$5,891	31	St. Cloud
Multiple Elk River Employers	$1,000	32	Elk River
Multiple Park Rapids Employers	$30,000	12	Park Rapids
Multiple Mankato Employers	$34,000	8	Mankato
St. Mary's Hospital	$10,000	15	Duluth
Women's Transitional Housing Coalition	$3,000	3	Duluth
Minnesota Power	$60,000	46	Duluth
Rochester Area Employers*	$11,000,000	195	Rochester area
	incl.	334	Rochester area
TOTAL EAH IMPACT	**$18,562,709**	**1,498**	

*Rochester Area Employers Inc.

Return on State Investment in Funding Workforce Housing

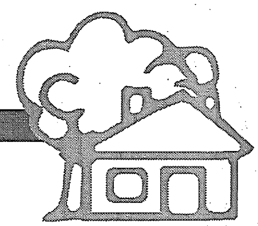
Total Cost of Home	$	150,000
State Gap Investment in Affordable Housing Unit	**$**	**10,000**
Return to State on Investment		
Sales Tax on Materials (6.5% on 40% of Home Cost)	$	3,900
State Income Tax Paid by Construction & Professional Labor at 60% of Home Cost	$	7,200
Mortgage Registery Tax (Paid when home is financed .0023 debt)	$	345
Deed Tax (paid when deed is recorded .0033 value)	$	495
Year One Immediate Return to State on Gap Loan	**$**	**11,940**

Plus:

Gap Loan ***Returned*** at Year 30 (or before)	$	10,000

Housing Trust Funds

Mary E. Brooks
Housing Trust Fund Project
Center for Community Change
1113 Cougar Court
Frazier Park, CA 93225
661-245-0318
mbrooks@communitychange.org



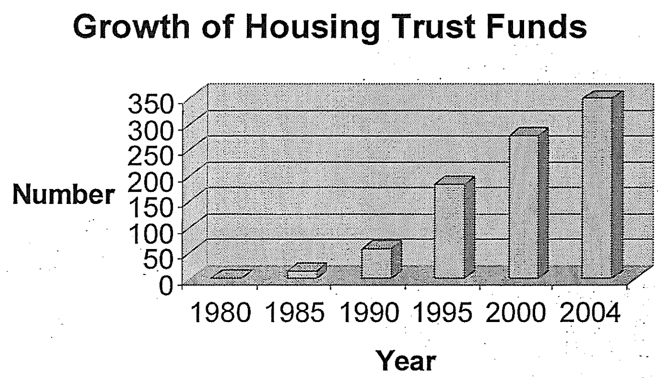
Housing Trust Funds: advancing how we fund affordable housing

- *Securing Dedicated Sources of Public Revenue*
- *Committing that Revenue to Support Critical Housing needs*

MOP, Kalamazoo, Michigan

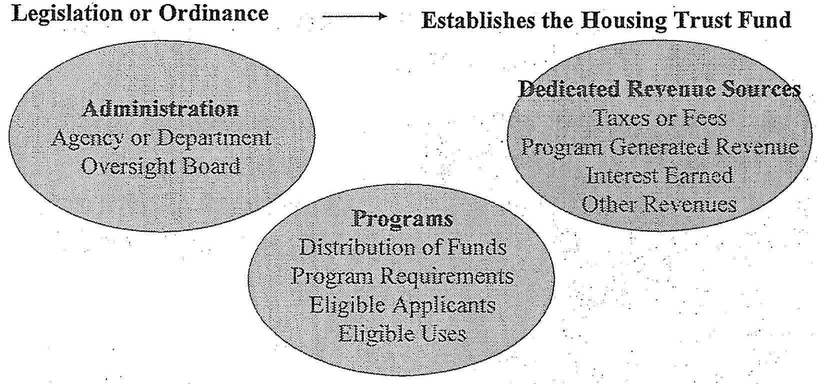
300,000 low income Minnesota households can't afford their housing.

Today … there are more than 400 housing trust funds



How Housing Trust Funds Work

Legislation or Ordinance → **Establishes the Housing Trust Fund**



There are 38 states with housing trust funds

- *Arizona*
- *California*
- *Connecticut*
- *Delaware*
- *Florida*
- *Georgia*
- *Hawaii*
- *Idaho*
- *Illinois*
- *Indiana*
- *Iowa*
- *Kansas*
- *Kentucky*
- *Louisiana*
- *Maine*
- *Maryland*
- *Massachusetts*
- *Michigan*
- *Minnesota*
- *Missouri*
- *Montana*
- *Nebraska*
- *Nevada*
- *New Hampshire*
- *New Jersey*
- *New Mexico*
- *North Carolina*
- *Ohio*
- *Oklahoma*
- *Oregon*
- *Rhode Island*
- *South Carolina*
- *[Tennessee]*
- *Texas*
- *Utah*
- *Vermont*
- *Washington*
- *West Virginia*
- *Wisconsin*

Illinois SHAC and then-Governor Thompson at Trust Fund signing ceremony

Minnesota Housing Trust Fund

- Created in 1988; revised in 2001 to expand its funding activities.
- Funds operating subsidies, rental assistance, and capital funding for affordable housing.
- In 2005, priority established for funding households experiencing long-term homelessness.
- Funds come from interest on real estate escrow accounts, revenue bond application fees, and general appropriations.
- In 2004, supported 479 housing units with $3+ million in funds.

States → encouraging local Housing Trust funds (co, city, etc)

Pg. 8

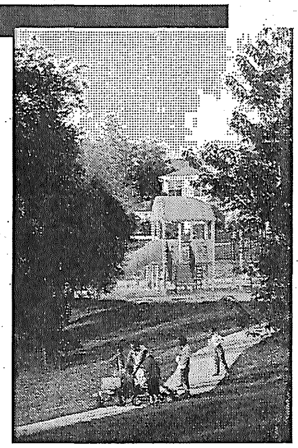
recording fees?

+ Mpls
+ St. Paul
+ Duluth
Housing Trust funds.

Florida Passes the William E. Sadowski Act

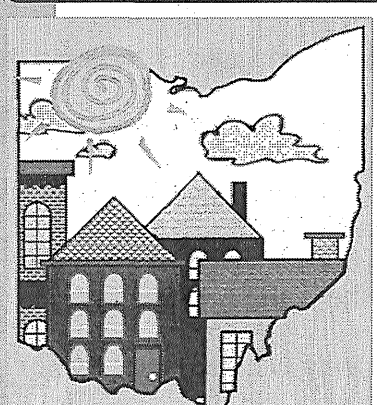
- Raised the state documentary stamp tax (transfer tax on deeds) by ten cents per $100 and transferred another ten cents from existing tax.
- State housing trust fund receives 30% of revenues; local government housing trust fund receives 70% = SHIP Program.
- Created powerful coalition of all housing industry interests in the state.

- Annual revenue = $300,000,000
- Leverage = 1:7



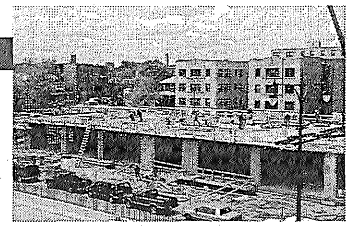
Florida housing

Ohio Housing Trust Fund is a Work of Dedication



- Twelve year campaign, lead by COHHIO, secures recordation fee for state's trust fund.
- $50 million annual revenue.
- A majority of the funds serve those earning no more than 50% of the area median income.
- In FY2005: home repair of 1,972 units; supportive services with housing for 5,632 persons; down payment assistance for 289 households; and construction of 977 homes.

Illinois Affordable Housing Trust Fund



- Created in 1989 and receives 50% of the state's real estate transfer tax revenues providing as much as $60 million annually.
- Funds: new construction and rehabilitation; down payment/closing cost program; owner-occupied rehab program; and multi-family projects.

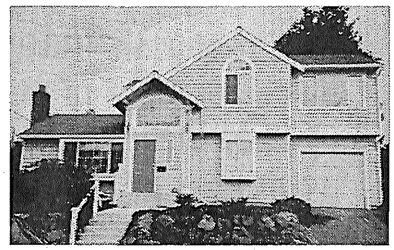
Missouri Housing Trust Fund

- Created in 1994. Receives document recording fee revenue of approximately $4 million each year.
- Uses a consolidated application form for the HTFund, HOME funds, and other MHDC fund balances.
- Addresses housing needs of those earning no more than 50% of area median income with half of the funds serving 25% of ami.

- In FY2004, assisted 121 housing programs.

Washington Housing Trust Fund

- Created in 1987 to fill the gap created by diminishing federal funds.
- Has invested more than $420 million in housing creating 26,500 homes.
- Leveraged more than $1,660 million in private and public sector support.



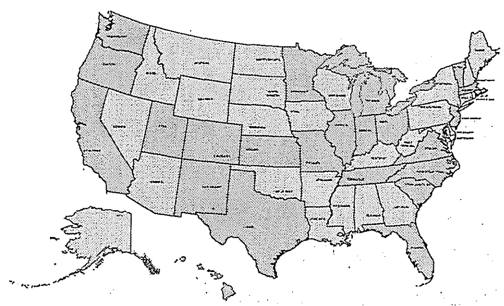
Bryant House

Dedicated Revenues We've Won!

Affordable housing in Oregon

- **Real estate transfer tax**
  - *Florida, Hawaii, Illinois, Maine, Nebraska, Nevada, New Jersey, South Carolina, Vermont*
- **Interest from real estate or title escrow accounts**
  - *Connecticut, Maryland, Minnesota, Washington, Wisconsin*
- **Document recording fees**
  - *Delaware, Missouri, Ohio*
- **Lottery earnings**
  - *Kentucky, Oregon*
- **Interest from tenant security deposits**
  - *Oregon*
- **Interest from Unclaimed, Unnamed Property Fund**
  - *Arizona*
- **Bond and fee revenues**
  - *Kansas, Nevada, New Hampshire*
- **Capital budget funds**
  - *Washington*
- **State income tax**
  - *Louisiana, Massachusetts*

City Housing Trust Funds



Minnesota City housing trust funds: St. Paul STAR Program; Minneapolis Housing Trust Fund; & Duluth Housing Investment Fund.

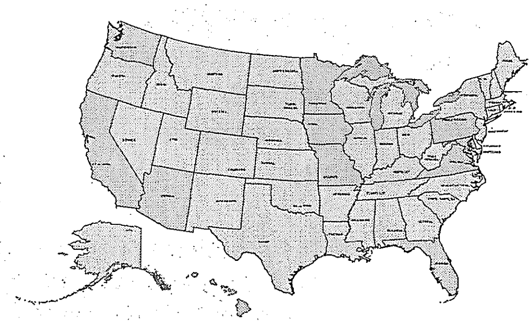
45 City housing trust funds exist in 23 states, including Washington DC.

In addition, both New Jersey and Massachusetts have passed legislation encouraging local housing trust funds, adding nearly 200 more.

County Housing Trust Funds

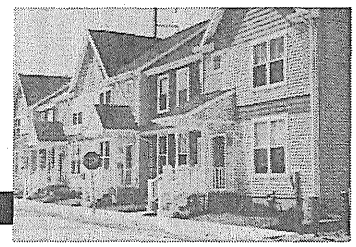
Seventeen county housing trust funds exist outside of Pennsylvania, Missouri, Iowa and Washington.

These four states have enabling legislation adding another 90 trust funds.



Minnesota County housing trust funds: Ramsey County.

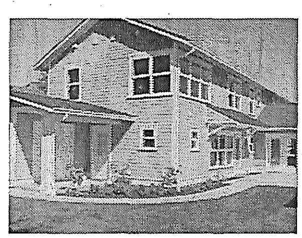
Pennsylvania Act 137



- Enables county commissioners to double recording fees for deeds and mortgages.
- At least 85% must be set aside in a separate account.
- Funds must be used to support affordable housing efforts in the county.
- 15% may be used for administrative costs associated with affordable housing.

Washington Passes Legislation Enabling Local Housing Trust Funds

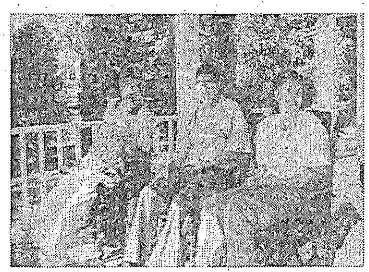
- **Washington HB2060 authorizes an increase in the document recording fee charged by counties.**



  - **60% of the funds stay with counties and 40% goes into state fund for operating and maintenance costs of housing serving very low income persons.**
  - **27 counties have responded**

Massachusetts Passes Legislation Enabling Local Housing Trust Funds

- **Massachusetts Community Preservation Act enables property tax revenues to be used for affordable housing = 50 jurisdictions have responded.**
- **Matching funds available from increase in document recording fee.**

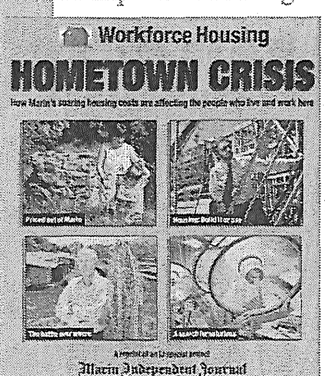


Chip's House in Massachusetts

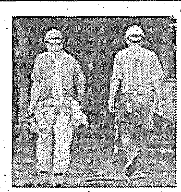
Housing is good for the Economy

The argument shifts ...

Media gives wide coverage to broad impacts of housing.

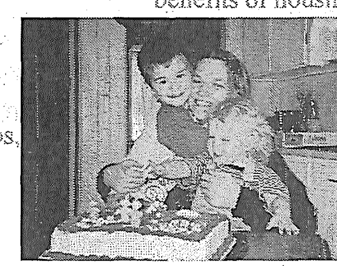


Marin Independent Journal



NAHB documents 1,000 multi-family homes generates 1,000+ full time jobs, \$33.5 million in wages, and \$17.8 million in tax revenues and fees.

Center for Community Change releases *"Home Sweet Home: Why America Needs a National Housing Trust Fund"* and documents economic and other benefits of housing.



Economic Benefits of a Colorado Housing Trust Fund

An investment of $26.5 million would produce:

More than 3,200 new jobs each year.
More than $334 million of economic activity each year (construction and real estate would experience $160 million of spending and 1,158 jobs each year alone).
Formerly rent-burdened households will have an average of $2,460 of annual income per household to spend on goods and services other than housing.
New economic activity will generate more than $26 million of annual tax revenues, more than $13 million of which goes to state and local government.

In a nearly 30 year history with housing trust funds …

- More than ***$750 million*** each year is committed to affordable housing.
- Housing trust funds have produced ***hundreds of thousands*** of affordable homes.

The Sustainability of Housing Trust Funds

- An on-going government commitment of public funds.
- A community-based process to create and sustain the fund.
- A component of housing policy that drives innovation and cooperation.
- A flexible model that can adapt to changing market conditions.

Fannie Mae Foundation

Housing Facts & Findings

Housing Facts and Findings is published quarterly by the Fannie Mae Foundation to highlight issues and policy innovations in support of affordable housing, and there is no charge for the subscription. If you would like to receive Housing Facts & Findings throughout the year, please complete the following information.

Name ____________________________________

Title ____________________________________

Organization ____________________________________

Address ____________________________________

____

Phone ____________ Fax ____________ Email ____________________

To help us be more responsive to our audience, please let us know where you are from:

____ State or Local Government Official or Staff

____ Nonprofit Organization

____ Federal Government Official or Staff

____ Academic

____ For-profit Organization

____ Other

____ **Please ADD me to your policy contacts list so that I may receive other relevant policy-related information and invitations to upcoming conferences and special events.**

Please fax this form to Gloria Burrell at 202-274-8123 or submit your contact information via email to gburrell@fanniemaefoundation.org.

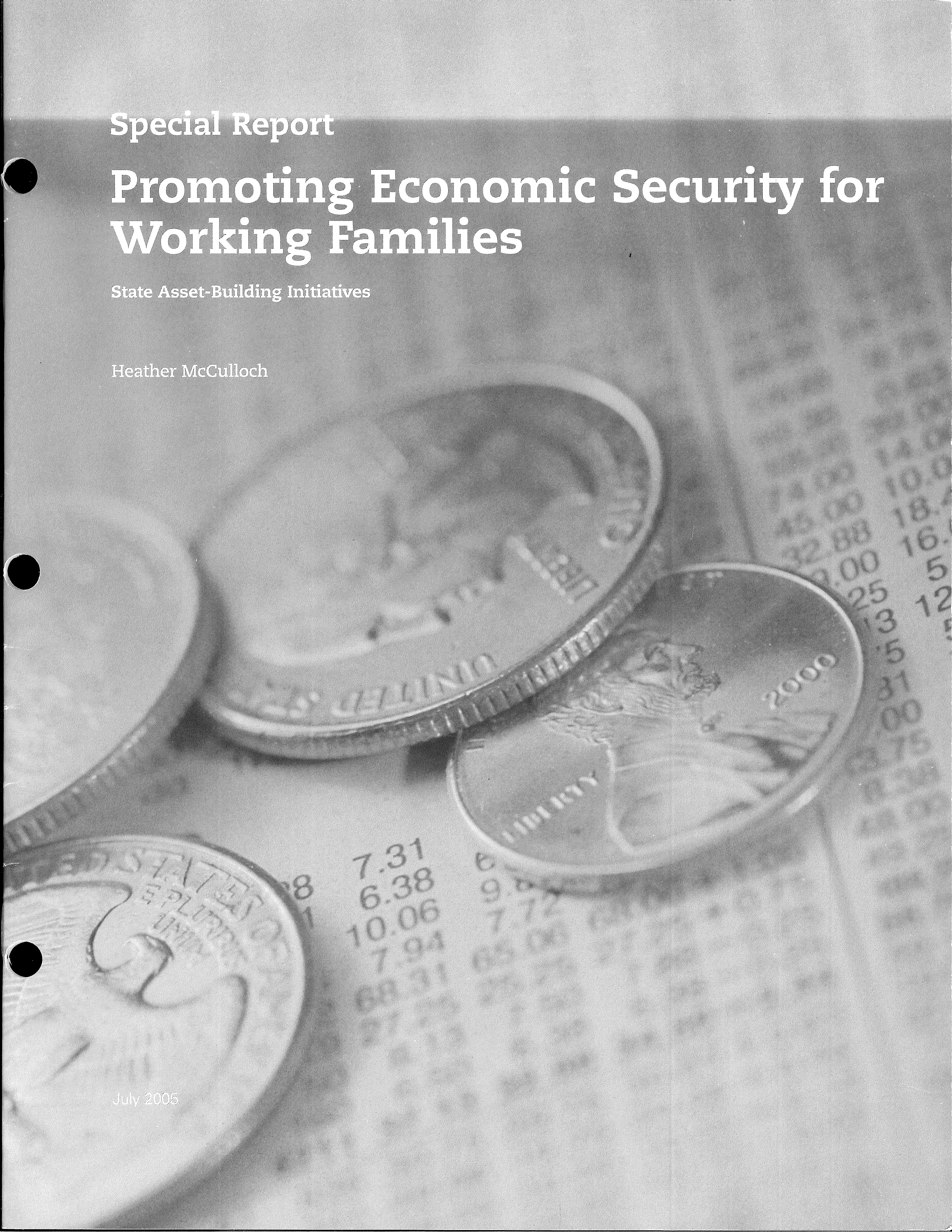
CPA

Special Report

Promoting Economic Security for Working Families

State Asset-Building Initiatives

Heather McCulloch



July 2005

About the Author

Heather McCulloch is an independent consultant based in San Francisco, Calif. Her consulting practice is focused on advancing policies and strategies that enable low-wealth families to build financial assets. She can be reached at heathermcc@sbcglobal.net.

Acknowledgments

This publication was supported by a range of experts on asset-building policy and practice at the national and state level. The author thanks the research advisory committee, including Judith Bell of PolicyLink, Ray Boshara of the New America Foundation, Mary Fairchild of the National Conference of State Legislatures, Gena Gunn of the Center for Social Development at Washington University, Matt Lambert of the National Governors Association's Center for Best Practices, and Carl Rist of CFED, for their guidance and feedback during the research process. In addition, the author thanks the Fannie Mae Foundation for its financial support, and Sheila Maith, Larry Ottinger, and Sohini Sarkar, of the Foundation, for their assistance. Finally, the author is grateful for the contributions of state asset-building leaders, including Bob Agres, Brent Dillabaugh, Caroline Glackin, Hilary Hunt, Ben Mangan, Honorable Jack Markell, Eric Muschler, Dory Rand, and Stephanie Upp.

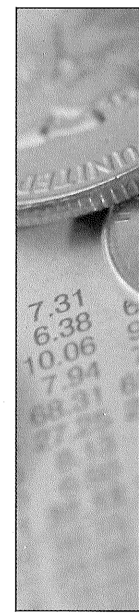
Special Report

Promoting Economic Security for Working Families

State Asset-Building Initiatives

Heather McCulloch

Table of Contents



Overview

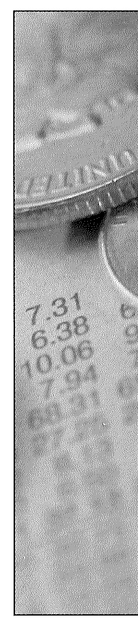
Today, more than ever, America's families need more than a regular paycheck to achieve financial security. They need the capacity to acquire and preserve assets. They need a pathway to self-sufficiency.

The reality is that millions of American families do not have an ownership stake in our society and have little opportunity to acquire a stake. More than a quarter of American households are "asset poor." If their income flow is disrupted, their total savings — their net worth — will sustain them for no more than three months. Low- to moderate-income families tend to live one missed paycheck away from financial crisis. For these families, who lack the means to finance a child's education or save for retirement, "asset poverty" often continues from one generation to the next.

Asset poverty carries enormous social and economic costs. Asset poor families often rely on public resources. And they become part of a system that discourages rather than encourages savings and investment. For example, most public benefit programs, such as Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Food Stamps, and Medicaid have asset limits that penalize families for saving: They lose their benefits if they save more than a minimal amount, typically $2,000 to $3,000.[1]

One way to break this cycle of poverty and break away from systems that discourage self-sufficiency by discouraging savings is to create a new, wider, more easily negotiated pathway to ownership. Offering families new opportunities to save and invest, gives them the chance to free themselves from exclusive reliance on a paycheck to meet their financial needs. These opportunities enable families to build assets and introduce them to a financial horizon that extends beyond this month's bills. With new ownership opportunities come new opportunities for families to take control of their financial future.

With this in mind, many state policy-makers and advocates are working hard to make ownership a real possibility for working families. A nascent asset-building movement is taking shape. This movement, broad in scope and bipartisan in nature, seeks the best means of bringing assets — cash savings, stocks, bonds, home equity, business equity — within reach of working families. Governors, state legislators, and community and business leaders are leading this effort. States are serving as the testing-ground for innovations that offer more families more opportunity to become owners. Growing momentum now supports the idea that this state-level action is critical to the expansion of economic opportunity for the nation's working families.



This report examines six states that are defining this emerging movement: California, Delaware, Hawaii, Illinois, Michigan, and Pennsylvania. Each state's approach is unique. But they share common goals — enabling lower-income families to accumulate and preserve assets — and they employ common strategies. Despite the marked geographic, demographic, and economic differences among these states, all share key features:

- *Creating a New Policy Dialogue*
  The initiatives are reorienting state-level discussions so that the focus shifts from preventing a negative (poverty) to advancing a positive (expanding economic opportunity and financial security), thereby creating a conversation that resonates with diverse stakeholders.

- *Developing a Bipartisan Consensus*
  They are bringing Democrats and Republicans together around the shared goal of enabling working families to save and invest, in themselves and in their communities.

- *Uniting Diverse Stakeholders*
  They are building effective and lasting solutions to asset poverty through the collaboration of diverse stakeholders, including elected officials, public agency staff, advocates, foundations, the business community, and community leaders.

This report aims to serve as a resource for policymakers and other state leaders who are exploring statewide initiatives that promote asset building among working families. It aims to illuminate the consensus-building process and provide an overview of state-level activity that is advancing the asset-building movement.

Historical Context

For more than a century, federal policy has supported savings and investment by American families. The Homestead Act of 1863 enabled millions of American families to acquire public lands — assets they could pass on to future generations. The Servicemen's Readjustment Act of 1944 (the GI Bill) supported veterans who invested in homes and education. In recent decades, federal tax expenditures that promote savings and investment through the tax code have proliferated.[2] Examples include the home mortgage tax deduction, tax-benefited college savings plans, and tax incentives for retirement savings.

These and other asset-building policies have earned broad bipartisan support because they have enabled millions of families to invest in themselves and their children and to pass resources on to future generations. But the benefits of these policies have not been accessible to millions of lower-income families who do not have sufficient tax liability to take advantage of tax deductions, deferments, and credits. A 2004 report by the Corporation for Enterprise Development (CFED), *Hidden in Plain Sight*, illustrates the extent to which the benefits of federal tax expenditure policies accrue to wealthier families. The report found that in fiscal year 2003, federal tax expenditures totaling $335 billion subsidized family savings and investments. But the top 1 percent of families — those who earn more than $1 million — received one-third of benefits; the bottom 60 percent of families received less than 5 percent of the benefits (Woo, Schweke, and Buchholz 2004).

The results of these tax-code inequities took on greater significance as the limitations of traditional antipoverty programs became apparent. By the early 1990s, public policies that were designed to lift families out of poverty — income- and service-based supports (welfare payments and food stamps, for example) — were under intense scrutiny. Most observers agreed that while these policies sheltered families from the most devastating effects of poverty, they were not enough to move families to economic self-sufficiency.

As previously noted, traditional antipoverty programs included mechanisms that actively discouraged savings. These limitations prompted researchers and social policy analysts to focus on the role of financial assets — cash savings, stocks, bonds, home and business equity — in lifting families out of poverty and opening a pathway to a financially secure future.

In 1991, for example, Michael Sherraden's seminal book, *Assets and the Poor*, drew attention to the shortcomings of welfare policies that emphasize income supports while ignoring the importance of asset development. Sherraden argued that the nation's public policy infrastructure actually discouraged asset building among families with the fewest resources.

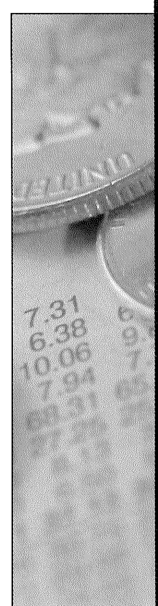
In 1995, Melvin Oliver and Thomas Shapiro's *Black Wealth/White Wealth* argued that the exclusion of poor people — and African-Americans in particular — from the benefits of publicly sponsored asset-building opportunities has resulted in the "sedimentation of racial inequality." The authors demonstrate how the legacy of discrimination in asset-building policies explains persistent wealth disparities between blacks and whites of similar incomes.

A growing body of research, along with evidence documenting the benefits of individual development accounts (IDAs), galvanized the asset-building movement. IDAs, a savings vehicle designed for low-income individuals, demonstrated that low-income families have both the will and the ability to save. Congress took note. In 1996, federal welfare reform gave states a way to expand asset-building opportunity by excluding IDA savings from the asset means test of the Temporary Assistance for Needy Families Program (TANF) and permitting them to match IDA savings with TANF funds. Follow-up legislation — the 1998 Assets for Independence Act — authorized federal resources for IDAs and focused national attention on the role of the public sector in helping families to save and invest.[3]

Throughout the past decade, research by New York University Economist Edward Wolff documenting the inequitable distribution of wealth in America has further fueled the nation's growing interest in asset poverty and solutions. Using Federal Reserve data, Wolff found that by the end of the 1990s, the wealthiest 20 percent of American families held more than 83 percent of the nation's household wealth, while the bottom 60 percent held less than 5 percent (Wolff 2001).[4]

The Emerging Role of the States

In recent years, several factors converged to move state leaders to the forefront of the asset policy dialogue. As the federal government devolved responsibility for welfare policy to the states, state officials took the lead in transitioning families from welfare to the labor force. At the same time, the growing phenomenon of the "working poor" drove home the point that income alone seldom suffices to lift working families out of poverty.



Asset-building strategies — which create savings and investment opportunities for lower-income families — are increasingly viewed by state-level actors as critical to building families' economic security. Moreover, state policy-makers are interested in the social and economic benefits to families and communities resulting from increased asset investments, including evidence of increased educational attainment, civic participation, and positive health outcomes.[5] Potential long-term fiscal benefits from reducing families' dependence on public resources and increasing their capacity to contribute to local economies are also appealing to many policy-makers.[6]

Initially, many states focused on isolated approaches: expanding access to financial education, allocating state and federal funds to IDAs, creating state-level earned income tax credits. But in recent years, support for a more holistic approach has grown. State leaders are recognizing that asset-building strategies must be part of a continuum of policies that help families move up the economic ladder, much in the same way that the mortgage interest tax deduction, individual retirement accounts (IRAs), and 529 education savings accounts have worked for middle-income families.

Based on the six states examined in this study, the tools and strategies listed below might be understood as core elements — a toolkit paving a pathway to ownership. Each of the strategies was designated a policy priority by at least four of the six states studied. It is important to note, however, that these strategies are interrelated and complementary.

- Improving and expanding access to financial education
- Increasing affordable homeownership opportunities
- Raising or eliminating current asset limits in public benefit programs
- Expanding access to and state support for IDAs
- Promoting state-level Earned Income Tax Credit (EITC) legislation and expanding use of the federal EITC
- Creating new savings opportunities for higher education
- Supporting children's savings accounts
- Increasing access to retirement savings opportunities
- Implementing antipredatory lending measures

While this report focuses on state-level efforts, it is important to note the potential to expand asset-building opportunities by strengthening the federal/state policy nexus. Already, states are working to expand the use of federal policy tools. For example, several states are launching campaigns to educate families about how to claim the federal EITC and providing incentives to recipients to deposit their EITC resources in accounts that receive federal tax benefits (such as IRAs and/or 529 education plans).

State leaders also support federal initiatives that would complement state asset-building efforts. For example, the Savings for Working Families Act (SWFA) would offer tax credits to encourage financial institutions to make IDAs available to lower-income families. Introduced in Congress with bipartisan support every year since 1999, the legislation still has not passed.[7] Another piece of pending legislation, the America Saving for Personal Investment, Retirement, and Education (ASPIRE) Act , would create savings accounts for every child born in America. ASPIRE enjoys strong bipartisan support in Congress.[8]

Key Terms

The following definitions apply to key terms used throughout the report.

Asset: A single item of ownership having exchange value; a term used in this document to describe financial wealth such as cash savings, stock, bonds, home, business and real estate equity.

Asset-building policy: Public and/or private sector policies that enhance the ability of working families to acquire and preserve assets.

Statewide asset-policy initiative: A planning process that includes a diverse group of public, private, and nonprofit sector actors working to develop a state policy agenda that creates and expands opportunities for working families to acquire and preserve assets.

State Asset Policy Initiatives

California: The Asset Policy Initiative of California (APIC)

Overview

In early 2003, a convergence of factors led a San Francisco-based IDA provider, the Earned Assets Resources Network (EARN), to launch a statewide asset policy conversation in California. EARN realized that if it was to take asset building to scale — to maximize asset-building opportunities for working families — the organization first needed to determine how to use state and local policies to leverage public- and private-sector support. EARN also recognized that enabling families to move from poverty to opportunity was not just about IDAs. A broad continuum of asset-building strategies would be necessary.

Responding to this imperative, EARN invited more than 30 nonprofit, public, and private-sector leaders from across the state to join together to frame a long-term, asset-building policy agenda. The result was APIC — the Asset Policy Initiative of California.[9]

The following data sparked statewide interest in APIC's mission (APIC 2003):

- California had one of the highest rates of asset poverty in the country, ranking it fourth from the bottom (47th) among states in this category.
- 16.7 percent of California households had zero or negative net worth, ranking the state eighth from the bottom (43rd) in this category.
- 28.5 percent of California households had insufficient net worth to subsist at the federal poverty level for three months if their income were disrupted.

APIC's mission is to reduce and, in time, eradicate the alarming incidence of asset poverty reflected in these statistics. As stated on their Web site (http://www.assetpolicy-ca.org), APIC's vision "is to have a lasting impact on public policy, by driving the creation of a long-term, strategic, asset-development policy agenda in California; on leadership, by supporting asset-building champions to lead their communities, agencies, companies and sectors to promote wealth-building opportunities for California's working poor; and on public will, by building public support for asset-building policies that enable all families to achieve economic security."

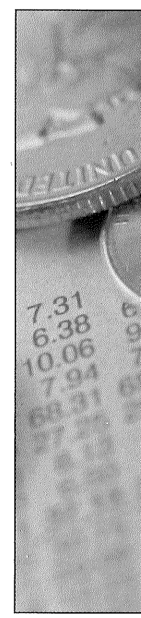
APIC is managed by EARN and receives funding from the Ford Foundation, the Charles Stewart Mott Foundation, and the Levi Strauss Foundation. Special projects — a policy symposium APIC hosted in 2005, for example — have been supported by Citibank, the Fannie Mae Foundation, H&R Block, the Levi Strauss Foundation, and US Bank.

Policy Priorities

APIC's long-term policy agenda includes a broad range of priorities:[10]

Asset accumulation:

- Create a state financial education task force
- Support the implementation of a state EITC and link it to matched savings accounts
- Support the development of children's savings accounts
- Provide state support for voluntary retirement savings accounts
- Support low-income family savings in educational savings (e.g., 529 accounts)



- Raise or eliminate asset limits for all public benefits programs, thereby eliminating policy provisions that discourage low-income families from acquiring assets
- Authorize state funding for IDA programs
- Implement a state "financial driver's test"[11]
- Create a refundable asset tax credit to enable low-income families to save
- Foster research and development of a Savings Trust Fund, to include a permanent funding stream to support asset-building policies

Asset leverage:

- Establish a homeownership trust fund to support the development of affordable homeownership opportunities
- Create a refundable renter's tax credit that can be used to save for a down payment on a home
- Support statewide inclusionary zoning legislation to promote the production of affordable homes
- Allocate state funding to community land trusts, which increase the supply of affordable homes by taking the cost of land out of the home price equation
- Establish state homeownership zones
- Provide state funds to support microenterprise development, which would expand business ownership opportunities for low- and moderate-income families
- Implement policies to reduce costs (credit, health insurance, retirement benefits, workers compensation) for small business owners
- Repeal Proposition 209, which limits state outreach (and therefore state support) to minority- and women-owned businesses

Asset preservation:

- Support state and local antipredatory lending legislation, and use state mechanisms to enforce federal antipredatory regulations
- Improve disclosure of predatory lending data by state agencies
- Implement existing data disclosure requirements on insurance redlining
- Implement a state-level Community Reinvestment Act for the insurance industry
- Support legislation to expand health insurance coverage for employees
- Eliminate the asset means test for Medi-Cal, the state's Medicaid program

Asset creation:

- Support community development projects that build assets for low-income community residents
- Encourage investment in low- and moderate-income communities by foundations, insurance companies, and pension funds by requiring public disclosure of geographic investment data
- Evaluate state allocation of federal funds — such as the Community Development Block Grant (CDBG), Community Development Financial Institution (CDFI), and Bank Enterprise Award (BEA) programs — to determine their asset-building impact
- Support cooperative development in rural areas

Accomplishments to Date

APIC has succeeded in starting a new policy conversation that is focused on a continuum of strategies to enable all of California's families to save, invest, and preserve their assets.

Specific policy accomplishments include the following:

- *Assembly Concurrent Resolution 254* — In August 2004, the California legislature passed this resolution, which recognized APIC's work and called for additional research on asset poverty.

- *Local Asset Poverty Indicator (LAPI)* — LAPI, a tool developed by EARN/APIC, enables communities to measure asset poverty at the county level.

- *Media coverage of asset building* — APIC and its partners have succeeded in garnering press attention to asset-building issues and policies, including the publication of op-eds and articles in major California newspapers and magazines and a radio series on wealth and poverty.

- *State and national partnerships* — APIC has cultivated a core group of state policy leaders and built a coalition of diverse stakeholders to support its agenda. In addition, it has established working relationships with state and national policy research organizations, including the Milken Institute, the California Research Bureau, the Public Policy Institute of California, CFED, and the New America Foundation.

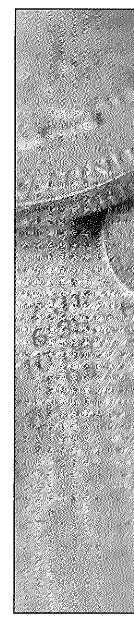
Delaware: Governor's Task Force for Financial Independence[12]

Overview

In 2001, State Treasurer Jack Markell approached Governor Ruth Ann Minner about the creation of a task force that would enable state residents to build their economic security through financial education, savings, and investment opportunities. The governor supported the idea and, in late 2001, established the Governor's Task Force for Financial Independence. Governor Minner asked Treasurer Markell and Dr. Caroline Glackin, then executive director of the First State Community Loan Fund, to serve as co-chairs of the Task Force.

The mission of the Task Force is implicit in its description of recent economic developments: "As Delaware's economy has grown, the fortunes of its residents have been growing apart. The symptoms of this include poverty, income and wealth inequality, economic insecurity, and financial illiteracy" (State of Delaware 2002).

The Task Force received administrative support from the treasurer's office. CFED, with financial support from Citigroup, provided information, tools, and reports that helped to frame the discussion and guide the Task Force's planning process.



Policy Priorities

Asset facilitation:

- Expand financial literacy for strategic populations including:
  - Offering financial literacy training for caseworkers employed by the State of Delaware
  - Permitting financial literacy training as an approved work activity under TANF
  - Facilitating employer-based financial literacy training
- Encourage the creation of a statewide financial literacy publicity campaign

- Expand predatory lending prevention education
- Increase state support for prepurchase housing counseling

Asset incentives:

- Support a federal EITC outreach campaign
- Enact a Delaware EITC
- Enact a Delaware Interest Income Tax Credit[13]
- Study opportunities to expand the number of small businesses offering employee retirement plans
- Provide support for Individual Development Accounts (IDAs)
- Support efforts to obtain pilot funds for Children's Savings Accounts

Asset protection and removing barriers to asset accumulation:

- Reduce the risk of asset loss due to lack of access to affordable health care
  - Expanding the Healthy Children program[14]
  - Expanding the Community Health Access program[15]
  - Supporting the expansion of federally qualified health centers[16]
- Improve the protection of household assets by:
  - Encouraging best practices for nontraditional lenders and debt managers
  - Providing support for mainstream and nonprofit alternatives to high-cost fringe banking services
- Disseminate an easy-to-read list of resources for the unemployed
- Create a family economic self-sufficiency standard for Delaware[17]
- Develop antiredlining policies for insurance

Accomplishments to Date

- The state now allows financial education as an eligible work activity for recipients of TANF.
- The Delaware Bankers Association adopted financial education as a primary mission of the organization.
- Women from across the state attended a state women's money conference series, *Purses to Portfolios.*
- The Delawareans Save! IDA Collaborative obtained funding to support additional accounts.
- The Delaware Financial Literacy Institute and the YWCA of New Castle County developed a guide to financial education resources.
- The Delaware Department of Labor created a fact sheet for unemployed workers.
- A successful statewide public education campaign is increasing the number of families that claim federal EITC benefits.
- The state completed, disseminated, and adopted a family economic self-sufficiency standard, which the Economic Development Office now uses to award certain state funds.

- The Boys and Girls' Club is participating in SEED, a national demonstration project supporting children's savings accounts.[18]

- The state legislature enacted fringe banking regulations.

Pennsylvania: Governor's Task Force for Working Families[19]

Overview

In April 2004, Governor Edward G. Rendell signed an executive order establishing the Governor's Task Force for Working Families and a new state Office of Financial Education in Pennsylvania. The Task Force — which included more than 60 members from the public, private, and nonprofit sectors — was charged with identifying strategies to build income and assets for working families, promoting financial education, and protecting working families from abusive financial services.

State Representative Dwight Evans and Governor Rendell played leading roles in creating the Task Force. The Governor appointed Representative Evans and Bill Schenck, Pennsylvania Secretary of Banking, to co-chair the Task Force. The Task Force submitted its recommendations to the governor in January 2005. Governor Rendell's 2005/2006 budget identifies a number of ways to implement these recommendations.

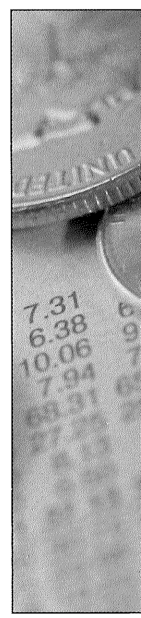
Governor Rendell's Executive Order charged the Task Force with addressing the challenges confronting Pennsylvania's working families (Commonwealth of Pennsylvania 2004):

- Working families have faced financial difficulties during the recent national economic downturn. While an evolving financial system is presenting many new opportunities to build wealth and security and easy access to credit, it is also producing an overwhelming array of investment and savings options. Personal finance education is more important than ever before.

- Pennsylvania has the second highest net-worth gap between whites and nonwhites in the country. It has a very low small-business ownership rate and ranks even lower in women's business ownership.

- Financial illiteracy *is a serious problem* among many low-income consumers who do not have relationships with mainstream financial service providers.

- Numerous state agencies, nonprofits, and businesses currently assist working families, but their effectiveness is limited by finite resources.



Staff assistance from the National Council of State Legislatures and funding from the Annie E. Casey Foundation supported the early development of the Task Force. Representative Evans then hired CFED with resources from the House Appropriations Committee. Additional resources have been provided by the Department of Banking, the Office of Financial Education, the Office of Representative Evans, and the Bureau of Management Consulting, a group of state employees that provides consulting services to state agencies.

Policy Priorities[20]

Connect working families to financial education:

- Establish, maintain, and market a clearinghouse with information about financial education resources, income supports, and savings programs

- Integrate financial education into Pennsylvania's existing K-12 curricula

- Expand community-based financial education and counseling
- Help employers to provide financial education in the workplace
- Encourage financial professionals to volunteer in financial education efforts
- Conduct a long-term study to determine the most effective financial education strategies

Move working families beyond living "paycheck to paycheck":

- Market the federal EITC and help families claim it; study the implications of a state EITC
- Extend the scale, impact, and flexibility of the Commonwealth's Family Savings Account program[21]
- Expand use of the federal Family Self-Sufficiency (FSS) program and make it work with the Commonwealth's Family Savings Account program
- Increase asset limits for families that receive help through the TANF program
- Determine where market conditions are impeding working families from getting ahead

Help working families create their own jobs and security:

- Bolster entrepreneurship and small business development
- Create a Penn IRA (an IRA-type financial instrument) that will enable small employers to help working families save for retirement

Ensure that working families are treated fairly by financial institutions:

- Provide a model to ensure responsible credit card marketing on college campuses[22]
- Broker conversations among responsible financial service providers and community advocates to outline what's fair; then make sure all providers comply
- Promote programs to develop or reestablish relationships between working families and responsible financial service providers

Accomplishments to Date

- *Gathering public input* —Two dozen public meetings gathered extensive, statewide public input and built new relationships among public, private, and nonprofit sector participants.
- *Building political will* — The work of the Task Force attracted public attention and built the political will needed to address issues affecting working families in Pennsylvania.
- *Governor's Budget* — The fiscal year 2005/2006 budget included an overview of the ways that the administration is responding to the Task Force's recommendations including:
  - Establishing and marketing the recommended clearinghouse of financial education resources
  - Allocating $370,000 to conduct a Working Families Summit, provide financial education awards, and cover expenses related to K-12 financial education programs
  - Undertaking efforts to educate working families about the federal EITC

- Preserving state funding for the Family Savings Account program and implementing changes to enhance the impact of the program
- Continuing funding for small business development centers and CDFIs
- Continuing to work, through the Department of Banking, to prevent financial abuse and promote programs to reestablish relationships between working families and responsible financial service providers

Hawaii: The Ho`owaiwai Asset Policy Initiative of Hawaii[23]

Overview

In the fall of 2003, the nonprofit Hawaii Alliance for Community Based Economic Development (HACBED) learned of the APIC effort under way in California. HACBED had been a fiscal sponsor of the statewide IDA collaborative and recognized the importance of asset building for low- and moderate-income families in Hawaii. With support from their board, funders, and community-based partner, HACBED began to lay the groundwork for a statewide asset policy initiative.

In February 2004, HACBED hosted a statewide conference on asset-building policy and practice. The conference included more than 250 participants from across the Hawaiian Islands, including grassroots organizations and other nonprofits, legislators and their staff, public sector agencies, foundations, academics, and other stakeholders. With strong support from conference participants, HACBED has since taken the lead in establishing the Ho'owaiwai Asset Policy Initiative of Hawaii.

The following data informed HACBED's state asset initiative:

- Hawaii has one of the highest levels of asset poverty in the nation: 25.2 percent of families have insufficient net worth to live at the poverty level for more than three months without other support.
- The homeownership rate in Hawaii is lower than any other state but New York.
- Compared with other states, Hawaii has a relatively high proportion of minority-owned businesses; but when compared by average sales and receipts, Hawaii ranks last among states.
- Native Hawaiians are significantly impacted by asset poverty.

The primary objectives and activities of this initiative are:[24]

- *Advocacy*: Building grassroots leadership and coalitions that link diverse networks and initiatives
- *Capacity Building*: Increasing the strategic readiness of community-based economic development practitioners and their communities to capitalize on opportunities to develop and implement wealth creation strategies
- *Knowledge Development and Promotion*: Sharing information about — and measuring the effectiveness of — asset-building strategies

HACBED's planning work has been informed by consultants from Oahu and the mainland.[25] Financial supporters of the work include the American Savings Bank, the state Department of Business, Economic Development and Tourism, the Hawaii Community College, the Kosasa Family Foundation, the National Rural Funders Collaborative, and the Office of Hawaiian Affairs.

Policy Priorities

The Initiative has yet to identify specific policy priorities, but emerging priority areas include:

- Increasing state resources for IDAs and other savings strategies
- Expanding support for financial education
- Increasing affordable homeownership opportunities
- Connecting asset building to economic development opportunities

In addition, HACBED is currently supporting several pieces of legislation relevant to the long-term Ho'owaiwai agenda, including:

- Extension of the State IDA Tax Credit
- The establishment of a state EITC
- State resources for a Volunteer Tax Assistance Program (VITA)
- Regulation of deferred check cashing

Accomplishments to Date

HACBED is in the early stages of its development and is working toward its initial goals.

Illinois: The Illinois Asset Building Group[26]

Overview

In 2003, the Illinois Asset Building Group (IABG) began discussions about strengthening and supplementing Illinois' existing asset-building initiatives. This statewide conversation, initiated by the Woods Fund of Chicago, included advocates, community-based organizations, and organizing network leaders. After a year of planning, the group agreed on the need to develop a common policy agenda aimed at advancing strategies that build economic security for low-income families in Illinois.

In October 2004, group members selected the Heartland Alliance and the Sargent Shriver National Center on Poverty Law to lead the planning process. The co-chairs developed a governance structure, framing document, fund-raising strategy, and priorities for policy change. IABG approved preliminary policy priorities in February 2005 and is now exploring the creation of a Governor's Task Force on Family Economic Success.

The Brandeis University Institute on Assets and Social Policy (formerly the Asset Development Institute) provided planning and technical assistance in the early phases of IABG's development. CFED has provided a grant to support the Illinois release of the new Assets and Opportunity Scorecard. The Woods Fund continues to support IABG's work.

IABG's agenda is informed by its awareness of the challenges confronting Illinois' working families (IABG concept paper 2005):

- 20 percent of Illinois households are asset poor and 15 percent have zero or negative net worth.
- More than a quarter of Illinois's working families do not have sufficient income to maintain a safe and decent standard of living.
- Nearly half of Illinois residents have literacy skills below the level needed to function adequately in today's job market.
- By 2006, nearly two-thirds of all jobs in Illinois will require workers to have some education beyond high school, even entry level jobs. But almost 40 percent of all adults between the ages of 25 and 54 do not have postsecondary experience; more than half of all minority residents have no postsecondary experience.

- More than 50 percent of Illinois workers do not have employer-provided pensions.

- Almost one-third of Illinois families do not own their own homes.

- 18 of every 1,000 households in Illinois have declared personal bankruptcy.

Policy Priorities[27]

IABG's possible policy priorities include the following:

Lifelong learning:

- Children's savings accounts: Create accounts at birth or upon a child's registration in a child care facility or school

- State college tuition: Support IDA programs that may be used to pay for postsecondary education

- Bright Start 529 college savings plan: Create a matching component to encourage low-income families to save for their children's college education

Universal health insurance:

- Extend publicly funded medical insurance to all residents

- Create tax credits and other incentives for employers who provide affordable health insurance to their employees.

Access to mainstream banking, financial literacy education, and asset building accounts:

- Encourage public benefit recipients to directly deposit cash benefits into insured accounts at mainstream financial institutions

- Increase access to financial literacy training through public schools, state human services programs, and employer sponsorship

- Complement Social Security and/or personal retirement planning by establishing retirement accounts for all Illinois residents/workers

- Create tax credits and/or subsidies for organizations, companies, and individuals who provide IDA matching funds

Housing:

- Expand homeownership programs that provide assistance with down payments and low-interest loans

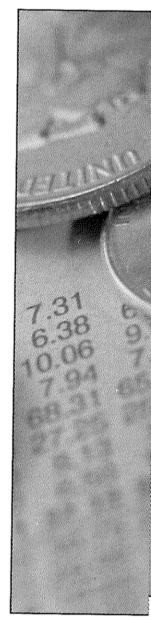
- Create a dedicated revenue stream within the state budget to fund housing development and assistance programs

- Support IDAs that can be used for home purchase and repair

Small business:

- Create tax credits and deductions for costs related to the creation and ongoing operation of small businesses

- Create community-based microenterprise programs to facilitate the development of locally owned, nontraditional businesses



Consumer protection, regulation of fringe financial institutions:

- Enact consumer protection regulations governing the financial services industry

- Investigate and prosecute lenders that discriminate in loan pricing terms

Transitional jobs:

- Expand transitional jobs programs, within the child welfare system, for young people leaving foster care

- Integrate transitional jobs programs with the welfare and workforce systems

Transit/transportation subsidy for employees and employers:

- Create programs to facilitate individual ownership of transportation, including special financing terms for first-time car buyers.
- Support IDA programs that allow vehicle purchase or repair as an asset goal.

Accomplishments to Date

To date, IABG's accomplishments include:

- IABG members successfully supported legislation to expand FamilyCare coverage to families earning up to 185 percent of the federal poverty level; regulate the payday lending industry; and provide rental subsidies for tenants making less than 30 percent of the area median income.
- IABG members supported Illinois Department of Human Services (IDHS) rules to exempt retirement accounts from consideration in determining eligibility for cash assistance and food stamp benefits. IDHS issued a final rule exempting retirement accounts in April 2005.

Michigan: The Michigan IDA Partnership[28]

Overview

The Michigan IDA Partnership (MIDAP) was established in 2000 as a partnership between the Council of Michigan Foundations (CMF) and the Michigan Department of Human Services with the goal of establishing a statewide IDA program. The Partnership is guided by a 20-member advisory committee that includes state agency representatives, legislators, bankers, foundations and nonprofits.

As described below, MIDAP has had significant success in expanding asset-building programs and resources for low-income families. It also has worked to lessen or eliminate barriers to savings by Michigan families. In late 2004, MIDAP's leadership decided to build upon this work and move toward the creation of a broader and more comprehensive statewide asset policy initiative.

Policy Priorities

Because MIDAP's asset policy initiative is still in the early stages of development, the organization has not yet formally defined its policy priorities. Likely priorities include:

- Continuing to expand state support for IDAs
- Creating opportunities for working families to leverage their savings by linking federal EITC resources to matched savings accounts, such as 529s and IDAs
- Continuing to remove disincentives to asset accumulation in public benefit programs
- Supporting the appropriation of resources for the state Housing and Community Development Trust Fund
- Exploring state legislation to support children's savings accounts
- Exploring antipredatory lending legislation and anti-insurance redlining legislation
- Expanding the eligible uses of 529 accounts, to include retirement, homeownership, and small business creation

Accomplishments to Date

- Helped secure and retain more than $4 million in state-funded IDA commitments; leveraged nearly $3 million in federal support and nearly $3 million in private sector support to expand the availability of IDA accounts

- Helped secure state authorization for the Housing and Community Development Trust Fund
- Partnered with the Oakland Livingston Human Service Agency (OLHSA) to design and establish a large-site children's savings account program serving up to 500 Head Start households
- Helped secure a policy change that now excludes savings and investments in 529 education accounts from state asset means tests

Conclusion

The effort to expand ownership, to give working families meaningful opportunities to reap the benefits of asset acquisition and preservation, remains in its infancy. But it is already clear that states will shape this nascent movement. State-level energy is fueling the development of initiatives that are bringing ownership within reach of working families. These initiatives, taken together, have the potential to transform the nation's social and economic landscape. Just as the GI Bill opened the world of education to millions previously denied educational opportunities, inclusive asset-building policies are opening the world of ownership to millions previously denied ownership opportunities.

Some of the asset-building initiatives highlighted in this study will succeed in producing lasting change. Some will fall short. But all will prove valuable to building a better understanding of what works and what doesn't work when it comes to providing working families with a pathway to financial independence.

Endnotes

[1] Asset limits vary by program and by state.

[2] Tax expenditures are preferences in the tax code that reward taxpayers who engage in specific types of behavior.

[3] See Boshara (2001) for more information and a comprehensive list of federal policies.

[4] This calculation is based on a family's net worth — the difference in value between total assets and total liabilities. Using financial wealth (liquid assets) as a measure, Wolff found that the top 20 percent of families owned more than 90 percent of household wealth.

[5] See Scanlon and Page-Adams (2001).

[6] For example, specific outcomes related to these asset-building tools, such as increased production of homeownership, have been shown to make significant contributions to job creation and economic growth. See, e.g., McCarthy, Van Zandt, and Rohe (2001).

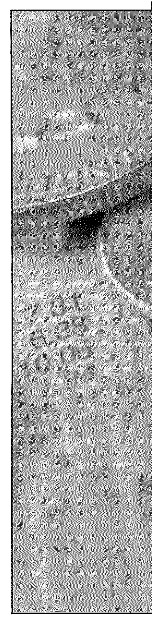
[7] The Savings for Working Families Act was reintroduced on April 27, 2005 (S.922). The bill is cosponsored by Pennsylvania Senator Rick Santorum and Connecticut Senator Joseph Lieberman. For more information, see www.assetbuilding.org.

[8] For more information, see www.aspireact.org.

[9] The APIC process was informed by a planning committee that included staff members from the California Community Economic Development Association, the Center for Venture Philanthropy, EARN, PolicyLink, and the United Way of Greater Los Angeles. Additional information on APIC can be found at http://www.assetpolicy-ca.org. Note: The author served as the primary consultant to APIC from February 2003 to February 2005 and currently serves on the APIC Steering Committee. See Appendix C for contact information.

[10] The long-term agenda was developed in 2003–2004. For current APIC priorities see www.assetpolicy-ca.org.org/priorities.php.

[11] The APIC task force noted that "much as a state driver's test forces drivers to learn a set of skills that are needed to safely navigate California roadways, a 'financial driver's test' would give citizens an incentive to learn the skills necessary to navigate today's financial markets." The APIC task force recommended the establishment of a voluntary state financial drivers' test program that would offer test takers a financial reward for passing a personal financial management test.



[12] See Appendix C for state contact information. A copy of the final report of the "Governor's Task Force for Financial Independence," June 2002 can be found at http://www.state.de.us/governor/publications/financial_independence_final_report.pdf.

[13] The Task Force recommended that the Delaware Interest Income Tax Credit (IITC) be available to families who claim the federal EITC. Families would establish a bank account with a financial institution, and would be eligible to receive a refundable credit for a multiple (set by the General Assembly) of the interest income earned on the account, up to a ceiling (also set by the General Assembly). The Task Force recommended that it be refundable so that it would be accessible to the greatest number of families.

[14] States have access to expanded coverage for children through the State Children's Health Insurance Program (SCHIP or CHIP), but adults often cannot qualify. States have the opportunity to work with the federal government to expand coverage for adults. The Task Force recommended expanding the Healthy Children program, Delaware's SCHIP program, to cover children's dental as well as medical expenses, reduce or eliminate monthly costs, and enable adults to enroll in the program for a monthly fee.

[15] Physician members of the Medical Society of Delaware are encouraged to participate in a program to provide services to low- and moderate-

income individuals. The Task Force recommended that the Department of Health and Social Services and the Delaware Health Care Commission work with the Medical Society to aggressively encourage private physicians to participate in the program.

[16] Responding to opportunities to obtain federal funding for health centers, the Task Force recommended that the state Division of Public Health aggressively support applications for federal funding for the expansion or start-up of health care centers in high-need areas of the state.

[17] Self-sufficiency standards are a calculation of the resources that working families need to meet their basic needs without any form of subsidy, taking into consideration variances due to family size, composition and geography. The national nonprofit Wider Opportunities for Women, with support from the Ford Foundation, has worked with states and municipalities across the country to develop self-sufficiency standards.

[18] The SEED Policy and Practice Initiative is a joint project of CFED, the Center for Social Development, the University of Kansas School of Social Welfare, the New America Foundation, foundations and community partners.

[19] For more information, see the Department of Banking Web site at http://www.banking.state.pa.us/banking/cwp/view.asp?a=1344&Q=546115&bankingNav=%7C or the Governor's Web site at http://www.governor.state.pa.us/governor/cwp/view.asp?a=1115&q=437454. See Appendix C for state contact information.

[20] These priorities are based on the Governor's Task Force for Working Families (2005) report.

[21] The Pennsylvania Department of Community and Economic Development runs the Family Savings Account (FSA) program that enables families to increase their financial education, set savings goals, and open savings accounts.

[22] In 2004, the Pennsylvania legislature passed Act 82 requiring all institutions of higher education to develop and implement a policy regarding credit card marketing. This recommendation suggests the creation of a model policy.

[23] See Appendix C for state contact information.

[24] Based on Ho`owaiwai descriptive materials, February 2005.

[25] The author has been part of the consulting team, along with 3Point Consulting, based in Honolulu (http://www.3point-consulting.com).

[26] See Appendix C for state contact information.

[27] The preliminary list was approved in February 2005. Short-, medium-, and long-term goals have yet to be identified. For a full list of preliminary policy priority areas, contact Dory Rand, Supervising Attorney for Community Investment at the Sargent Shriver National Center on Poverty Law: (312) 368-2007, email: doryrand@povertylaw.org.

[28] See Appendix C for state contact information.

References

Asset Policy Initiative of California. *APIC Framing Document.* June 2003, p. 3.

Boshara, Ray. 2001. *Building Assets: A Report on the Asset Development and IDA Field*, CFED, pp. 6.081 - 6.099.

Commonwealth of Pennsylvania. Governor's Office Executive Order. April 29th, 2004.

Governor's Task Force for Working Families. 2005. *Dollars and Sense: Realistic Ways Policymakers Can Help Pennsylvania's Working Families.* World Wide Web page <http://www.banking.state.pa.us/banking/lib/banking/Governor%27s_Task_Force_for_Working_Families_Report_—_FINAL.pdf.> (accessed June 2005).

IABG concept paper. January 2005. *Illinois Task Force on Family Economic Success: Developing, Implementing, and Evaluating Public Policies That Promote Lifelong Financial Capability, Economic Stability and Growth, and Strong Communities.*

McCarthy, George, Shannon Van Zandt and William Rohe. 2001. *The Economic Costs and Benefits of Homeownership.* Research Institute for Housing America Working Paper No. 01-02.

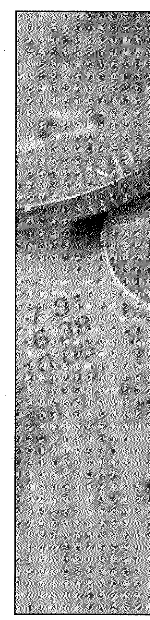
Scanlon, Edward and Deborah Page-Adams. 2001. "Effects of Asset Building on Neighborhoods, Families and Children: A Review of the Research," in *Building Assets: A Report on the Asset Development and IDA Field*, Ray Boshara, ed. CFED.

Sherraden, Michael. 1991. *Assets and the Poor.* New York: M.E. Sharpe.

State of Delaware. 2002. *Governor's Task Force for Financial Independence, Final Report.* p. 14.

Wolff, Edward N. 2001. *Recent Trends in Wealth Ownership, from 1983 to 1998," in Assets for the Poor: The Benefits of Spreading Asset Ownership.* Thomas Shapiro and Edward Wolff, eds., New York: Russell Sage Foundation, p. 39.

Woo, Lillian G., F. William Schweke, and David E. Buchholz. 2004. *Hidden in Plain Sight: A Look at the $335 Billion Federal Asset-Building Budget.* Corporation for Enterprise Development.



Appendix A

Glossary of Policy Tools and Priorities

The following asset-building policies were identified as priorities by the state initiatives explored in this report. This appendix does not include promising asset-building policies under consideration by other states not covered in the report.[1]

Asset Accumulation[2]

■ *Improving or expanding access to financial education*

A number of factors have generated growing state interest in making financial education more widely available, especially to lower-income families. These factors include: low levels of household savings, rising debt, escalating bankruptcy rates, the proliferation (and complexity) of financial products, and the rising incidence of predatory lending. Approaches explored by the statewide initiatives include: integrating financial education into K–12 curricula, supporting financial education in the workplace, permitting financial education as an eligible work activity for TANF recipients, coordinating service delivery, and researching best practices.

■ *Increasing access to financial services*

Families who do not have access to banking services are severely constrained in their ability to save and invest. A high percentage of the nation's 22 million unbanked households are low income. Several states are working to connect unbanked households to mainstream financial institutions as a first step in enabling them to build assets.

■ *Raising or eliminating asset limits in public programs*

Asset means tests in state and federal public benefit programs — including Food Stamps, Medicaid, Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), and other programs — can act as a disincentive for low-income families to save; savings may reduce or eliminate benefits. Some states have exercised their authority to raise or eliminate asset thresholds.[3]

■ *Increasing access to or expanding state support for Individual Development Accounts (IDAs)*

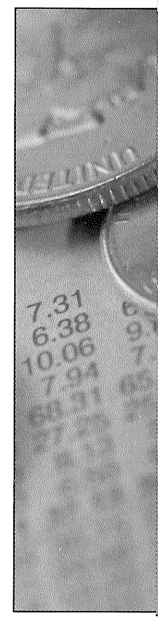
Today, IDAs are helping at least 20,000 individuals to save for investment in homes, businesses, education, and other asset-building purposes. States support IDAs through one or more strategies, including direct appropriation of state funds, allocation of federal funds controlled by the state, or state tax credits.[4]

■ *Advancing state EITC legislation to increase the capacity of families to save*

As of May 2004, 18 states had implemented supplementary state EITCs typically set up as a percentage of the federal credit (5 to 50 percent; 15 percent is common).[5]

■ *Launching state efforts to increase access to the federal EITC by eligible families*

Each year, millions of available EITC dollars go unclaimed because families do not know they are eligible. Several states are developing statewide marketing and outreach campaigns to maximize the amount of federal EITC resources accessed by eligible families. Some also are seeking to link the tax credit to savings plans.[6]



■ *Expanding savings opportunities for higher education*

Research shows that higher education has a direct impact on individuals' income and net worth. All of the state initiatives are working to expand opportunities for lower-income families to save for education through support for IDAs and/or 529 education savings accounts.[7] Several states provide matching funds for contributions to 529 plans.[8]

■ *Supporting children's savings accounts*

Several states are exploring ways to support children's savings accounts. In its most basic form, a progressive children's savings account policy would include a deposit of public resources for each child at birth, with additional funds going to lower-income families. The account would grow tax free and could be used for homeownership, education, or retirement. A national demonstration project — the Savings for Education, Entrepreneurship and Downpayment (SEED) initiative — is now testing models for children's savings accounts. Federal legislation — the America Saving for Personal Investment, Retirement and Education Act (ASPIRE) — is pending in Congress.

■ *Increasing access to retirement savings opportunities*

States are seeking to expand access to retirement savings for low and moderate-income families. One model being explored is the Washington Voluntary Account model, a portable and voluntary defined-contribution retirement savings plan that has been proposed in the state of Washington.[9]

Asset Leveraging[10]

■ *Increasing affordable homeownership opportunities*

Home equity is the largest source of financial wealth among American households. While the homeownership rate in America has increased steadily in recent years, many states still exhibit low homeownership rates among lower-income families. Several states have identified increasing affordable homeownership as a priority.

■ *Establishing or strengthening a housing trust fund*

Many states are challenged to find adequate resources to support the development of a range of affordable housing. To address the resource challenge, several states are looking to create or strengthen a state housing trust fund, which can include a permanent, dedicated source of funding.[11]

■ *Supporting small business or microenterprise*

Microenterprise development programs support small business with five or fewer employees. These businesses are typically started by low-wealth entrepreneurs. Many states support microenterprise programs through state general funds, TANF funds, Community Development Block Grants, and other sources.

■ *Connecting economic development and asset-building opportunities*

Economic development projects do not typically include asset building for residents as a goal. However, some states are looking to link economic development and asset-building policies in order to build individual and community wealth.[12]

Asset Preservation[13]

■ *Implementing or strengthening antipredatory lending measures*

The growth of the subprime lending market, which has made credit increasingly available to consumers with poor credit history, has been accompanied by a rapid rise in fraudulent and abusive lending practices known as "predatory lending."[14] Many states are working to address abusive lending practices.

■ *Implementing or strengthening anti-insurance redlining measures*

For many families, lack of access to asset preservation tools like home, business, and auto insurance is a function of where they live. Several states are examining ways to address "insurance redlining"— industry practices that make insurance unavailable in certain ZIP codes. Strategies being explored include expanding access to industry data, enforcing existing data disclosure provisions, and developing a state-level Community Reinvestment Act for the insurance industry.

■ *Expanding health insurance coverage for working families*

Families without health insurance could face a rapid depletion of their assets if a parent or child becomes ill. Several states have identified expanding access to health insurance as a key asset-building priority.

Endnotes

1 For more information on measuring and ranking asset poverty in the 50 states, see CFED (2002) "State Asset Development Report Card: Benchmarking Asset Development in Fighting Poverty" at http://www.cfed.org/think.m?id=112&pubid=109r and CFED (2005) and "Assets and Opportunity Scorecard: Financial Security Across States" at www.cfed.org/go/scorecard.

2 Asset accumulation policies enable families to save. Savings may be in the form of highly-liquid instruments such as checking and savings accounts or less-liquid instruments like certificates of deposit, IDAs, pension funds, and IRAs. This category also includes policies that reduce barriers to savings, like raising or eliminating asset limits in public benefits programs.

3 For example, at least 18 states have no asset limit for Medicaid, and Ohio and Virginia have eliminated assets from consideration for TANF eligibility. See Leslie Parrish, "To Save or Not to Save: Reforming Asset Limits in Public Assistance Programs to Encourage Low-Income Americans to Save and Build Assets," New America Foundation (April 2005).

4 See Center for Social Development Web site, at http://gwbweb.wustl.edu/csd/policy/index.htm for specific state policies.

[5] See Center on Budget and Policy Priorities (2004) for a report on state EITC programs, at http://www.cbpp.org/5-14-04sfp.htm.

[6] See Margaret Clancy's 2004 report "College Savings Plans: A Platform for Inclusive Savings Policy?" Center for Social Development.

[7] The SEED Policy and Practice Initiative is a joint project of CFED, the Center for Social Development, the University of Kansas School of Social Welfare, foundations, and community partners.

[8] For more information on the Act, see www.AspireAct.org.

[9] Washington Voluntary Accounts enable workers to contribute to retirement savings through their workplace. The plan would be administered by the Washington State Department of Retirement Systems with oversight from the State Investment Board. For more information, see the Economic Opportunity Institute's Web site, at http://www.eoionline.org/Policy-WVA.htm.

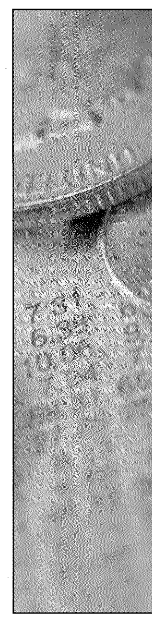
[10] This category encompasses policies that expand opportunities for families to leverage their savings and build equity through investment in homes and businesses.

[11] For more information on state housing trust funds, see Center for Community Change's Housing Trust Fund Project, at http://www.communitychange.org/issues/housing/trustfundproject/.

[12] Although beyond the scope of this report, there is increasing interest in a range of community asset-building strategies that benefit working families. See Alperovitz, Gar (2003), "An Asset-Based Community-Building Paradigm for Twenty-First Century Development" (The Annie E. Casey Foundation, Working Paper 7), at http://www.americabeyondcapitalism.com/;section=2&part=1.pdf. See also www.community-wealth.org

[13] This category includes policies that enable families to preserve the assets that they have accumulated through savings and investment.

[14] Lawson, David (2002). "Predatory Lending," Legislative Brief. National Conference of State Legislatures. Volume 10, No.1.



Appendix B

Comparison of Policy Tools and Priorities By State Initiative

	CA	DE	HI*	IL*	MI*	PA
Asset Accumulation						
Improving or expanding access to financial education	yes	yes	yes	yes	yes	yes
Increasing access to financial services				yes	yes	yes
Raising or eliminating asset limits in public programs	yes			yes	yes	yes
Expanding access to or state support for IDAs	yes	yes	yes	yes	yes	yes
Advancing state EITC legislation	yes	yes	yes		yes	
Increasing access to the federal EITC by eligible families		yes			yes	yes
Expanding savings opportunities for higher education	yes	yes	yes	yes	yes	yes
Supporting children's savings accounts	yes	yes		yes	yes	
Increasing access to retirement savings opportunity	yes	yes		yes	yes	yes
Asset Leveraging						
Increasing affordable homeownership opportunities	yes		yes	yes	yes	
Establishing or strengthening a housing trust fund	yes			yes	yes	
Supporting small business or microenterprise	yes			yes	yes	yes
Connecting economic development and asset building	yes		yes			
Asset Preservation						
Implementing/strengthening antipredatory lending measures	yes	yes	yes	yes	yes	yes
Implementing/strengthening anti-insurance redlining measures	yes	yes			yes	
Expanding health insurance coverage for working families	yes	yes		yes		

**Priorities in Hawaii, Illinois, and Michigan were under development at the time of this writing.*

Appendix C

State Initiative Contact Information and Online Resources

California: Asset Policy Initiative of California

- *Online Resource*

  APIC Web site: http://www.assetpolicy-ca.org

- *Contact information*

  APIC Staff:
  Ben Mangan, Executive Director
  Earned Assets Resources Network (EARN)
  235 Montgomery Street, Ste 300
  San Francisco, CA 94104
  Phone: 415-217-3662
  E-mail: ben@sfearn.org

  Stephanie Upp, Policy Director/APIC Coordinator
  Earned Assets Resources Network (EARN)
  235 Montgomery Street, Ste 300
  San Francisco, CA 94104
  Phone: 415-217-3661
  E-mail: stephanie@sfearn.org

  APIC Steering Committee:
  Grantland Johnson, Director
  Community and Economic Development
  Sacramento Central Labor Council
  2840 El Centro Road, Ste 111
  Sacramento, CA 95833
  Phone: 916-927-9772
  E-mail: grantland@sacramentolabor.org

  Assemblymember Nicole Parra
  601 24th St. #A
  Bakersfield, CA 93301
  (661) 334-3745
  parra@assembly.ca.gov
  Contact: Cynthia Leon, Chief of Staff
  Phone: 916-319-2437
  E-mail: cynthia.leon@asm.ca.gov

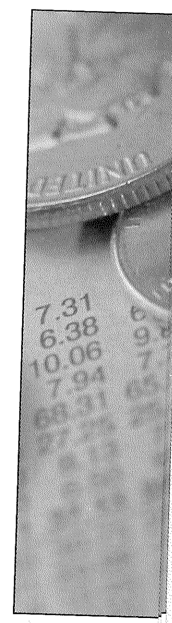
Delaware: Governor's Task Force for Financial Independence

- *Online Resources*
  - Final report to the Governor, July 2002: www.state.de.us/governor/publications/financial_independence_final_report.pdf
  - Governor Minner's Endorsement of Recommendations, September 3, 2002: http://www.state.de.us/governor/news/2002/09september/

- *Contact Information*

  Task Force Co-Chairs:
  Jack Markell
  Delaware State Treasurer
  Office of the State Treasurer
  Thomas Collins Building
  540 South DuPont Highway
  Dover, Delaware 19901
  Phone: 302-744-1002
  E-mail: Jack.Markell@state.de.us
  Assistant: victoria.jones@state.de.us

  Caroline E.W. Glackin, Ph.D.
  Director, The Entrepreneurship Center
  Delaware State University
  1200 N. DuPont Highway
  MBNA America Building, Suite 108
  Dover, DE 19901
  Phone: 302-857-6943
  Fax: 302-857.6950
  E-mail: cglackin@desu.edu



Hawaii: Ho`owaiwai Asset Policy Initiative of Hawaii

- *Online Resources*
  - HACBED Web site: http://www.hacbed.org/
  - Media coverage of February 2004 Conference, "Families Defining Economic Success: Redefining Wealth and Poverty in Hawaii?":
    - *Honolulu Advertiser*, Monday, February 16, 2004: http://the.honoluluadvertiser.com/article/2004/Feb/16/bz/bz12a.html
    - *Pacific Business News*, Tuesday, February 10, 2004: http://pacific.bizjournals.com/pacific/stories/2004/02/09/daily37.html

- *Pacific Business News*, Friday, February 20, 2004: http://www.hacbed.org/docs/pbn_feb20_conf.pdf

- *Contact Information*

HACBED Staff:
Bob Agres, Executive Director
Hawaii Alliance for Community-based Economic Development (HACBED)
677 Ala Moana Blvd, Suite 702
Honolulu, HI 96813
Phone: 808-550-2661
E-mail: bagres@hacbed.org

Brent Dillabaugh, Special Projects Manager
Hawaii Alliance for Community-based Economic Development (HACBED)
677 Ala Moana Blvd, Suite 702
Honolulu, HI 96813
Phone: 808-550-2661
E-mail: bdillabaugh@hacbed.org

Participating Legislators:
Senator Gary L. Hooser
Hawaii State Senate
Seventh Senatorial District - Islands of Kaua'i & Ni'ihau
Phone: 808-586-6030
Fax: 808-586-6031
E-mail: senhooser@capitol.hawaii.gov

Representative Maile S.L. Shimabukuro
Hawaii State Assembly
45th Representative District
Hawaii State Capitol, Room 315
415 South Beretania Street
Honolulu, HI 96813
Phone: 808-586-8460
Fax: 808-586-8464
E-mail: repshimabukuro@Capitol.hawaii.gov

Illinois: The Illinois Asset Building Group

- *Online Resources*
  - Sargent Shriver National Center on Poverty Law http://www.povertylaw.org/
  - Heartland Alliance http://www.heartlandalliance.org/AboutUs/

- *Contact Information*

Dory Rand, Supervising Attorney for Community Investment
Coordinator/Financial Links for Low-Income People Coalition
Sargent Shriver National Center on Poverty Law
111 N. Wabash Ave., Suite 500
Chicago, IL 60602
Phone: 312-368-2007
E-mail: doryrand@povertylaw.org

John Bouman, Director of Advocacy
Sargent Shriver Center National Center on Poverty Law
111 N. Wabash Ave., Ste 500
Chicago, IL 60602
Phone: 312-368-2007
E-mail: johnbouman@povertylaw.org

Joe Antolin, Vice President
Heartland Alliance
Heartland Alliance for Human Needs & Human Rights
208 S. LaSalle Street, Suite 1818
Chicago, IL 60604
Phone: 312-660-1341
E-mail: jantolin@heartlandalliance.org

Michigan: Michigan IDA Partnership

- *Online Resources*
  - Information on MIDAP — http://www.cmif.org/IDA/IDAHome.htm

- *Contact Information*

Eric Muschler, Director
Michigan IDA Partnership
One South Harbor Ave., Suite 3
Grand Haven, MI 49417
Phone: 734-542-3951
E-mail: muschler@earthlink.net

Rob Collier, President and CEO
Council on Michigan Foundations
1 South Harbor
Grand Haven, MI 49417
Phone: 616-842-7080
E-mail: rcollier@cmif.org

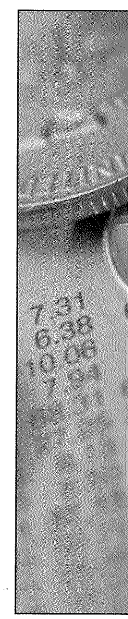
Mark Jansen, Director of Special Initiatives
Habitat for Humanity Michigan
1000 S. Washington Ave. Ste 102
Lansing, MI 48910-1647
Phone: 517-485-1006, ext. 145
E-mail: mjansen@habitatmichigan.org

Pennsylvania: Governor's Task Force for Working Families

- *Online Resources*
  - Pennsylvania Department of Banking Web site: http://www.banking.state.pa.us/banking/cwp/view.asp?a=1344&Q=546115&bankingNav=|
  - *Governor Edward G. Rendell's Web site:* http://www.governor.state.pa.us/governor/cwp/view.asp?a=1115&q=437454
  - Task Force Report, "Dollars and Sense: Realistic ways policymakers can help Pennsylvania's working families," Governor's Task Force for Working Families, January 2005. http://www.banking.state.pa.us/banking/lib/banking/Governor%27s_Task_Force_for_Working_Families_Report_--_FINAL.pdf
- *Press Releases*
  - February 9, 2005, "Governor Rendell Enhances Commitment to Help Working Families Plan for Sound Financial Future," http://www.banking.state.pa.us/banking/lib/banking/TFWF_release_Feb._2005_--_FINAL.pdf
  - April 29, 2004, "Governor Rendell Creates Working-Families Task Force, Financial Education Office" http://www.banking.state.pa.us/banking/lib/banking/042904.pdf
- *Contact Information*

  Hon. Dwight Evans
  Pennsylvania House of Representatives
  7174 Ogontz Avenue
  Philadelphia, PA 19138
  Phone: 215-549-0220

  Hilary Hunt, Director of Financial Education
  Office of Financial Education
  Commonwealth of Pennsylvania
  333 Market Street, 16th Floor
  Harrisburg, PA
  Phone: 717-783-2498
  E-mail: hihunt@state.pa.us



Appendix D

National Resources

Center for Social Development

The Center for Social Development (CSD), part of the George Warren Brown School of Social Work (GWB) at Washington University, is a leading academic center of theory and research on asset building. CSD's work focuses on including impoverished individuals, families, and communities in asset building. CSD plays a leading role in designing and carrying out research on IDA programs, including a national IDA demonstration and research project. CSD's work includes state policy research and innovation in asset building, hosting an annual state policy conference, tracking and facilitating state policy, undertaking research and coordinating the MOKANSave bi-state coalition for asset building.

Contact: Gena Gunn, Project Director
Center for Social Development
George Warren Brown School of Social Work
Washington University
Campus Box 1196, One Brookings Drive
St. Louis, MO 63130
Web site: gwbweb.wustl.edu/csd
Phone: 314-935-9651
E-mail: ggunn@wustl.edu

Center on Budget Policy Priorities

The Center on Budget and Policy Priorities is a research organization that works at the federal and state levels on fiscal policy and public programs, such as Medicaid, food stamps, and low-income tax credits including the Earned Income Tax Credit, that affect low- and moderate-income families. The Center provides technical assistance to state officials and advocates, helps to replicate best practices among states, and builds the capacity of state-level organizations to improve the effectiveness of and expand accessibility to these low-income programs. In the area of asset-building, the Center issues reports and provides technical assistance explaining how states can make it easier for low-income families to accumulate modest savings even if they need to rely on means-tested benefits during a time of need.

Contact: Zoë Neuberger, Senior Policy Analyst
Center on Budget and Policy Priorities
820 First Street NE, Suite 510
Washington, DC 20002
Web site: www.cbpp.org
Phone: 202-408-1080
Fax 202-408-1056
E-mail: neuberger@cbpp.org

CFED

CFED (formerly the Corporation for Enterprise Development) develops and advocates for federal and state policies that move the nation toward a more equitable and inclusive economy. CFED publishes reports, convenes working groups, and provides information to help partners participate in the policy-making process. The 2005 Assets and Opportunity Scorecard, available on its Web site, can help advocates benchmark state asset building policies. CFED policy staff is also available to provide fee-for-service technical assistance to help advance statewide asset policy.

Contact: Jennifer Brooks, Director of Policy Analysis and Advocacy
CFED
777 North Capital Street, NE, Suite 800
Washington, DC 20002
Web site: www.cfed.org
Phone: 202-408-9788
E-mail: jennifer.brooks@cfed.org

FSS Partnerships

FSS Partnerships is a national initiative designed to tap the resources of public housing agencies (PHAs) to help build assets among low-income families. In particular, FSS Partnerships seeks to promote awareness of HUD's Family Self-Sufficiency (FSS) program and to stimulate partnerships between housing agencies and other organizations concerned with FSS and Earned Income Tax Credit outreach. FSS Partnerships provides technical assistance for sites interested in expanding their FSS programs.

Contact: Jeff Lubell, Project Director
FSS Partnerships
2719 Colquitt Street
Houston, TX 77098
Web site: www.fsspartnerships.org
Phone: 832-978-4649
E-mail: jlubell@fsspartnerships.org

Institute on Assets and Social Policy

The Institute on Assets and Social Policy's mission is to broaden wealth, reduce inequality, and improve the social and economic mobility of low-income American households by fostering the adoption of an asset policy framework. The Institute fulfills its mission through research, analysis, education, and public engagement. Working in partnership with state and federal policy-makers, constituency organizations, grassroots advocates, and private philanthropies, the Institute blends research and practical experience with evaluation tools to offer a unique perspective and enhanced capacity.

Contacts: J. Larry Brown, Executive Director
Institute on Assets and Social Policy
Heller School for Social Policy and Management, Mailstop 077
Brandeis University
Waltham, MA 02454-9110
Phone: 781-736-8685
Fax: 781-736-3925
Web site: www.assetinstitute.org

Sandra Venner, Program Director
Institute on Assets and Social Policy
Heller School for Social Policy and Management, Mailstop 077
Brandeis University
Waltham, MA 02454
Phone: 781-736-8688
Fax: 781-736-3925
E-mail: venner@brandeis.edu

National Conference of State Legislatures

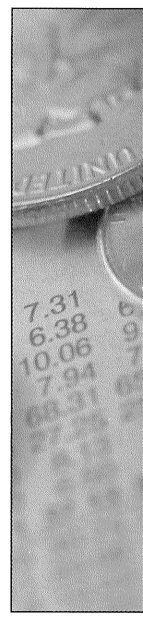
The National Conference of State Legislatures (NCSL) is a bipartisan organization that serves the legislators of the nation's 50 states, its commonwealths, and territories. NCSL provides research, technical assistance, and opportunities for policy-makers to exchange ideas on the most pressing state issues, including economic success and asset building for low-income families.

Contact: Mary Fairchild, Program Director
National Conference of State Legislatures
7700 East First Place
Denver, CO 80230
Web site: www.ncsl.org
Phone: 303-856-1396
E-mail: mary.fairchild@ncsl.org

National Governors Association Center for Best Practices

The National Governors Association Center for Best Practices provides technical assistance to states as they design and implement policies and initiatives to help low-income families secure and maintain employment, advance in their careers, and achieve self-sufficiency. The Center works with states to assess existing policies on work supports and asset development, and to create better policies to support low-income workers. The Center also monitors state welfare reform, workforce development, and education policies and initiatives that support working families.

Contact: Susan Golonka
Social, Economic and Workforce Programs
National Governors Association Center for Best Practices
444 N. Capitol Street
Washington, DC 20001
Web site: www.nga.org/center/divisions/
Phone: 202-624-5967
E-mail: sgolonka@nga.org



New America Foundation's Asset Building Program

The New America Foundation's Asset Building Program aims to broaden the ownership of assets in America, providing all Americans—especially low-income Americans—with both the means to get ahead as well as a direct stake in the overall success of our economy. To this end, the Program works in three areas: (1) policy research, (2) national communications, and (3) policy-maker education. The Asset Building Program also developed and maintains an online clearinghouse at www.AssetBuilding.org of asset ownership ideas, programs, and policies in the United States and abroad.

Contact: Ray Boshara, Director
Asset Building Program
New America Foundation
1630 Connecticut Ave., NW, 7th Floor
Washington, DC 20009
Web site: www.newamerica.net
Phone: 202-986-2700
E-mail: boshara@newamerica.net

PolicyLink

PolicyLink is a national nonprofit research, communications, capacity building, and advocacy organization working to advance policies to achieve economic and social equity. PolicyLink collaborates with a broad range of partners on asset building issues, programs, and policies at the local, state, and national levels.

Contact: Judith Bell, President
PolicyLink
101 Broadway
Oakland, CA 94607
Web site: www.policylink.org
Phone: 510-663-2333
E-mail: jbell@policylink.org

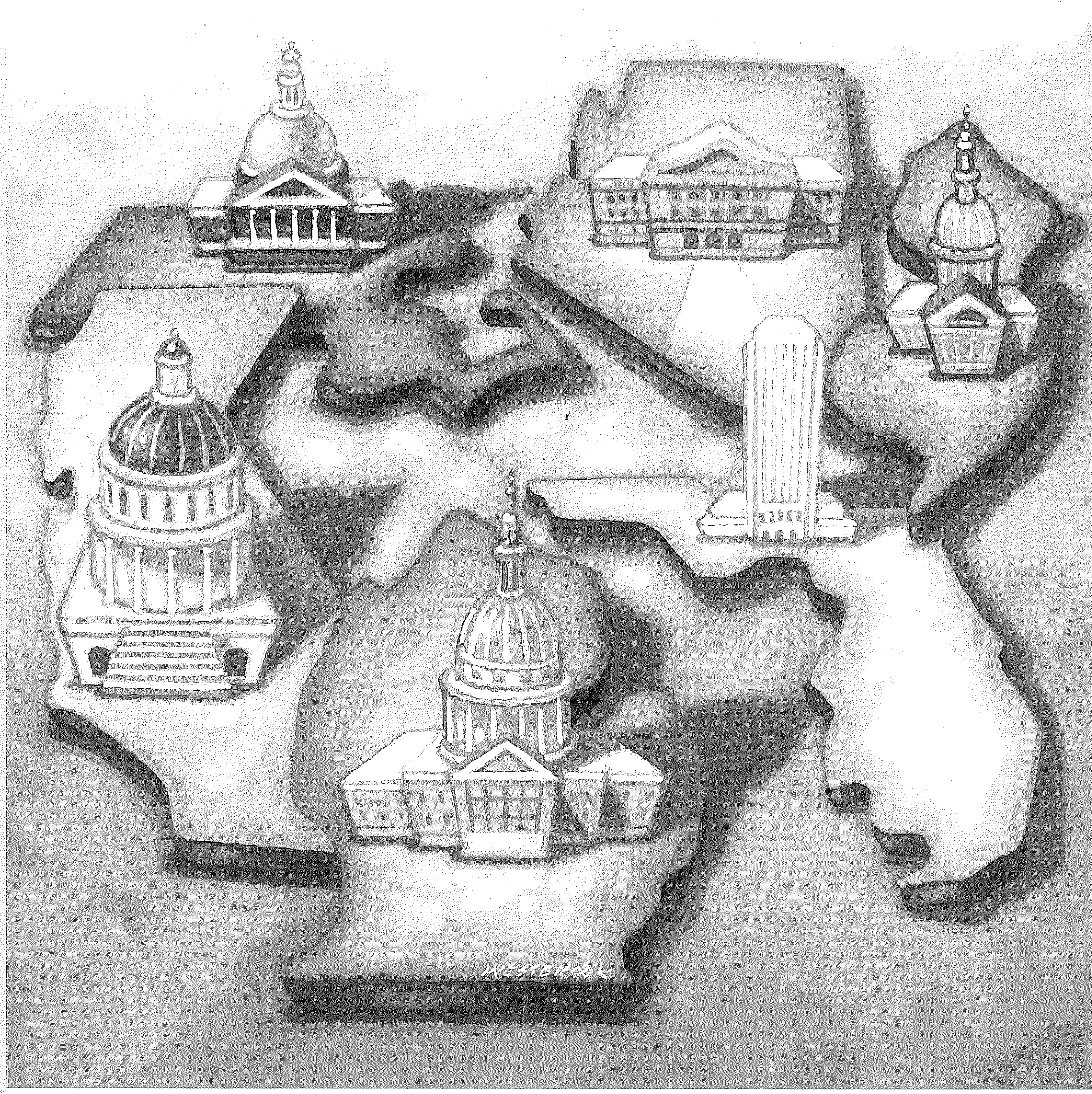
FMF R 256

Policy, News, and Innovations

Fannie Mae Foundation

Housing Facts & Findings

2005 Vol 7 No 1



Housing America State by State: How Governors Are Leading the Way

By Feather Houstoun

Why Housing Matters to States

Housing is a stealth issue for governors. Largely absent from most state radar screens, it is typically seen as a local rather than a state issue and so dependent on federal subsidies that state intervention would have little impact.

This stealth issue is now becoming a highly visible issue. Savvy governors and other state leaders are no longer ignoring housing. They recognize that housing is interconnected with other critical issues: transportation, economic development, environmental protection, and social services. Housing transcends jurisdictional boundaries, and states are responding.

Housing pressures affect virtually every citizen. Middle-income families struggle to purchase homes. Lower-income residents face an increasing housing cost burden. Seniors, often unable to remain in their homes as they age because of a lack of supportive services, are forced to move to institutions that provide care at a high cost, frequently at public expense. Immigrants face high housing costs

see Housing America State by State on page 3

State Investments in Housing Are Critical to Economic Health

By Governor Edward G. Rendell

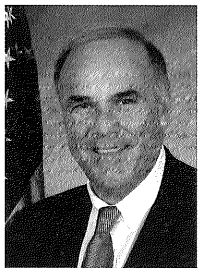
Affordable housing is an issue that can't be ignored by states. As mayor of Philadelphia, I addressed housing needs to revitalize my city and now, as a governor, I am focusing on the production and rehabilitation of safe, decent, and affordable homes for working families as top priorities for my administration.

Investing in affordable housing is a key component of a comprehensive economic strategy. Quality of place is just as important as corporate tax breaks and regulatory reforms to attract and retain businesses and employees. In Pennsylvania, we are focusing on strengthening our core communities, large and small. As centers of commerce, government, education, health care, culture, and recreation, they are integral to our economic success. Many of our communities are older industrial towns with aging housing stocks and high inventories of vacant properties causing urban blight. These areas are ripe for redevelopment.

Our revitalization strategy in Pennsylvania has two key components: Increased state funding for proven housing and community development programs and implementation of a more efficient delivery system.

When I became governor, housing and urban development were getting little attention. Funding for our Housing Redevelopment Assistance program, which supports rehabilitation of blighted and vacant properties, was less than it had been in 1970. With bipartisan support in the legislature, we launched a $2.3 billion economic stimulus plan to attract major new investments (see www.newpa.com).

Many communities across the country, including in Pennsylvania, have Main Street programs to improve downtown commercial areas. We have taken the next logical step, adding an Elm Street program to direct resources toward residential areas. The program funds local organizations dedicated to neighborhood revitalization, leverages private dollars, and provides staff to coordinate efforts.



The Honorable Edward G. Rendell is the governor of Pennsylvania.

Another element of our strategy is Building PA, a public–private partnership that matches public funds to private and philanthropic investment in key development projects.

Although funding is critical, dollars are effective only in tandem with leadership and coordination. To address our previously fragmented resource delivery system, we created a cabinet-level Office of Housing and Community Revitalization charged with coordinating policies, programs, and investments across department lines — including, for example, in the areas of transportation, infrastructure, economic development, and the environment.

Also, we recently established the Community Action Team (CAT) — a cadre of development experts helping to assemble funding for high-impact projects and to facilitate the development process. In its short lifetime, the CAT has proven successful in helping municipalities make their projects a reality.

Through these efforts, we are creating attractive places where people can live and raise their families and encouraging our youth to remain here in Pennsylvania. Affordable homeownership and rental homes are a critical piece of our strategy. With diminished federal funding available, states must step up to the plate with creative solutions. In Pennsylvania, we are meeting that challenge to position our state for success in the 21st century.

The Perspectives column expresses the views of its author and does not necessarily represent the views of the editors, the Fannie Mae Foundation, or its officers or directors.

Housing Facts & Findings

Vol 7 No 1 2005

Housing Facts & Findings is published by the Fannie Mae Foundation. The Fannie Mae Foundation, through its publications and other programs, is committed to the full and fair exposition of issues related to affordable housing and community development. The opinions expressed in this publication are those of the authors and do not necessarily represent the views of the Fannie Mae Foundation or its officers or directors.

Send feedback about this newsletter, requests for permission to reproduce articles, address changes and requests to be added to the mailing list to the Fannie Mae Foundation (address on back) or to fmfpubs@fanniemaefoundation.org.

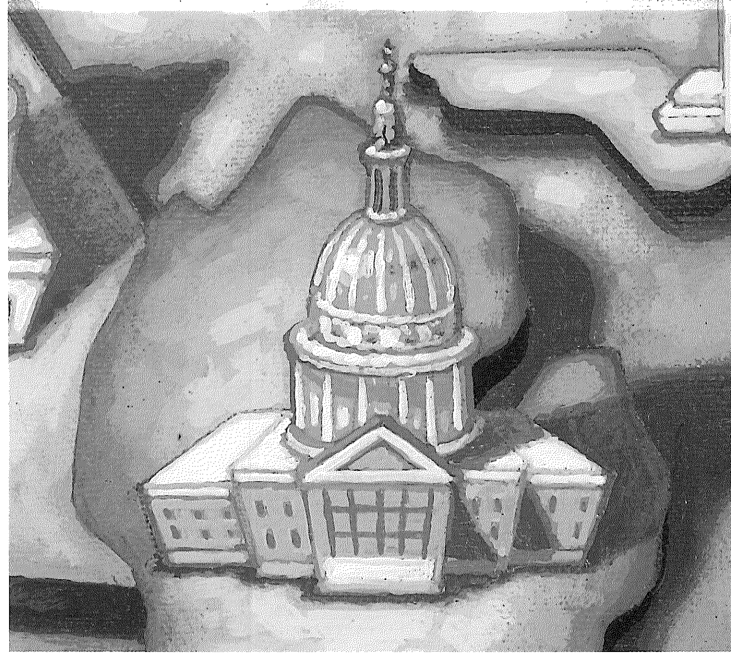
Fannie Mae Foundation

(202) 274-8000
(202) 274-8123 (fax)
www.fanniemaefoundation.org
www.knowledgeplex.org

ISSN 1525-2833

Housing America State by State

from page 1



and often endure poor living conditions despite bringing renewed economic vitality to many communities.

Available, affordable housing is essential to states' economic health. Housing construction and rehabilitation generate employment, tax revenues, and a market for a wide range of goods and services. Conversely, a poor housing market can sap energy from a state's economy, slowing both the revenue stream from taxes and the robust economic activity that flows from construction and rehabilitation.

Housing is now recognized as an issue that has a profound impact on a state's ability to compete in the business marketplace. The cost and availability of housing and the presence of a suitable workforce are among the top factors driving business expansion and influencing location decisions. For example, housing and commuting costs were major factors in the Boeing Company's decision to move its headquarters from Seattle to Chicago. In Massachusetts, Governor Mitt Romney and numerous business groups have identified the cost of housing as a major threat to the state's economic vitality.

States increasingly recognize that expanding the supply of affordable homes is only part of the solution to housing challenges. Development must be done in a well-planned, coherent manner with full understanding of the need to link housing to employment centers. A metropolitan area in which job growth and residential growth are concentrated in the outer suburbs is both economically inefficient and environmentally short-sighted.

Because housing, land use, and infrastructure investments are intertwined, state governments can play an essential leadership role in changing the housing status quo, even though they rarely have direct control over land use. State law and regulation frame the powers of local government and largely determine the potential for regional action. The spending priorities and regulatory actions of state agencies have enormous impact and can go a long way toward producing an environment conducive to the expansion of affordable housing.

So What Are Governors Doing About Housing Challenges?

Governors are discovering creative ways to address housing affordability challenges. Enlightened leadership; the development of strategies for building coalitions and achieving consensus; and the coordination of programs, regulations, and agency actions are essential. Although there is no "one-size-fits-all" solution when it comes to housing challenges, governors are developing a toolbox of promising strategies for addressing housing issues in an efficient, cost-effective, and timely fashion.

Broadening the Conversation

Some governors, recognizing the need to engage nontraditional players in the conversation, have brought together key stakeholders to identify housing needs and set priorities while respecting political and demographic realities.

- **Michigan** Governor Jennifer Granholm created a Land Use Leadership Council, co-chaired by a former governor, to develop recommendations for wiser land use and to promote revitalization (including more affordable homes) in the state's urban areas.
- **Iowa** Governor Tom Vilsack appointed a task force that recommended sweeping changes: establishment of a housing trust fund, consolidation of housing program administration within a single agency, reduction of barriers to affordable housing (such as simplifying the rezoning process), financial incentives for affordable housing production, and public education for homeowners and renters.

Making Housing a Priority

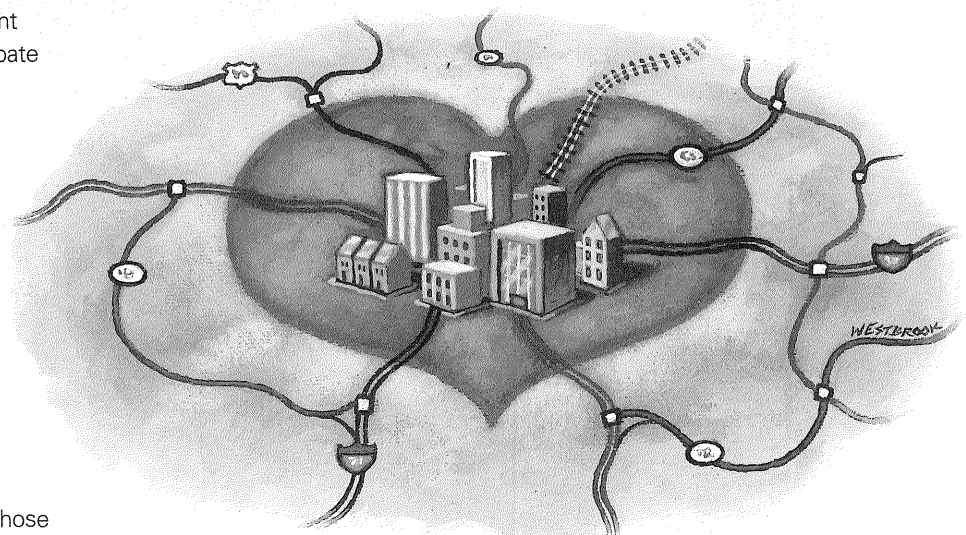
A number of governors have elevated the priority of housing by assigning their state housing agency a leadership role in cross-department initiatives and by appointing key housing officials to influential positions.

- **Pennsylvania** Governor Edward Rendell created an Office of Housing and Community Revitalization to work across department lines and, in collaboration with the state's housing finance agency, to integrate housing and urban revitalization into policies and programs throughout state government.
- **Maine** Governor John Baldacci directed the state housing agency to lead a combined federal, state, and local initiative to address homelessness, promote affordable housing in high-cost areas, address rural and elderly housing needs, and improve the capacity of housing-related nonprofits.

continued on page 6

Understanding Urban Performance: The Role of the States

By Harold Wolman



Concern about urban problems has been a constant theme in American social and economic policy debate for decades. Although much of this debate has centered on federal and city policies, state governments play a vital — but often overlooked — role in ensuring the well-being of cities and their residents.

Cities are important to state governments for a variety of reasons, but chief among them is their importance to state economies. Cities are engines of economic growth, innovation, and dynamism and are thus key drivers of state economic competitiveness. States must generate and attract economic activity to remain competitive, and to do this they need an educated and skilled workforce. States whose cities can attract educated, amenity-seeking workers have a competitive advantage.

Most analysis of city performance has focused on federal government policy and the actions of cities themselves. However, cities are primarily creatures of state law and practice: States determine the institutional forms of their local governments, the land use and regulatory frameworks under which they operate, and the revenue systems they may use. In the absence of explicit "urban policies," cities are still directly affected by state tax policies and many other state programs and activities.

Recent changes in the federal role and devolution of responsibility to state governments provide new opportunities for state governments to strengthen their cities through a variety of programs and incentives. For example, states can set benefit levels for welfare programs. They can encourage and subsidize affordable housing. They can create incentives for local growth management. On the other hand, state actions can also impact cities in unintended ways that may have adverse consequences.

Although states are inextricably connected to their cities, little is really known about this relationship. To gain understanding about how states affect city fortunes, several colleagues and I have undertaken a research project, with support from the Fannie Mae Foundation, to determine which state policies are effective in bringing about good urban performance.

Because city performance is clearly related to a variety of economic, demographic, and other factors that have nothing to do with state activity, the research strategy is designed to separate out, to the extent possible, effects related to these factors. The study will identify states whose large cities have performed better or worse than predicted according to a series of indicators that exclude or minimize the effects of state and city policy. We will then conduct intensive case studies of these states to identify whether and how state policies account for these unexpected performances. This process will identify best practices through a methodology that examines success and asks what accounts for it.

By taking a closer look at states whose cities have performed better than expected, we hope to identify state policies and activities that have strengthened city performance (for example, initiatives that support affordable housing, livable communities, regional cooperation, fiscal viability, economic development, or urban vitality). We also expect to identify state institutions, activities, and policies that are having an unintended effect. The result will be a much better understanding of how states can enhance their economic competitiveness by strengthening city performance.

Harold Wolman is director of the George Washington Institute of Public Policy and professor of political science at The George Washington University.

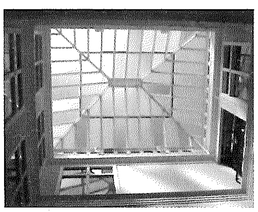
Michigan's Cool Cities— Key to State Success

By David Hollister

Governor Jennifer Granholm has a vision for growing Michigan's economy. My job, as the lead state official overseeing economic and business growth, is to play a key role in implementing this vision. Our strategy, built upon the importance of investing in and revitalizing our cities, has a significant affordable housing component.

Many of the programs designed to implement our vision are based on recommendations of the bipartisan Land Use Leadership Council created by the governor and legislature in 2003. The council, with members representing business, development, environmental, local and state government, and community interests, addressed the causes and consequences of unmanaged growth and development in Michigan.

The governor asked the council to explore how to target state resources to existing built communities with a goal of increasing Michigan's urban population, especially that of young knowledge workers. Increasing the available workforce was viewed as a critical strategy to attract business and improve Michigan's competitive position. Preserving open space and agricultural land — an essential component of Michigan's quality of life — was considered equally important.



COURTESY OF MSHDA

(top to bottom)

Street scene in Grand Rapids; Bay City condo construction; and street scene in Flint. These towns are recipients of Michigan's first Cool Cities grants.

Many of the council's more than 150 recommendations are now being implemented. Among them is the Cool Cities initiative, which has created unprecedented excitement and buzz in Michigan. The goal of Cool Cities is to create mixed-use, mixed-income, high-density, pedestrian-friendly, and safe neighborhoods that attract young people and knowledge workers that companies want to hire. We believe that by creating quality of place we can attract high-quality employers and stimulate economic development.

To our surprise, 151 neighborhoods representing 120 Michigan communities submitted applications. Twenty proposals were selected for the first round of the project. Successful applications offered such benefits as broad-based collaboration, a strategy for leveraging resources, strong local support, a feasible plan, and expansion of housing. The state's Cool Cities Coordinating Team, which includes 14 state-level departments, is working with the local government and the private sector in each Cool City to target significant resources to program neighborhoods.

On the housing front, each participating city is working with for-profit and nonprofit developers to construct and rehabilitate the types of housing that attract urban pioneers — condos, multiunit developments, and lofts and scattered-site infill for purchase and rent. The state government departments together identified more than 110 resources that now constitute a "Resource Toolbox" for each Cool City. A "Neighborhood Champion" provides coordination and a single point of contact in state government to help each Cool Cities grantee access these resources. Our housing finance mechanisms include tax-exempt bonds, Low-Income Housing Tax Credits, federal HOME and Community Development Block Grant funds, historic preservation tax credits, brownfields tax credits, local tax abatement, and conventional lender financing.

The state has also provided $2,000,000 in catalyst grant funding, which has leveraged more than $25,000,000 in private-sector funding for Cool Cities neighborhood investment. We are working on a number of complementary initiatives, including a Land Bank Authority and an employer-assisted housing program, to enhance the tools available to Cool Cities and other Michigan communities.

The success of our cities, big and small, is essential to Michigan's competitive position as well as the quality of life of our citizens. By strategically leveraging state resources and looking at state services in a new way, we are energizing and revitalizing Michigan's historic cities.

David Hollister is director of the Michigan Department of Labor and Economic Growth. He was a three-term mayor of Lansing, Mich.

Housing America State by State

from page 3

• **Arizona** Governor Jane Hull combined several core housing functions into the Arizona Department of Housing, a single agency with broad authority and a diverse governance board.

Linking Housing and Development Policies

A number of states are reevaluating the way they make transportation, water and sewer, open space, and other capital investments. In the process, they are discovering the economic and social benefits of promoting housing development in certain locations — areas of high job growth, transit hubs, and targeted economic development zones.

• In **California,** the Business, Transportation, and Housing Agency is reprioritizing proposed transportation investments according to 1) an investment's contribution to the creation of permanent new jobs, and 2) jurisdictional action to ensure a supply of affordable housing in line with expected population and job growth.

• In **Massachusetts,** Governor Romney created the Office of Commonwealth Development, a "superagency" that oversees the state's environmental, transportation, housing, and energy agencies and coordinates development policies. The approach has led to new collaborations to address housing, infrastructure, and environmental issues.

• The **New Jersey** Transit Villages Initiative involves nine state agencies working together to support development around transit hubs. Communities that have taken significant steps in planning for transit-supportive, mixed-use development with a strong residential component can receive priority funding, technical assistance, and tax incentives from the state.

Coordinating Programs and Resources

Affordable housing programs typically receive funds from a variety of public- and private-sector sources. This mix of funding streams, with each stream further divided into funding tributaries, brings a good amount of disorder to the process of building affordable housing. A number of states, seeking to minimize this disorder, have consolidated programs into a single office and have reached out to help communities and housing developers navigate the funding process.

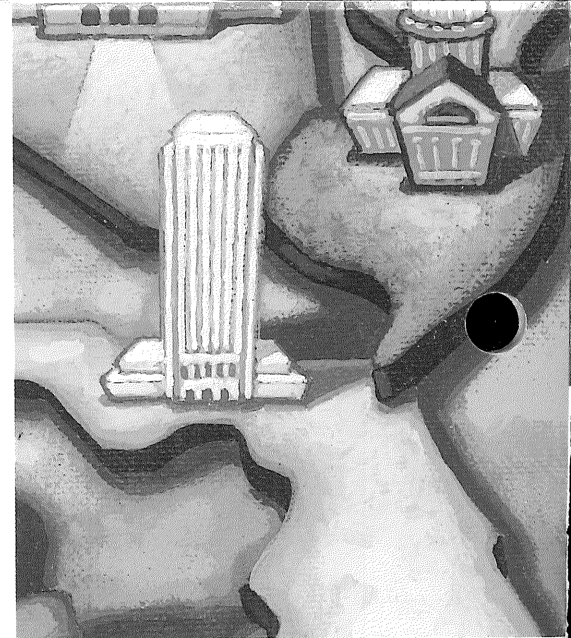
• **Nebraska** supports affordable housing projects that have multiple objectives (economic development, community revitalization, infrastructure maintenance, job creation, and the expansion of social services) with special funding and rolling guaranteed tax credits.

• The **Rhode Island** Neighborhood Revitalization Program offers planning grants to stimulate strong revitalization planning by local coalitions, individual organizations, and municipalities. Participating communities are more likely to accept and support affordable housing when it is seen as part of an overall strategy to improve the area, rather than as an isolated new development. Rhode Island has also improved coordination by consolidating all housing program activity under the state housing finance agency.

• Two successive **Oregon** governors have relied on an innovative Community Solutions Team — with direct access to the governor and participation from six state agencies — to deliver quick, straight, and coordinated answers to local governments and businesses interested in economic development. The approach supports affordable housing by integrating housing development into specific economic development plans, providing communities with technical assistance in pursuing housing funding, and facilitating the development process.

Reforming Laws and Regulations

Overhauling outdated state laws and regulations can establish a more favorable environment for affordable housing development — in part by reducing barriers, in part by providing incentives, and in part by concentrating development in areas with existing infrastructure. While primary action takes place in the state legislatures, governors often provide



the impetus through their leadership and ability to build political support for change.

• Dilapidated structures are both eyesores and obstacles to assembling land for redevelopment. State laws often create arduous and time-consuming processes for foreclosure, clearance of tax liens, and establishment of clear title. To address this bottleneck, a number of states, including **Florida, Georgia, Maryland,** and **Texas,** hav[e] enacted fore-closure reforms. Michigan's 1999 reforms shortened the process for foreclosing on abandoned properties from five years to as little as one year.

• Enactment of a rehabilitation code can encourage reinvestment in older neighborhoods. The **New Jersey** rehabilitation code is credited with reducing the cost of redeveloping old buildings by 10 to 40 percent in five cities across the state. **Maine, Maryland, Michigan, New York,** and **Rhode Island** have also enacted rehabilitation codes.

• Legal barriers to assembling land for redevelopment are usually significant if some parcels need to be acquired by eminent domain. **New Jersey's** 1992 redevelopment law eased legal restrictions, enabling municipalities to remove obstacles to new investment and to modernize and upgrade area[s] before blight and decay take hold.

While facilitating sensible *re*development, states at the same time are supporting thoughtful *new* affordable housing development.

• Regulatory barriers to housing production can drive up costs, potentially adding 10 to 50 percent to the cost of new homes. The **Connecticut** Statewide Housing Cost

Reduction Task Force, comprising home builders, state officials, lenders, and related housing industry representatives, identified strategies for modifying building codes as well as financing and zoning regulations. These changes could reduce housing costs by an estimated $5,000 to $15,000 per unit.

• Almost three-quarters of the 500,000 new affordable units built in the U.S. between 1997 and 1999 were manufactured homes (according to an August, 2001 analysis by the Harvard Joint Center on Housing Studies using Annual Housing Surveys), but state and local governments traditionally restrict, discourage, or prohibit manufactured housing. Recently, however, state housing finance agencies have begun to offer first-time home-buyer assistance to purchasers of manufactured units. **Alaska** and **North Carolina** offer financing support for new units, and **Maine** includes resale units. **New York** and **New Hampshire** have financed resident purchases of manufactured-home communities.

Facilitating Strategies for Inclusion

A key tool for promoting construction of new affordable homes is an inclusionary zoning policy that mandates or provides incentives for building affordable units. A number of states have implemented strategies that facilitate inclusionary zoning.

• The **Massachusetts** Chapter 40B inclusionary zoning program is credited with more than 80 percent of the growth in new affordable housing in Boston area suburbs between 1997 and 2002.

• **Oregon** establishes statewide housing planning goals and implements them through grants and tax credits to local jurisdictions. To receive assistance, localities must agree to facilitate development of needed housing types, including multifamily and manufactured housing, and to zone to accommodate future housing needs.

• Other states with some form of inclusionary zoning include **Minnesota, Pennsylvania, Connecticut, Wisconsin, Virginia, California,** and **Maryland.**

Increasing Housing Opportunities for Underserved Populations

Many states are using innovative strategies and partnerships to reach traditionally underserved populations, including immigrants, minorities, and seniors.

• Recognizing that Latino immigrants were among the most poorly housed in **Georgia,** the state Department of Community Affairs, the U.S. Department of Agriculture (USDA), the University of Georgia Extension Service, a local bank, and a major local employer in Gilmer County created Blueprints for the American Dream, a program that combines outreach, financial counseling, and down-payment assistance to help immigrants purchase homes.

• The **Virginia** Housing Development Authority joined with the Baptist General Convention of Virginia to create The Genesis Project, which aims to increase the homeownership rate among African-Americans in the Richmond area.

• The Rural **Utah** Self-Built Homes Program brings together the Utah Housing Corporation, the USDA's Rural Housing Service, and six nonprofit housing organizations to offer customized homeownership opportunities to minorities, the physically challenged, single parents, and other special-needs residents of rural Utah.

Reinventing Long-Term Care

As Medicaid expenses continue to rise, governors are focusing more and more on the costs of long-term care. States are finding that providing long-term care in the home rather than in an institution has a dual advantage: It curbs long-term care costs and responds to the desire of seniors to remain at home. Recently, Wisconsin Governor James Doyle highlighted flexibility as an important component of the National Governors Association's broad strategy to address growing problems with Medicaid. The potential in greater flexibility is significant:

• **Arizona** has developed a comprehensive managed care system that aims to reduce the proportion of long-term care services provided in nursing homes from 98 percent to 40 percent over a 15-year period. At the end of this period, 60 percent of all long-term care services will be provided in patients' homes or in community-based facilities.

• Through Elder Choices, begun in 1992, **Arkansas** has been a pioneer in giving seniors home- and community-based alternatives to nursing home care. Occupancy in nursing homes decreased by 21 percent between 1996 and 2001.

• **Florida, Massachusetts,** and **Michigan** have successfully combined federal Section 8 housing certificates with home- and community-based services to make assisted living more available to low-income seniors.

However, experience has also shown that in order to succeed, programs that emphasize provision of home-based rather than institution-based services require close coordination among Medicaid agencies, aging programs, housing agencies, and health service providers.

What Are the Elements of Success?

State affordable housing solutions are as varied as the states themselves, but the most successful strategies have some common elements:

• Participation by a diverse set of stakeholders: Engaging nontraditional players and considering housing in a comprehensive context are hallmarks of successful housing initiatives.

• Identifying key housing indicators: Every state has academic and programmatic resources that can be used to assess conditions, needs, and trends that are unique to that state. Successful housing strategies identify appropriate indicators and use them to target resources and measure progress.

• Prioritizing and planning: Building on information gleaned from these key indicators, states get results by embracing the challenge of identifying priorities, setting goals, and benchmarking progress.

By thinking creatively, acting inclusively, and fostering a spirit of collaboration, the nation's governors are leading the way in meeting our nation's housing challenges — neighborhood by neighborhood, jurisdiction by jurisdiction, state by state.

Feather Houstoun is the incoming president of the William Penn Foundation. She previously served as deputy assistant secretary for Policy at the U.S. Department of Housing and Urban Development, secretary of Public Welfare for the Commonwealth of Pennsylvania, and treasurer of the State of New Jersey.

resources

Web Sites

Maine Governor John Baldacci's Vision Web site presents the principles underlying his housing policy goals as well as specific proposals for implementing them. (www.maine.gov/governor/baldacci/vision/housing.html)

The New Jersey Department of Transportation's Transit Village Initiative is a model smart-growth policy, encouraging growth and development in areas with existing infrastructure. (www.state.nj.us/transportation/community/village)

New PA profiles Pennsylvania's new, comprehensive approach to economic and community development. (www.newpa.com)

Rhode Island's Neighborhood Revitalization Program offers planning grants to stimulate strong revitalization planning by local coalitions, individual organizations, and municipalities. (www.rihousing.com/nrp)

Articles and Reports

Draft Proposals of the Illinois Affordable Housing Task Force. (www.ihda.org/ViewPage.aspx?PageID=30)

A Comprehensive Housing Strategy for Iowa. (www.sppg.com/uploads/pdf/housingstrategy_execsum.pdf and www.sppg.com/uploads/pdf/housingstrategy.pdf)

"Integrating Affordable Housing with State Development Policy," by Feather O. Houstoun. 2004. Issue Brief, National Governors Association Center for Best Practices. (www.nga.org/center/divisions/1,1188,C_ISSUE_BRIEF^D_7528,00.html)

An Examination of Manufactured Housing as a Community- and Asset-Building Strategy. September 2002. Neighborhood Reinvestment Corporation in collaboration with the Harvard University Joint Center for Housing Studies. (www.jchs.harvard.edu/publications/communitydevelopment/W02-11_apgar_ et_al.pdf)

Rural Utah Self-Built Homes Program. (www.ncsha.org/uploads/UT_RUSH.pdf)

Insight

"For the remainder of the decade and beyond, housing will be an issue which state policy-makers cannot ignore."

Decent and Affordable Housing for All: A Challenge to the States, a report to the Committee on Economic Development and Technological Innovation concerning state promotion of shelter. National Governors Association, August 1986.

thanks

NGA Center for BEST PRACTICES

The Fannie Mae Foundation thanks the National Governors Association Center for Best Practices for its contributions to this issue of *Housing Facts & Findings.*

Fannie Mae Foundation

4000 Wisconsin Avenue NW
North Tower, Suite One
Washington, DC 20016-2804

ADDRESS SERVICE REQUESTED

Nonprofit
U.S. Postage
PAID
Fannie Mae
Foundation

Policy, News, and Innovations

Fannie Mae Foundation
Housing Facts & Findings
2005 Vol 7 No 3

Inspiring Ideas: The Innovations in American Government Awards

By Kathy Litzenberg

Today's change-saturated world offers few constants, but the need for new ideas is one of them. New problems require new solutions. Even old problems require new solutions — the same great program or policy that reinvigorated communities a decade ago may have little impact today. Communities evolve, and solutions must evolve with them.That's why innovation — not just new ideas, but new ways of thinking about things — is so important. As the British economist John Maynard Keynes said, "The difficulty lies, not in the new ideas, but in escaping from the old ones, which ramify, for those brought up as most of us have been, into every corner of our minds." This understanding — that loosening our grip on old ideas is essential to the birth of new ideas — was the driving force behind the creation of the Innovations in American Government Awards in 1985.

see **Inspiring Ideas** *on page 3*

perspectives

Vermont's Third Way: Collaborating to Protect Our Environment and Nourish Our Economy

By James H. Douglas

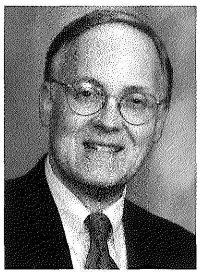
In Vermont, we have a long history of making careful, considered decisions about our future. Our love of our land and our pride in our communities inform all our deliberations. And we take care to balance the need to grow our economy with the need to protect our environment.

Since becoming governor in 2002, my goal has been to improve our residents' quality of life by strengthening our economy. Of the many factors that affect our economic growth, land use is one of the biggest. A recent report in the *New York Times* found that Vermont has the hottest real estate market in New England, a dubious honor given the market's negative consequences for both housing affordability and land-based industry.

Remaining responsible stewards of our land while developing affordable homes for our hard-working families and revitalizing our town centers is one of my administration's greatest challenges. But we're making progress. In my first term, we tackled permit reform and the consolidation of permit appeals. We are now focusing on community revitalization and the establishment of town centers in smart growth locations. As we pursue these goals, we remain steadfast in our commitment to the preservation and production of affordable housing.

Balancing competing demands is critical to what I have called the "Third Way," my administration's guiding public policy philosophy. This Third Way, the Vermont way, is about escaping rigid policies that demand unyielding allegiance to one special interest or another. The Third Way celebrates common-sense approaches that seek to serve the best interests of all Vermonters.

The Third Way requires vibrant, committed groups working at the community level with local officials, faith-based groups, and the business community. A shining example of this Third Way is the work of the Vermont Housing and Conservation Board (VHCB). This independent, state-supported funding agency was established in 1987 by a coalition of farmers, historic preservationists, community advocates, and environmentalists. Rather than competing for limited resources, VHCB's founding members became partners and worked together to enhance Vermont's land use policy.



The Honorable James H. Douglas is the governor of Vermont.

VHCB is guided by the twin goals of expanding the affordable housing supply and conserving agricultural and recreational lands, natural areas, and historic properties. A key component of VHCB's strategy is its commitment to permanent affordability, which reflects our Yankee frugality by recycling subsidies as a way to help communities avoid gentrification and prevent displacement.

Vermonters are extremely proud that VHCB was selected as a finalist for the Ash Institute's Fannie Mae Foundation Award for Excellence in Housing. This recognition showcases the many public policy goals Vermont has achieved, increases the investment community's confidence in our approach, and makes clear that Vermont's Third Way — bringing environmental and housing interests together — can protect our environment, nourish our economy, and enrich our communities.

The Perspectives column expresses the views of its author and does not necessarily represent the views of the editors, the Fannie Mae Foundation, or its officers or directors.

Housing Facts & Findings

Vol 7 No 3 2005

Housing Facts & Findings is published by the Fannie Mae Foundation. The Fannie Mae Foundation, through its publications and other programs, is committed to the full and fair exposition of issues related to affordable housing and community development. The opinions expressed in this publication are those of the authors and do not necessarily represent the views of the Fannie Mae Foundation or its officers or directors.

Send feedback about this newsletter, requests for permission to reproduce articles, address changes, and requests to be added to the mailing list to the Fannie Mae Foundation (address on back) or to fmfpubs@fanniemaefoundation.org.

Fannie Mae Foundation
(202) 274-8000
(202) 274-8126 (fax)
www.fanniemaefoundation.org
www.knowledgeplex.org

ISSN 1525-2833

Inspiring Ideas

[illegible]n page 1

Since its inception, the Innovations in American Government program has focused on innovation in state, city, town, county, tribal, and territorial governments. Administered by the Ash Institute for Democratic Governance and Innovation at Harvard's Kennedy School of Government, the Innovations Award is the premier public-sector award in the nation. Given annually, the award recognizes programs that serve as examples of creative and effective government at its best.

As more and more communities struggle to find solutions to the challenges of today's tightening housing markets, the need for innovations to address these challenges has become more urgent. The Fannie Mae Foundation is doing its part to respond to this need by sponsoring a special Innovations Award to recognize outstanding policies or programs that support the preservation or production of affordable homes. The winner is awarded a $100,000 grant to support replication and dissemination efforts. Beyond the grant, this award helps the Foundation in its efforts to achieve three main goals:

- Underscore the housing challenges of American communities *and* new and effective approaches to addressing them
- Recognize the creativity and ingenuity of public servants who are working every day to develop creative solutions to the challenges that face all of us: how to create and preserve safe, decent, affordable housing for those who need homes the most
- Highlight the innovative programs — those of the winner as well as the finalists — to share good ideas that could be replicated and adapted in other communities

The three finalists for the 2005 Innovations Award in Affordable Housing — the Los Angeles Systematic Code Enforcement Program, the Minneapolis Corridor Housing Strategy, and the Vermont Housing and Conservation Board — address different challenges and offer important lessons.

The Finalists

Los Angeles Systematic Code Enforcement Program

Los Angeles is a city of renters. With 60 percent of residents renting their homes and more than 25 percent of renters paying more than half their income for rent, the city must make the most of its existing rental stock and produce new affordable units to keep up with the growing demand.

By the late 1990s, Los Angeles was facing a rental housing crisis. Feeling the effects of the recession or lacking the wherewithal to make repairs, many landlords deferred maintenance on their properties long past the point of safety. Tenants suffered the consequences. Many lived in dangerous conditions, with broken windows, leaky pipes, peeling paint, and faulty electrical outlets. And, as conditions worsened for tenants, owners faced some hard choices: either upgrade their properties to meet code or completely redo them and convert the units to market-rate condominiums.

Meanwhile, the municipal administrative system responsible for code enforcement was overwhelmed by complaints. Frustration abounded: Code enforcement employees were stymied by an ill-coordinated system, landlords and tenants were not being served effectively, and more and more buildings were falling into disrepair. Just when the city couldn't afford to lose any affordable units, it began to lose more than ever.

In 1997, the situation came to a head when the independent Blue Ribbon Citizen's Committee on Slum Housing released a report highly critical of the city's process for receiving code complaints and conducting inspections in multifamily rental housing.

In response, the City of Los Angeles undertook a major reform effort, which led to the establishment of the Systematic Code Enforcement Program (SCEP) at the Los Angeles Housing Department. With the dual goals of achieving code compliance and stemming the tide of affordable units being lost to irreversible disrepair, SCEP was organized as a systematic rather than a complaint-driven system. The program's unique approach ensures that every rental unit in the city is inspected for violations at least once every five years. In addition, SCEP requires no dedicated funding source, because it funds itself through its annual inspection fees, currently $27.24 per rental unit.

Despite a rocky start, SCEP has managed to forge good working relationships with both owners and tenants, enabling SCEP to conduct more inspections more

continued on page 4

Inspiring Ideas

from page 3

often on a regular schedule. And inspectors use state of the art handheld computers with cameras to ensure quick and systematic response. In addition, one of the most innovative and important components of SCEP's program is the feature that connects code enforcement with the rehabilitation process. If emergency repairs are needed, SCEP works with tenants and landlords to complete the repairs within 48 hours, or SCEP completes the repairs and bills the owner.

Since SCEP's establishment in 1998, more than 90 percent of the city's multifamily housing stock has been inspected and more than 1.5 million habitability violations have been corrected, resulting in an estimated $1.3 billion reinvestment by owners.

Minneapolis Corridor Housing Strategy

In Minneapolis, the historic, traditional urban corridors created by the streetcar routes exist today, even though the streetcars stopped running long ago. Serving as the city's main avenues, these corridors remain physical and cultural pathways, linking homes, jobs, shopping, schools, and local institutions. But, in recent years, these once vibrant commercial routes had dried up, leaving a swath of vacant and abandoned property and underused land.

At the same time, the city faced a housing crisis. Research indicated that projected population increases would result in housing needs outpacing the city's housing supply by 26,000 units by 2030.

So the City of Minneapolis set out to create a plan to address both of these realities — a plan that would develop and preserve affordable homes along the city's corridors, with a particular focus on homes affordable to low-income households. The trick was to find ways to increase density and promote affordable housing growth without creating pockets of concentrated poverty. And, with neighborhood groups frequently voicing their opposition to both housing density and affordability, Minneapolis civic leaders knew they needed a better way to engage citizens.

With these goals and challenges in mind, the city created the Corridor Housing Strategy. The Corridor Housing Strategy's objective is to create neighborhoods that support mixed-use development along with mixed-income housing choices, with access to jobs, retail stores, and parks. To achieve the goal, the city worked with neighborhood organizations, design professionals, and developers to plan and build multifamily developments along the city's main corridors.

The program combines three key innovations: giving neighborhood organizations an early and comprehensive role in the planning process, acquiring critical corridor sites, and awarding priority funding to housing developments tied to jobs and transit.

The first phase, launched in June 2003, was led by Minneapolis Mayor R. T. Rybak, the city council, the Center for Neighborhoods, and others. As one of its first steps, the group developed a citizen engagement model and began reaching out to corridor neighborhoods to participate in the process of identifying infill housing opportunities. The engagement process, which uses a neighborhood steering committee to develop local workshops and meetings, typically takes six to nine months in each neighborhood.

This successful strategy has generated great interest. Neighborhoods compete to be part of the Corridor Housing Strategy through a request for proposals process and, once selected, have access to technical assistance in design, development, market research, community process, and planning. And the early success of the initiative's citizen engagement component has helped people think about housing, especially affordable housing, more positively.

The Corridor Housing Strategy's focus on the city's commercial and transportation corridors ensures that a wide range of parties will have an interest in contributing to the success of these projects. In addition, the strategy reduces front-end costs for developers by providing community support for development through suggested development guidelines, building neighborhood and city support for higher-density development through zoning recommendations, and establishing investment strategies for moving development projects forward.

The initiative's efforts to date have yielded promising results. Since it began operating in 2003, the initiative has conducted three competitive application rounds, has selected five corridors for development, and has helped produce 715 units of housing.

Vermont Housing and Conservation Board

Open space and affordable housing — they seem like natural enemies. And, in the late 1980s, the tension between the demand for open space and the demand for more housing sent Vermont's land prices skyrocketing.

Family farmers barely able to maintain their farms and scrape by were suddenly being offered astronomical sums to sell their land to commercial and residential developers. Meanwhile, low-income residents in federally subsidized housing faced possible displacement as affordability requirements neared expiration. Land speculation and development accelerated, threatening to gobble up much of Vermont's green space while driving housing prices out of reach for many native Vermonters.

Just as the situation was on the verge of spiraling out of control, a wonderful thing happened.

Instead of continuing to fight each other, Vermont conservationists and housing advocates decided to come together to create a complementary plan that would address all their concerns. That's how land conservationists, farmers, and tenant advocates formed the Vermont Housing and Conservation Coalition, a dynamic alliance between environmental and housing groups.

continued on page 7

Fostering Innovation: Keys to Successful Programs

By Sheila F. Maith

Woody Allen said, "If you're not failing every now and again, it's a sign you're not doing anything very innovative." Innovation — trying something completely new — is almost always a risky proposition. The potential for failure looms large. And it often seems that the institutions that have the most to gain from innovation have the most to lose from failure. Government is a good example of this paradox.

Governments must manage competing, urgent demands all the time. And today they must do so in a fiscal climate that demands austerity. Budgets are squeezed tight, resources scarce. Effective management of priorities is often a matter of doing more with less. As a result, risk-taking is riskier than ever.

Despite the dangers, many municipalities are displaying a willingness to take risks and implement the innovations necessary to solve problems and improve services. The Kennedy School of Government's Innovations in American Government Awards recognize the best of these exceptional programs.

This year, the Fannie Mae Foundation joined with the Kennedy School to sponsor a special Innovations Award to recognize outstanding policies or programs that support the preservation or production of affordable homes. And, on July 27, 2005, the Foundation named the Los Angeles Systematic Code Enforcement Program (SCEP) the winner. SCEP received a $100,000 grant to help others learn about and replicate its successful program.

In addition to showcasing the work of the winners and finalists, the Innovations Awards aim to inspire and encourage others to find ways to innovate in large and small ways.

So, what is innovation? How does it happen? What makes for success? After 18 years and hundreds of Innovations awards, researchers and policy-makers have identified the key elements of successful innovation. A book, titled *Innovation*, published by the PricewaterhouseCoopers Endowment for the Business of Government, presents these findings. And although we can't do justice to all of the research here, several of the findings are particularly relevant to groups struggling to find ways to foster innovation.

Jonathan Walters, a correspondent for *Governing* magazine and a contributor to *Innovation*, identified six key qualities of Innovations Award winners and finalists. Not surprisingly, the finalists of the Fannie Mae Foundation Award for Innovations in Affordable Housing exemplify many of these qualities.

continued on page 6

Keys to Successful Programs

from page 5

1. Keep it simple.

To be successful, a proposed innovation must be explained many times over — to initial reviewers, to government staff who must put it in place, to naysayers who favor the status quo, to sticklers who are determined to refine the plan even before it has been implemented. If an initiative cannot be explained simply and concisely — in plain, jargon-free, user-friendly language — it is not likely to survive the approval gauntlet. Representatives of each of the Innovations Award finalists presented their entire program — and responded to questions from a national panel of judges — in just 10 minutes.

2. Make it achievable.

A true innovation creates a new way of doing business. And it almost always unnerves the forces supporting the status quo. One way to soften this opposition is to design a program that's easy to implement. Although they may have wanted to accomplish more initially, leaders of each of the finalist programs boiled down their initiatives — a fund for housing and open space conservation, a community process for planning development, and a new system to replace a traditional housing code enforcement program — to fairly simple plans that eased implementation and ensured support.

3. Aim for early returns.

Even an easily implemented plan is unlikely to succeed unless it is designed to produce quick results. A program that can promise and begin to deliver results in a matter of months has a much better chance of building momentum and maintaining public support. The Los Angeles program set a goal of inspecting 12,500 units each month, which meant that the program would inspect 150,000 units a year and inspect all rental units within five years. Rapid results like these help establish an initiative's credibility.

4. Be thrifty.

In an economic environment demanding frugality, the most successful innovations are those that make the most of the resources on hand. In Los Angeles, SCEP used existing code enforcement resources, leveraged rental rehabilitation funds, and created a system of low annual fees paid by owners and renters to fund the program. In Vermont, the Housing and Conservation Board made sure that its Trust Fund could sustain itself by negotiating a share of the state's property transfer tax revenue.

5. Build friends and supporters.

It's impossible to please all the people all the time, but it's important to appeal to a wide array of constituencies when introducing a new way of doing things. This approach doesn't mean pandering to politics, but it does mean examining — and showing sensitivity to — community needs. In Minneapolis, the Corridor Housing Strategy engaged the full spectrum of participants, including elected officials, community leaders, developers, local business owners, and residents. Although this formal community engagement process was time-consuming, it ensured widespread and long-lasting support. In Los Angeles, SCEP uses regional and neighborhood service centers to ensure that code inspectors could respond effectively to the more than 20,000 complaints they receive per year. In addition, SCEP's strategy of providing funds to help rental property owners repair their units infuses about $300 million a year back into Los Angeles communities.

6. Make it policy, not politics.

Politics can bog down even the most sensible ideas, so it's important to keep all parties focused on their mutual long-term goals. In Minneapolis, this meant engaging neighborhoods early to tailor plans to meet community needs. Strong neighborhood support held off any political attempts to derail the process. In Vermont, the Housing and Conservation Board had to overcome the politics inherent in the problem they faced — how to conserve open space while increasing affordable housing — just to bring the two sides together. The group wisely focused on helping the two sides take advantage of a state budget surplus to get a Housing and Conservation Trust Fund Act passed in the legislature. The former adversaries came together over this common goal and came up with a solution that benefited both sides.

Although governments cannot be and need not be innovative in everything they do, research shows that a readiness to innovate is the key to organizational success. According to *Innovation* contributing author Sandford Borins, state and local governments can go a long way toward fostering innovation by supporting it from the top, rewarding individuals who push change, dedicating resources to innovation, encouraging organizational curiosity, and displaying a willingness — and readiness — to experiment with new ideas. In the end, creating the conditions that promote creativity in the public sector is as important as the specific innovations that emerge.

Sheila F. Maith is managing director of Policy and Leadership Development at the Fannie Mae Foundation.

Inspiring Ideas

from page 4

The Coalition acted fast to take advantage of a state budget surplus and successfully lobbied the Vermont legislature to pass the Housing and Conservation Trust Fund Act in 1987. The following year, the legislature enacted into law the Trust Fund's dedicated revenue source, a share of Vermont's property transfer tax revenue. The Trust Fund is directed by the Vermont Housing and Conservation Board (VHCB), which is made up of five citizens and four ex-officio members representing state commerce, agriculture, natural resources, and housing finance agencies.

Today, the VHCB is an independent, state-supported funding agency providing grants, loans, and technical assistance to nonprofit organizations, municipalities, and state agencies for the development of perpetually affordable housing and for the conservation of important agricultural land, parks, natural areas, and historic properties.

VHCB's strategy has had far-reaching effects on Vermont's policies. By requiring perpetual affordability, VHCB changed state and federal housing policy that previously allowed owners to convert properties to market-rate pricing after 20 years of use. VHCB also used conservation easements to preserve farm and forest land in perpetuity, housing subsidies to create permanently affordable rental housing, and shared-equity agreements to allow moderate-income households to become homeowners. In addition, VHCB removed properties from the speculative market by requiring that projects funded by VHCB be owned or optioned by nonprofit organizations governed by community boards. Finally, VHCB provided operating grants and direction to nonprofit organizations working with municipalities across the state on conservation, housing, and historic preservation.

The results speak for themselves. Since its creation in 1987, the VHCB-administered Trust Fund has supported the development or preservation of 7,800 affordable units and preserved more than 354,000 acres of open space and farmland.

Conclusion

Each of these programs faced huge challenges, but in each case those challenges became manageable when allegiance to business as usual gave way to a willingness to think new thoughts and embrace new ideas. Solutions began to emerge at the moment when those struggling with imposing problems said, very simply, "The status quo will not suffice." This recognition — of the need to break with past practice — marks the beginning of innovation. Los Angeles and Minneapolis and Vermont are better places today because caring and committed people let go of the past and reached into the future. They are better places today because people took risks, and innovation came alive.

Kathy Litzenberg is a Publishing manager at the Fannie Mae Foundation.

And the Winner is...

On July 27, 2005, the Ash Institute announced the Los Angeles Systematic Code Enforcement Program (SCEP) as the winner of the 2005 Innovations Award in Affordable Housing.

"This program is good for both renters and owners," said Stephen Goldsmith, director of the Innovations in Government Awards. "Renters have somewhere to turn if their units are not safe. Owners understand the value of SCEP because other nearby properties are now properly maintained, which increases the value of their own properties. It is a unique effort that benefits the entire community."

Not only has SCEP inspected nearly every rental housing unit in Los Angeles, but the city also has matched this program to provide rental rehabilitation resources to problem properties at risk of being lost from the stock of affordable rental units.

Of all the applicants, SCEP stood out as having the most innovative approach and far-reaching effects on the community. Rather than trying to make small improvements to the existing dysfunctional system, SCEP completely revamped the way of doing business. SCEP's innovative move from a complaint-based system to a systematic, scheduled program changed the way the city managed all of its housing.

Web Sites

Created by the Ash Institute for Democratic Governance and Innovation at Harvard's Kennedy School of Government, the Government Innovators Network is a dynamic information portal that provides examples and case studies of government innovation (www.innovations.harvard.edu).

Founded in 1983, the Council for Excellence in Government is a nonpartisan, nonprofit organization whose mission is to improve the performance of government and engage citizens. Since 1995, the Council has partnered with the Ash Institute at Harvard's Kennedy School of Government to administer the Innovations in American Government Awards program (www.excelgov.org).

The Corridor Housing Strategy in Minneapolis enlists neighborhood organizations to increase affordable housing along major urban corridors. The initiative uses transit-oriented development principles to foster housing growth tied to transportation and jobs (www.ci.minneapolis.mn.us/cped/corridor_housing_strategy.asp).

The State of Vermont's Housing and Conservation Board is a state-supported funding agency that conserves working farms and other natural/historic resources while supporting affordable housing and community development (www.vhcb.org/).

The Systematic Code Enforcement Program of Los Angeles proactively inspects more than 76,000 rental units in Los Angeles for habitability and enforces state health and safety codes. The program ensures that all residents live in safe housing and has resulted in the resolution of more than 1.5 million code violations (www.lacity.org/lahd/).

Articles and Reports

Dynamics of Diffusion: Conceptions of American Federalism and Public-Sector Innovation. John D. Donahue. 2005. Ash Institute for Democratic Governance and Innovation. (www.innovations.harvard.edu/showdoc.html?id=6771).

Innovation. Mark A. Abramson and Ian D. Littman, editors. 2002. The PricewaterhouseCoopers Endowment for the Business of Government.

Innovation in American Government: Challenges, Opportunities, and Dilemmas. Alan A. Altshuler and Robert D. Behn. 1997. Brookings Institution Press.

Key Factors Influencing Innovation in Government. Eleanor Glor. 2001. *Innovation Journal.* (www.innovation.cc/peer-reviewed/factors3.pdf).

Understanding Innovation: What Inspires It? What Makes It Successful? Jonathan Walters. December 2001. In the PricewaterhouseCoopers Endowment for the Business of Government's *New Ways to Manage* series.

Insight

"You never change something by fighting the existing reality. To change something, build a new model that makes the existing model obsolete."

Buckminster Fuller, inventor, architect, engineer, mathematician, poet, and cosmologist

Fannie Mae Foundation

4000 Wisconsin Avenue NW
North Tower, Suite One
Washington, DC 20016-2804

ADDRESS SERVICE REQUESTED

Nonprofit
U.S. Postage
PAID
Fannie Mae
Foundation