

Washington County Regional Affordable Housing Entity Feasibility Study

Final Report Executive Summary

Context

The Washington County Regional Planning Council (WCRPC) hired I² Community Development Consulting, Inc. to conduct a study to determine what type of regional housing entity would best meet the affordable housing needs of Washington County communities. Through the fall of 2004, the consulting team interviewed community stakeholders and existing non-profit housing providers throughout the region as well as surveyed national models of effective regional housing entities. The recommendation that resulted from the study was for the WCRPC to consider the creation of a charitable, non-profit corporation with a 501(c)(3) tax code designation for the purpose of creating affordable housing. The consultant team then developed a start-up plan for the non-profit housing corporation.

The new non-profit affordable housing community development corporation would be a flexible, non-partisan, affordable housing tool that could offer a variety of support options to local towns. Each town could individually determine how best to utilize the organization's services to meet their affordable housing objectives. This organization would not be "imposed" upon the towns but rather created by the towns to build expertise, capacity and resources for tackling their affordable housing issues.

The regional affordable housing issues are considerable. Each of the towns in and surrounding Washington County face a significant shortfall of units in order to meet the "10% goal" of Rhode Island's state affordable housing legislation (R.I.G.L. 45-53-3). At the same time the region struggles to balance housing development with issues of providing adequate infrastructure, conserving open space and maintaining their rural, small town character. Each of the towns propose a wide variety of affordable housing strategies in their local housing plans, with many of the proposed strategies being employed by multiple towns such as inclusionary zoning, density bonuses, waivers of fees and caps, establishment of housing funds and proactively working with developers. The current ability of most towns to pursue this very aggressive, broad set of affordable housing strategies is limited. The development of this non-profit affordable housing community development corporation can be instrumental in assisting the towns to meet their goals.

Methodology Undertaken & Options Considered

The consultants reviewed each town's affordable housing plan as well as a region-wide affordable housing study prepared by BC Stewart. Nearly 30 key-informant interviews were held with a variety of regional stakeholders including towns, major employers, potential funders and existing housing providers. These interviews were used to uncover issues, concerns and expectations of the stakeholders as well as to understand the market within which the new housing entity would be working.

Specifically, the types of regional housing entities considered were:

- A regional HOME consortium
- A regional Housing Authority
- Bringing in outside non-profits for development of affordable housing
- Building capacity of an existing local non-profit into a regional entity
- Starting a new non-profit

Each of these options was examined in context of the regional housing issues, existing local capacity, concerns expressed by various stakeholders and benefits accrued by each approach. The final recommendation was for the creation of a new non-profit organization.

Recommended Organizational Structure

The start-up plan details the efforts necessary to organize and launch a successful non-profit affordable housing community development corporation. Key recommendations for the organization include:

- Structure the organization as a Community Housing Development Organization (CHDO) eligible, 501(c)3 corporation;
- Ensure that the organization is not an arm of government, a regional “authority” or quasi-government agency;
- Position the organization to serve as a partner and resource to towns on needs and priorities they identify;
- Recruit a broadly representative board (not a public official board);
- Start with a small, skilled staff to focus on high-impact programs; and
- Develop a broad funding and partnership base.

The suggested mission of the organization would be to provide decent affordable housing to low- to moderate-income people within Washington County and surrounding towns. The organization would focus on values such as:

- Providing decent workforce housing;
- Assisting towns in meeting their state mandated affordable housing goals;
- Acting as a trusted resource for towns, developers and residents to meet the housing needs of the region;
- Balancing affordable housing, smart growth, open space and quality of life issues.

Recommended Program Areas

In an effort to balance the desire for creating an entity that can show progress and results quickly, create an income stream to help support a portion of on-going expenses and most directly address the region’s needs, we recommend the start-up organization initially focus on direct development of workforce housing and technical assistance to towns to facilitate housing development initiatives. Once these business lines are established we recommend the organization add a homeownership education and counseling business line.

The start-up plan also details several supplemental business lines that could be added in the future as the organization matures.

Direct Housing Development

The regional non-profit could engage directly in the development of affordable or workforce housing. The housing could include homeownership units as well as rental units to be managed by another entity (we do not recommend the organization get into rental property management at this time). Many of the potential funders expressed interest and support for the organization directly engaging in housing development. This is also a line of work that would most directly contribute to meeting the “10% goals” of the towns.

The volume of development that could be achieved is a function not only of market opportunity and funding availability but the size and skill of the staff dedicated to development. Assuming a model in which the executive staff member spends 30 to 40 percent of his or her time on real estate development, without additional staff, we suggest that an average annual production level of 5 to 10 units would be an appropriate goal. If the organization uses consultants as development coordinators, it could expand this production level and eventually establish a development “pipeline” large enough to justify adding staff dedicated exclusively to development.

A small non-profit is best off focusing on a particular kind of development where it can gain skills and experience. For instance, it could focus on developing in-fill housing for homeownership and acquisition-rehabilitation-resale of 1 to 4 unit homes, or it could instead specialize in development of larger homeownership subdivisions.

Technical Assistance to Towns to Facilitate Housing Development

In addition to directly developing properties, the regional non-profit could also provide technical assistance to towns to spur affordable housing development in areas where the town would like it to occur. Some towns in our interviews appeared more interested in this kind of support than in having the non-profit directly develop housing in the town. For instance, if a town was to acquire a vacant mill or a parcel of land where it wanted housing developed, the non-profit could work with the community to create a development concept, test its economic feasibility, write a developer request for qualifications based on the concept, and help the town to select a developer. In addition, the non-profit could potentially play a stronger codeveloper role, for example by carrying out acquisition and/or serving as a funding conduit for the project. Were the regional non-profit to help two or three 10- to 15-unit developments a year get underway through this assistance, it would spur the creation of 20 to 45 additional units per year. If towns are able to identify opportunities for larger developments than this, of course, the impact could be even greater. Providing technical assistance to towns would probably not generate the same revenues as direct development, but neither would it involve as much direct expense or risk to the organization. A supplemental support service to towns could be the management of long term affordability covenants.

Homeownership Education and Counseling

Homeownership Education and Counseling programs typically offer services in several formats to meet the diversity of customers they serve. The idea behind offering these types of programs is that low to moderate-income households often need to learn about the home buying process and address issues such as saving for down payment or fixing credit problems in order to become successful home owners. A strong homeownership education program can help create a pool of strong buyers to purchase the affordable homes being created through direct development efforts. A successful operation will offer services that usually include:

- “Fast track” homeownership education for people who are financially ready to buy a home but need to understand the process;
- “Homebuyer clubs” or similar education programs for people who need to save money or address credit issues before they will be ready to buy;
- Individual pre-purchase counseling as needed, but usually required for “homebuyer club” customers;
- Post-purchase counseling as needed, and sometimes other educational offerings such as home repair classes for existing homeowners;
- Referrals of mortgage-ready homebuyers to lenders, and often packaging of loan documents for lenders in exchange for a fee. In South County, the non-profit could work with private sector lenders such as Washington Trust and Citizens Bank, as well as with government loan programs offered by USDA and by Rhode Island Housing.

The Housing Network of Rhode Island operates a statewide homeownership center, called the Homeownership Connection, that can assist the non-profit in operating a homeownership program free of charge. The Housing Network is very interested in a local non-profit that would employ a homeownership staff person with whom they could work.

Start-up Resources

The creation of a successful non-profit affordable housing community development corporation is no small undertaking. Both human resources and financial resources will be needed. As the effort moves forward a strong, committed volunteer board of directors needs to be identified, recruited and cultivated. Ideally, this board will bring a balance of interests, expertise and outlooks that can work together to help address Washington County's housing issues. The start-up plan suggests an operating budget of roughly \$150,000 in year-one and growing to \$200,000 in future years. The plan identifies a variety of potential funders, including modest monetary contributions from the towns in Washington County. We suggest an initial per-town contribution of \$1,000 and continuing at roughly \$2,500 per year.

Impact

The potential impact of this non-profit affordable housing community development corporation will be measured in a variety of ways. First it has the potential to bring a regional focus to addressing the affordable housing crisis in the area. This can help increase the resources that are channeled into Washington County to create, maintain and further support housing. This organization can become a regional leader in educating people about housing and its impact on the region's quality of life.

The impact will also be measured in terms of affordable housing units and families assisted in securing home ownership opportunities. Production potential as outlined in the start-up plan includes:

- Assistance to several towns a year with housing development initiatives, potentially 10-45 units per year.
- Establish a development pipeline of 5-10 units in year one and 30 units by year 5.
- Assist 20 homebuyers in year one through education and counseling and increasing to 50 homebuyers a year by the fifth year.