

# Building Blocks

A Publication of the Federal Housing Finance Board



Volume 3, Number 2

Fall 1994

## First AHP-Assisted Mortgage on Tribal Lands

### **\$471,000 Used in Landmark Financing To Aid Housing For Blackfeet Tribe**

For years private lending institutions have hesitated to make home mortgages on Native American tribal lands because in the event of default it is more difficult, and frequently not possible, for a lender to get clear title to tribal lands. However, a recent innovative use of the Affordable Housing Program (AHP) by a member of the FHLBank of Seattle and precedent-setting actions by Fannie

Mae have combined to overcome that obstacle and open wide the door to increased future private-sector mortgage investment on tribal lands.

Since its creation in 1990, the AHP has helped create or rehabilitate affordable housing for more than 72,700 very-low- to moderate-income households. Of that total, 553 housing units are targeted to Native populations of the contiguous 48 United States, Alaska, Hawaii, and the territory of Guam. These projects involved new and rehabilitated rental and home-ownership units on lands controlled by the Native groups, as well as on other private land.

In the past 4 years, there have been 17 AHP projects targeted to Native populations, using nearly \$2.4 million in subsidies. All 17 projects were financed through members of either the Des Moines or Seattle FHLBanks.

Of the 17 projects, 9 are using nearly \$1 million in AHP subsidies for 186 new or rehabilitated-for-resale units, 6 are using more than \$460,000 to rehabilitate 203 housing units, and 2 new rental projects with 164 units are using more than \$900,000 in funding. Six

(See **NATIVE LANDS**, page 2)

#### *Table of Contents*

<b>Community Land Trusts</b>	<b>Page 6</b>
Housing Trust Funds	Page 8
Mutual Housing	Page 11
Resources	Page 13

of the 9 homeownership projects for Native populations, totalling 176 units, are on Native lands.

### **DEVELOPING TRIBAL LANDS**

The greatest obstacle to affordable private sector mortgages on Native lands is bridging the gap between lenders accustomed to fee-simple interests and Native Americans whose land is usually held in leasehold interests. Many Native populations hold their lands in a land trust for communal use and cannot sell it. (There are pockets of fee-simple land in some reservations, but recent trends have been for this land to be sold back to the administering tribe and for it to revert to trust status.)

Other obstacles to building on tribal

lands include the lack of infrastructure, construction costs, clustered housing, chronic unemployment in many areas, and lack of adequate banking facilities.

While tribal lands can be leased for home building, lenders have been reluctant to provide mortgages because in the event of a default it is more difficult, and frequently not possible, for a lender to assume ownership of the land on which the house sits. The AHP and Fannie Mae are helping to overcome this impediment.

### **AHP/FANNIE MAE PROJECT**

In a landmark transaction earlier this year, the Federal Home Loan Bank of Seattle granted an AHP subsidy for one of its member's commitment to grant a mortgage made

## ***ADVANTAGES TO BUILDING ON TRUST LANDS***

Issuing mortgages for property on trust-held lands of Native Americans can have several benefits. According to representatives of the Navajo Nation, the following would apply to trust-held Navajo lands.

1. **No property taxes** -- Individuals living on tribal lands do not pay property taxes to the tribe or the State (except in isolated instances not relevant to this issue). Therefore, not only will monthly payments be smaller but also borrowers are unlikely to acquire a tax lien on their property.
2. **Minimal land acquisition costs** -- A home site lease typically costs a nominal \$1 per year. There is also an initial application fee of \$15. Thus, initial investment in projects is very manageable.
3. **No NIMBYism (Not In My Back Yard)** -- Because the Navajo Nation is underdeveloped, there are no battles over scarce space or crowded roads. Citizens' groups are organizing to build housing developments, not to stop them.
4. **Consolidated resources** -- Native cultures tend to live in extended families, often with several generations sharing the same house. By consolidating their earning power in this manner, chances for a mortgage default are lessened.

for property on tribal lands. This is the first time in which an AHP subsidized loan is financing housing on Native lands, though there have been instances in which the AHP has provided downpayment and closing-cost assistance on tribal lands.

In that transaction, Continental Savings Bank of Seattle, HUD, the Blackfeet Tribe, and the AHP used a combined \$9.06 million financing package to help the Blackfeet HOME Program of Glacier, Montana, provide 100 units of ownership and rental housing for very-low-to moderate-income residents of the Blackfeet Indian Reservation. Fannie Mae has committed to purchase the mortgage from Continental following approval of the arrangement by the Blackfeet Tribal Council.

The transaction involved using a \$5.5 HUD HOME grant, a \$2.7 million loan from Continental, a \$471,000 AHP subsidy, and a \$373,000 contribution from the Blackfeet Tribe to build 50 three- and four-bedroom homes and purchase from HUD a 50-unit rental complex. The AHP subsidy was used to buy down the mortgage amounts on both the ownership and rental projects. Some of the funds will be used to rehabilitate the former HUD complex, which is being converted to a rent-to-own status.

Income from the mortgages on the 50 ownership units will be used to create more

housing on the reservation. All 100 units of housing were used as collateral for the \$2.7 million loan from Continental, which will be purchased by Fannie Mae.

"The Blackfeet HOME Program is the culmination of the Seattle FHLBank's efforts to facilitate the provision of housing assistance to Native Americans," said Judith C. Chaney, vice president and community investment officer for the Federal Home Loan Bank of Seattle.

"It represents the kind of innovation and partnerships that we hoped our efforts would inspire," she added.

When completed, the transaction will represent the first time Fannie Mae has provided mortgage funds to a project on tribal lands. This transaction, according to Ken Goosen of the

Fannie Mae Housing Impact Center's Native American Initiative, will serve as a national model for future mortgages on tribal lands.

"We now have a standard set of legal documents we will use to buy loans on trust lands. In essence, we have opened all our programs to trust lands," Goosen explained.

Fannie Mae studied the proposal for "several months" prior to approving it, Goosen said, to ensure that the necessary legal protections were in place for the tribe, the borrower and Fannie Mae.

While the transaction did present some increased risks, such as lack of title insurance

### **Native Organizations Sit on Advisory Councils**

Three FHLBanks' Affordable Housing Advisory Councils have representatives from organizations serving Native populations. The FHLBanks are:

**Des Moines** - Donna Fairbanks, Indian Housing Coordinator, Minnesota Housing Finance Agency, St. Paul, MN.

**Topeka** - Richard Brierre, Deputy Director, Indian Nation Council of Governments, Tulsa, OK.

**Seattle** - Clarence Rockwell, Commissioner, Navajo Utah Commission, Montezuma Creek, UT

---

and certain resale restrictions, the risks were offset by the large amount of collateral and a \$1.3 million loss-reserve fund for operating expenses and repairs.

The transaction offers "adequate protection" and is "financially sound", Goosen said. "It is no riskier than off-trust land . . . just a good way of doing business."

### **PROGRAM EXAMPLES**

While homeownership is an important goal of many affordable housing organizations, members of many Native groups live in sub-standard rental housing that needs significant repairs or rehabilitation. The AHP is well suited for this purpose because of its flexibility.

A good example of AHP funding used for rehabilitation work is a 1992 project on the Chippewa Tribe's Red Lake Indian Reservation in Red Lake, Minnesota, to improve the unsafe and substandard conditions of 42 homes owned by the tribal housing corporation. The Red Lake Housing Finance Corporation (RLHFC) used a \$53,000 AHP subsidy from 2 local savings institutions to provide second doors, steps, porch landings, rails, and exterior lights to 32 units. An additional 10 units received ceiling and wall insulation. The RLHFC used \$41,000 of its own funds to complete the \$94,000 project.

The lack of affordable rental housing for very-low- to moderate-income households is a large problem in most communities in the country. The island of Hawaii is no exception, and suffers from a scarcity of affordable rental housing due to high construction costs and an on-going population boom.

Early in 1994, First Federal Savings and Loan of Honolulu pledged a \$500,000 AHP subsidy to help create 64 units of rental housing exclusively for elderly Native

Hawaiians. The new units will be built in the City of Waimanalo, the heart of the Waimanalo Hawaiian Home Lands area, and represent the first housing project by the State's Office of Hawaiian Affairs (OHA), which also sponsored the \$5.7 million project. About 8.2 percent of Waimanalo's 8,000 population is elderly, according to the latest census bureau figures.

Because the project is in a Hawaiian Home Lands area, which is controlled by the Department of Hawaiian Home Lands (DHHL), the OHA will need special permission to complete the project. According to Stephen K. Morse, housing officer for OHA, his organization is seeking a 65-year lease from the DHHL for the development.

Financing for the project has not been finalized, but Morse expects to use either conventional bank financing or issue a housing revenue bond. If OHA elects to use conventional financing, Morse expects little resistance from area banks.

"The banks have become a lot more sensitive to serving the needs of the Native Hawaiian population," Morse stated.

To ease any concerns of the bank, OHA is prepared to secure the loan with its \$180 million in assets, which include stocks, bonds, mutual funds, and cash.

In addition to the housing units, a 10,000-square-foot commercial community-based cooperative retail outlet is planned for the site to allow the community's residents to sell Native Hawaiian food products and arts and crafts. The complex also will include a 3,000-square-foot multipurpose community center. Revenue from the commercial center will be used to generate income for the housing project and community center, and to provide rent subsidies.

# Federal, State Programs Aid Housing on Native Lands

*The following information was excerpted from a publication of the FHLBank of Seattle titled "Bringing Private Resources to Native Lands." For copies of the publication contact Judith C. Chaney, Community Investment Officer, FHLBank of Seattle, 1501 Fourth Avenue, Seattle, Washington 98101-1693. The Bank's telephone number is (206)340-2300.*

## NATIONWIDE

The following programs are available for use on Native lands in the contiguous 48 United States, Alaska, Hawaii, the territory of Guam, and the U.S. Virgin Islands. For additional data and restrictions, if applicable, on these programs contact the administering agency.

### HOMEOWNERSHIP

#### **Bureau of Indian Affairs**

- Home Improvement Program

#### **Department of Housing and Urban Development**

- Section 184 Loan Guarantee Program
- HOPE I Program
- Section 248 Mortgage Insurance Program

#### **Department of Veterans Affairs**

- Native American Veteran Home Loan Program

#### **Farmers Home Administration**

- Section 502 Homeownership Loans
- Section 523 Mutual and Self-Help Housing

#### **Federal Home Loan Bank System**

- Affordable Housing Program
- Community Investment Program

### RENTAL HOUSING

#### **Department of Housing and Urban Development**

- Low-Income Rental Housing
- HOME
- Mutual Help Homeownership Opportunity Program

#### **Farmers Home Administration**

- Section 515 Rural Rental Housing
- Section 521 Rental Assistance
- Section 514/516 Farm Labor Housing Loans and Grants
- Section 533 Housing Preservation Grant

#### **Federal Home Loan Bank System**

- Affordable Housing Program
- Community Investment Program

### REHABILITATION

#### **Bureau of Indian Affairs**

- Home Improvement Program

#### **Department of Housing and Urban Development**

- HOME
- Indian Community Development Block Grant Program

- Comprehensive Improvement Assistance and Comprehensive Grant Program
- #### **Farmers Home Administration**
- Section 502 Homeownership loans
  - Section 504 Rural Housing Loans and Grants
  - Section 515 Rural Rental Housing
  - Section 533 Housing Preservation Grant
- #### **Federal Home Loan Bank System**
- Affordable Housing Program
  - Community Improvement Program

## ALASKA

The following programs are available for use on Native lands only in Alaska. For more information on each program contact the Alaska Housing Finance Corporation, 520 East 34th Avenue, Anchorage, A K 99503. The agency's telephone number is (907) 561-1900.

### HOMEOWNERSHIP

- Rural Owner-Occupied Loan Program
- Homeownership Assistance Fund

### RENTAL

- Rural Nonowner-Occupied Loan Program

### REHABILITATION

- Rural Owner-occupied Loan Program
- Rural Nonowner-Occupied Loan Program

## HAWAII

The following programs are available only in the Hawaiian Islands. For more information on the program contact the administering agency or the Department of Hawaiian Home Lands (DHHL), P.O. Box 1879, Honolulu, HI 96805. The telephone number for DHHL is (808)586-3833.

### HOMEOWNERSHIP

#### **Department of Hawaiian Home Lands**

- Hawaiian Homes Commission Act of 1920

#### **Department of Housing and Urban Development**

- Section 247 Mortgage Insurance on Hawaiian Home Lands

#### **Farmer's Home Administration**

- Section 502 Title V Homeownership Loans

### REHABILITATION

#### **Department of Hawaiian Home Lands**

- Hawaiian Homes Commission Act of 1920

#### **Farmer's Home Administration**

- Section 502 Title V Homeownership Loans

## Community Land Trusts Offer Alternative for Low-cost Housing

A community land trust (CLT) is a private nonprofit corporation created to acquire and hold land for the benefit of a community and provide secure affordable access to land and housing for community residents, particularly very-low- to moderate-income households. CLTs prohibit speculation and absentee ownership of land and housing, promote ecologically sound land-use practices, and preserve the long-term affordability of housing.

CLTs use various types of subsidies to make housing and land more affordable for very-low- to moderate-income households that cannot compete in the open market due to escalating prices. Trusts keep housing affordable for future generations by controlling the price owners receive when they sell their homes, or they may assist residents with home repair, rehabilitation and financing. The CLT offers residents and their heirs long-term housing security.

Community land trusts differ from conservation land trusts, which preserve open or undeveloped lands, primarily by acquiring developed or developable land for specific community uses, particularly residential use. As nonprofit tax-exempt organizations, CLTs can accept donations to buy property or receive gifts of property.

CLTs have been around for decades, and there are approximately 100 CLT-type organizations in urban and rural areas in more than 20 States and every region of the country.

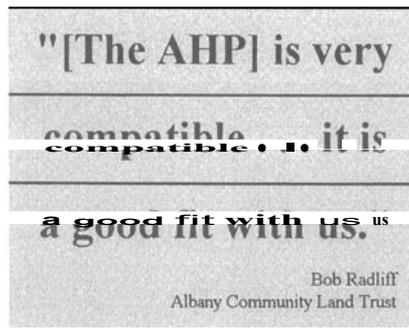
As their numbers increase, so too does their popularity as a mechanism for creating and retaining affordable housing. Today many public officials recognize CLTs can play an important role as stewards of community resources, and many CLTs have been established with strong initiative and support from local governments.

Among the nearly 2,000 active and completed AHP projects, a 1992 project in New York with the Albany Community Land Trust (ACLT) emerges as a good blueprint for how a CLT can use AHP funding.

ACLT executive director Bob Radliff said the organization learned of the AHP shortly after it was created in 1990, and was pleased to have access to additional affordable housing resources. The AHP's flexibility and funding criteria fit well with the ACLT and its goals, Radliff said.

"[The AHP] is very compatible with us," Radliff stated. "We like its long-term commitment to retaining affordable housing, and the recapture provisions. It is a good fit with us."

The ACLT has twice used the AHP, once in 1990 for a subsidy of \$10,000, and again in 1992 for a subsidy of \$40,000. The 1990 AHP subsidy was used to help purchase two units for rent to very-low-income households, and the 1992 subsidy helped purchase five buildings to be rehabilitated into eight housing units.



The ACLT's strategy is to purchase structurally sound older buildings that may need light-to-moderate rehabilitation. Once the property has been repaired, ACLT selects a tenant, who either signs a 99-year lease-purchase agreement, or becomes a renter.

In ACLT's transactions with lenders, there is a rider on the mortgage signed by the lender, ACLT, and the purchaser explaining the rights of each party.

As further protection for the ACLT and the lender, Radliff explained, the ACLT has a right, not an obligation, to make payments in the event of a default in order to keep the housing affordable.

Presently the ACLT has 20 properties with 33 units in the Albany area. Approximately half of ACLT's tenants/purchasers have incomes below 50 percent of Albany's \$37,500 area median income. The remaining tenants/purchasers have incomes between 50 and 80 percent of the area median income.

## FUNDING ISSUES

A common stumbling block to developing trust-held properties for sale to a third party in the United States is that the trust organization will hold title to the land but the house will be owned by a purchaser. Because the purchaser does not own the land, banks are reluctant to provide a mortgage because in the event of a default the bank cannot gain title to the land on which the house sits. However, obtaining a mortgage for ACLT properties is not a major problem, according to Radliff

Four years ago, 14 Albany banks formed the Capital Affordable Housing Funding Corporation (CAHFC) -- which specifically lists trust organizations in its charter as potential loan recipients -- to support citywide affordable housing needs. As a result, many

Albany-area banks are familiar with the ACLT and its requirements to maintain ownership of the land.

For the 1992 AHP project, the land trust financed the purchase of the home through CAHFC and received the \$40,000 AHP direct subsidy from Albany Savings Bank, a CAHFC member.

"The banks [in CAHFC] are extremely helpful in understanding the problem. They understand things better than most other banks would," Radliff said.

In fact, the ACLT used the corporation twice in cementing the 1992 transaction. The first time was to buy the houses and land, and the second was when the houses were resold to their new

owners.

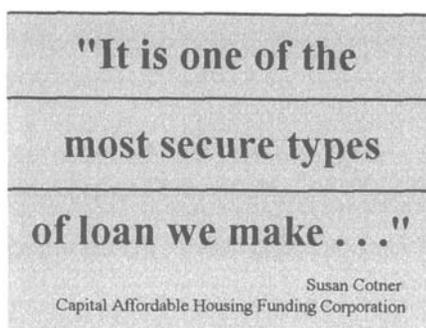
Susan Cotner, executive director of CAHFC, explained that many members of the organization's board of directors are involved in the commercial real estate field where businesses often rent the land their buildings sit on.

"This is not a foreign concept to them," Cotner stated, adding that the 8 to 10 transactions CAHFC has had with the ACLT "worked out real well for us."

With more than \$8 million in 280 local housing loans, CAHFC has had only one default, according to Cotner. As for accommodating the special needs of trusts in general, and the ACLT in particular, Cotner is upbeat.

"It is one of the most secure types of loan we make, and there is a very capable organization behind the homeowner," she said.

For more information on CLTs and how they can increase housing opportunities for very-low- to moderate-income households, write to the Institute for Community Economics, 57 School Street, Springfield, MA 01105-1331. The telephone number for ICE is (413)746-8660.



---

## Housing Trust Funds

# *Local Governments Fill Affordable Housing Funding Gap*

As funding for Federal housing programs declined over the past decade, local governments searched for ways to make up the revenue loss. One way, they discovered, is to create housing trust funds (HTF).

Generally, HTFs are created by legislative action of cities, counties, or states to provide gap financing to begin or complete affordable housing projects. The key to a successful HTF is a dedicated and continuing source of non-income tax funding, usually a portion of certain real estate development taxes and fees, or interest on escrow accounts.

Presently there are more than 80 HTFs in the country, which have committed more than \$825 million toward affordable housing, according to data published by the Housing Trust Fund Project (HTFP) of San Pedro, California.

"Housing trust funds do some unique things in the community . . . they serve by complementing other programs," HTFP Executive Director Mary E. Brooks explained.

The first HTFs appeared in the mid-1970s, according to Brooks, but following the Federal budget cuts for social programs in the 1980s, the HTF concept gathered steam.

"Most of them have been formed since 1987," Brooks said, "However, they are not a panacea . . . they cannot replace all of the money [cut from the Federal budget]."

The growth in popularity of HTFs can be attributed to their flexibility, a high leveraging ratio, and their targeted constituency of very-low- and low-income households.

Because HTFs are locally funded and designed, it gives them wide latitude in focusing on problems in specific areas, a popular feature for local elected leaders. In addition, HTFs average a 5-to-1 leveraging ratio, though, Brooks said, many funds "far exceed" that ratio.

Lastly, most HTFs share similar goals with the AHP, making the combination of HTFs' financing and the AHP's flexibility a good marriage. Both the AHP and HTFs target very-low- and low-income households, and they both support both new construction

and rehabilitation of housing. Some HTFs also support transitional housing facilities, which also are eligible under AHP rules.

Rental assistance, predevelopment funds, organizational support, and other services or facilities also may be eligible projects for some HTFs, and most funds establish review criteria to ensure long-term affordability.

While HTFs have been successful, housing advocates are reminded that HTFs need monitoring and continuing support, as well as a constant revenue stream for success, according to Brooks.

"They need to be visible and relevant,

**"They need to be  
visible and relevant,  
and it is the  
community that must  
keep them going,"**

Mary Brooks  
Housing Trust Fund Project

---

and it is the community that must keep them going," Brooks stated.

All three of those criteria -- visibility, relevancy, and community support -- are present in a Pontiac, Michigan, project partially funded by the AHP and the Michigan Housing Trust Fund (MHTF).

Standard Federal Bank of Troy, Michigan, used a \$55,000 AHP subsidy to help convert an abandoned apartment building into an 18-unit transitional housing facility for homeless women and their children. The MHTF contributed \$125,000 toward completion of the \$970,000 project, which will eventually in-

## HTFs: How They Work and How to Use Them

There are two major advantages to creating HTFs: They do not use income tax money, thus avoiding potential tax increases, and they help mobilize the community around housing issues. Because HTFs are created by legislation, they are relatively permanent and can be abolished only with similar legislative action.

Almost all HTFs are administered by the governmental body which created them, and are usually staffed by existing personnel from within that government's housing agency. This arrangement is necessary, given that HTF funding is from a public source.

Most HTFs have an advisory committee or board of trustees that oversees the fund, establishes policies, and decides which projects receive funding. This governing body, which usually is appointed by the chief elected official of the establishing

governmental entity, comprises members representing the broad range of interests in the local housing community. This would include members from government, financial institutions, nonprofits, developers, social services providers, churches, civic associations, and other concerned groups.

This governing body, according to experts in the field, is essential because it brings a broad range of interests to the HTF, insulates it from politics, guarantees broad support for its programs, and serves as a sounding board for additional community needs.

### USING AN HTF

The majority of HTFs provide first-in or last-in funds, that is, the funding is used to begin or complete a project. This funding is usually in the form of grants or loans to nonprofits, private

developers, local governments, or individuals.

Trust fund administrators have learned there is more to affordable housing than just funding. In fact, many nonprofits need technical assistance, particularly in rural areas. This assistance may include grants for operating budgets, consulting services, skills training, or staff development. Some HTFs also offer funds for predevelopment costs, feasibility studies, site options, or short-term construction loans.

The MHTF's Transue estimates that 30 percent of her organization's resources are spent on technical assistance.

For more information on HTFs, how to create one, and how they work, contact Mary E. Brooks, Executive Director, Housing Trust Fund Project, 570 Shepard Street, San Pedro, CA 90731, or call (310) 833-4249.

clude an adjoining building with a library, laundry, classrooms, offices, and a daycare center. In addition to the AHP and MHTF funds, the project received grants, loans, and other assistance from six private foundations, three government entities, as well as \$270,000 in contributions of labor and materials. The project is sponsored by the Pontiac Area Lighthouse,

Judith Transue, executive director of the MHTF, said the AHP subsidy was "the last piece of financing to put the project together." Formed in 1985, the MHTF has 32 local projects with approximately 350 units of affordable housing, and has never had a default.

"Our target population was very-low-income women. The debt service could not be

defrayed by [rental] income alone," Transue explained.

"Most likely, this project would not have been feasible without the AHP grant, because to make it affordable we needed a heavy subsidy," she said.

Another example of HTFs combining with the AHP for affordable housing opportunities occurred in Atlanta, Georgia. Home-Banc of Atlanta used a \$351,000 AHP subsidy to help finance a new 209-unit single-room-occupancy facility for the city's working homeless population. In addition to the AHP subsidy, the project used \$250,000 from the Georgia Housing Trust and \$3.7 million from six other financing sources for the \$4.3 million project. The project was sponsored by Progressive Redevelopment, Inc.

## ***SOURCES OF REVENUE COMMITTED TO EXISTING HOUSING TRUST FUNDS***

Dedicated funding sources for a housing trust fund usually come from one or more housing or development-related activity. Listed below are several funding sources already enacted for the 80-plus operational HTFs across the country.

While the list contains rather conventional funding sources, some local governments have proposed (but not approved) funding sources ranging from using unclaimed lottery winnings and utility deposits to a surcharge on greens fees or movie ticket sales.

For additional information on funding sources, contact the Housing Trust Fund Project at (310) 833-4249.

### **Development Ordinances, Fees, or Taxes**

- Linkage programs
- Inclusionary zoning fees
- Preservation programs
- Condominium/cooperative conservation programs

### **Real Estate or Development Activity**

- Real estate transfer taxes
- Document recording fees

- Sale or lease of city-owned property
- Real estate property tax
- Real estate tax increment funds
- Hotel/motel tax
- Restaurant tax
- Windfall sale profit tax
- Interest on application deposits

### **Government Programs**

- Loan repayments
- CDBG program income
- Bond revenue or surplus funds
- Unclaimed, unnamed property funds
- Unclaimed rent overpayments

### **Market-Based Revenue**

- Interest from real estate escrow accounts
- Interest from tenant security deposits
- Voluntary state income tax check-off
- Interest on title accounts

### **Miscellaneous**

- Mineral extraction revenue
- Sales tax

---

# Mutual Housing Offers Rental Convenience With Flexibility, Rights of Ownership

Mutual housing is an innovative housing option for very-low- and low-income households by providing many of the advantages of homeownership to families that prefer to rent. It offers a blending of public, private, and resident financial resources to create a long-term housing community for very-low- to moderate-income residents.

For many households, the costs of homeownership are beyond their reach, or they prefer renting because the workload of homeownership can become a burden. This can be especially true for single parents, very-low- and low-income two-parent families, the physically challenged, or fixed-income elderly.

The mutual housing concept is fairly simple. The building is owned by a non-profit organization but managed and maintained by a tenant-appointed board of directors. Also, a tenants' association screens and selects new tenants. Rent payments, structured to keep the units affordable to very-low- and low-income families, are paid to the nonprofit. In addition, mutual housing offers lifetime tenancy rights and a more stable community than traditional rental housing.

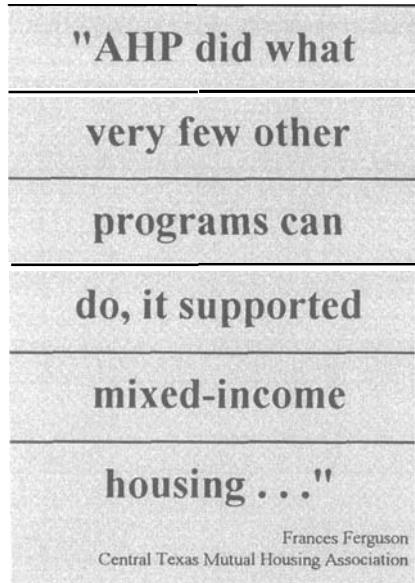
In traditional marketplace rental properties, rents are keyed to costs, not community needs. This reliance on market forces often results in frequent changes in ownership and management, followed by the uncertainty

among tenants of rent increases and the new owner's commitment to acceptable levels of maintenance. In addition, tenants have no voice in the selection of future tenants.

The mutual housing concept removes much of this uncertainty, replacing it with long-term, stable management. But most important to very-low- and low-income tenants, mutual housing members have the right to occupy a unit for the life of the unit, as long as rent payments are up-to-date.

This lifetime-occupancy right benefits both the rental property and the community because it results in an attitude of "ownership" by the tenant. This, in turn, fosters a commitment by the tenant to the community, producing a much lower turnover rate than for a traditional rental property and creating an interest in the success of the property, and of the neighborhood at large. In short, mutual housing provides most of the benefits of home-

ownership -- a stable cost structure, resident/community interaction, and long-term tenure -- for the cost of renting. Yet, the financial risk is appropriate for very-low- and low-income households who are protected from the fluctuations and cost of resale, or the risk and cost of long-term maintenance. Mutual housing members can plan for steady monthly housing costs, and in some cases, build up a refundable membership deposit, which can be used toward



homeownership when they are financially stronger.

### PROGRAM EXAMPLES

The AHP has assisted 18 mutual housing projects since 1990, providing \$5.5 million in subsidies to create or rehabilitate 1,919 affordable housing units across the country. In Texas alone, more than \$1 million in AHP funding has helped create 288 units of affordable housing.

In Austin, the Central Texas Mutual Housing Association (CTMHA) used a \$561,375 subsidy to help purchase the St. Elmo Villa Apartments, a 148-unit group of one-, two-, three-, and four-bedroom garden apartments. The AHP subsidy to the \$1.7 million project will allow households at or below 50 percent of the city's median family income to rent an apartment for \$255-\$404, depending on family and apartment size. Market rates for the same apartments without the AHP subsidy would be \$303-\$504. Austin's median family income ranges from \$26,000 for a single-person household up to \$43,200 for a family of six.

In a second Texas project, CTMHA used a \$525,000 AHP subsidy to purchase for \$3.3 million the 140-unit Buckingham Duplexes project, also in Austin, from the Resolution Trust Corporation. The two- and three-bedroom duplexes will rent for \$402-\$489.

Frances Ferguson, executive director of the CTMHA, said the AHP was critical in developing both Austin projects because it allowed the organization to develop mixed-

income properties and not properties for residents within a single category of income.

"AHP did what very few other programs can do, it supported mixed-income housing," Ferguson stated. "This is critical to the strategic housing health of our community [because] it destigmatizes residents of very-low-income housing."

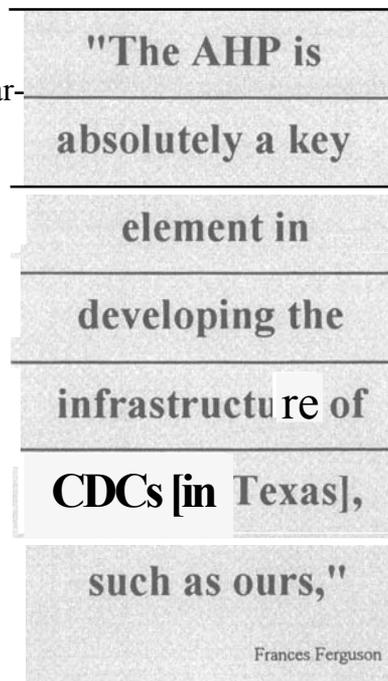
The AHP's flexibility in accepting the income certification rules of other Federal agencies is also a major benefit, she added. "It's a little chameleon, like that."

Ferguson was also impressed with the AHP's low administrative costs and use for building local community development corporations (CDCs).

"The AHP is absolutely a key element in developing the infrastructure of CDCs [in Texas], such as ours," she said.

Another mutual housing project using AHP funding involved building duplexes 14 for low- to moderate-income residents of Ithaca, New York in 1991. This project used both a subsidized advance of \$179,000 and a direct subsidy of \$242,000 from the Citizen's Savings Bank of Ithaca to construct 28 one-, two-, three-, and four-bedroom units on a vacant city-owned one-block-square site in the City of Ithaca. The project received

financing at 4 percent for 12 years, rather than the then-prevalent rate of 11 percent for 20 years. Rents at the project are \$150-\$250. The \$1.153 million project was sponsored by the Mutual Housing Association of Tompkins County, Inc., and was completed with additional finding from the city, a Community Development Block Grant, the Neighborhood Reinvestment Corporation, and the State's housing finance agency.



very-

A final example of a mutual housing organization using the AHP occurred also in 1991 when American Savings Bank of Irvine, California, used an AHP direct subsidy of \$372,652 to help build a 44-unit mutual housing apartment complex in Sacramento. The \$3.2 million project, named Norwood Estates, consists of 24 three-bedroom units and 20 two-bedroom units for very-low- and low-income households. The complex, on a 2.2 acre site in the northern section of the city, includes a daycare facility, recreation area, and 2,300-square-foot community center. The apartments rent for \$410-\$528. Additional loans and grants for the project came from American Savings Bank, Low-Income Housing Tax Credits, the State housing finance agency, the Neighborhood Reinvestment Corporation, Midland Mortgage Company, and the Sacramento Mutual Housing Association, which also owns the complex and was the project's sponsor.

## ANNUAL REPORT ON LOW-INCOME HOUSING NOW AVAILABLE

The Federal Housing Finance Board's "1993 Report on the Low-Income Housing and Community Development Activities of the Federal Home Loan Bank System" is now available.

This report reviews the progress and results of the Affordable Housing Program, the Community Investment Program, and the Community Support Program for 1993. The report also lists the accomplishments, highlights, and recommendations of the Affordable Housing Advisory Council of each Federal Home Loan Bank.

Copies can be obtained by contacting Dennis McGee at (202)408-2810.

## RESOURCES

"A Summary of Revenue Sources Committed to Existing Housing Trust Funds" (32 pp., March 1994) is available from the **Housing Trust Fund Project**, 570 Shepard Street, San Pedro, CA 90731, (310) 833-4249. Free to community nonprofits, \$6 to others.

The **Institute for Community Economics** has begun a newsletter to focus on news of community land trusts and issues concerning community-based development. For additional information contact ICE, 57 School Street, Springfield MA, 01105-1331, or call (413)746-8660.

The **Neighborhood Reinvestment Training Institute** offers three self-teaching workbooks on loans, written in clear, nontechnical language. "Loan Origination," "Loan Underwriting," and "Loan Closing" are designed for the lending staff and volunteers of community-based organizations. The publications are free to network organizations. Others may order (\$10

each, or \$25 for the set) by contacting Gary Askerooth, Neighborhood Reinvestment Corporation, 1325 G Street NW, Washington, DC 20005.

A new report from the **Department of Housing and Urban Development (HUD)** assesses the non-profit housing development process. "Nonprofit Housing: Costs and Funding, Final Report," presents a detailed framework for assessing the direct and indirect costs and funding nonprofit housing development projects. The two-volume set is available for \$8 (or \$4 for each volume separately) by contacting HUD USER, P.O. Box 6091, Rockville, MD 20850, or by calling 1-800-245-2691.

"The American Dream: Opening the Door to Credit and Ending Mortgage Discrimination" by Michael Terhorst is available from the **West Coast Consumers Union Office**, 1535 Mission Street, San Francisco, CA 94103, or by calling (415)431-6747.

---

"Fair Housing Resource Directory" is a recently published 250-page guide listing 450 public and private agencies working in the fair housing and pro-integration fields. The \$5 (for nonprofits, \$10 for others) book has a summary of each agency's activities. For more information contact **National Neighbors**, P.O. Box 9390, Washington, DC 20005, or call (202) 986-0240.

"Case Studies on Rural Community-Based Development" (\$4) describes 14 rural programs providing capital, economic development, jobs, and improvement of a community's physical and social infrastructure. For more information contact the **Community Information Exchange**, Suite 710, 1029 Vermont Avenue NW, Washington, D.C. 20005-3517.

The **Housing Assistance Council (HAC)** has recently published "Environmental Concerns in Choosing a Site for Rural Housing Development," which provides information on how to avoid or deal with building sites that may contain environmental problems. The publication is available from HAC for \$4 prepaid. For more information contact the HAC, Suite 606, 1025 Vermont Avenue NW, Washington, DC 20005, or call (202)842-8600.

"Choosing the Right Bank: An Investment in Your Community," (\$10) published by the **American Bar Association Commission on Homelessness and Poverty**, offers assistance to consumers in evaluating the community reinvestment activities of banks and thrifts. For more information contact the ABA Commission on Homelessness and Poverty, 1800 M Street NW, Washington, DC 20036, or call (202) 331-2291.

**The Social Compact Between Financial Services Institutions and America's Neighborhoods**, has available a how-to resource guide that provides case studies of successful community and economic development programs for low- and moderate-income markets. The guide also provides contact information on almost 300 neighborhood organizations and their financial supporters that participated in a recent national awards competition. For more information on the guide, contact Social Compact at (202)686-9190.

The **Housing Assistance Council (HAC)** announces two new publications. "State Data Sheets: An Overview of Poverty," and "Housing Data from the

1990 Census" list selected housing populations, and poverty data for the U.S. and each of the 50 states. For more information contact HAC, Suite 606, 1025 Vermont Avenue NW, Washington DC 20005, or call (202)842-8600.

"Catalog and Directory of Community Reinvestment Agreements" has recently been published by the **National Community Reinvestment Coalition (NCRC)**. The \$25 directory contains more than 250 CRA agreements negotiated since 1977. It is organized by state, community organization, and lender, and also contains a directory of CRA advocacy organizations. For more information contact the NCRC, Suite 1010, 1875 Connecticut Avenue NW, Washington, DC 20009, or call (202)986-7898.

The **New York State Rural Housing Coalition (NYSRHC)** has published a book on how to design affordable housing in rural areas. The publication is intended for professionals who develop, build and manage both single-family and multifamily affordable housing. For more information on this \$5 book, contact NYSRHC, 350 Northern Boulevard, Albany, NY 12204, or call (518) 434-1314.

"From the Grassroots: Results of 8 Rural Self-Development Efforts," by Gary Green, Jan Flora, Cornelia Flora, and Frederick Schmidt (38 pp) is available without cost from the **U.S. Department of Agriculture's** Economic Research Service. For more information on this book and related publications, contact Government and Development Policy Section, Room 328P, 1301 New York Ave NW, Washington DC 20005-4788.

**The National Association of Home Builders** has published two books on low-cost housing, "Building with Alternatives to Lumber and Plywood" (\$16) and "Cost-Effective Home Building: A Design and Construction Handbook" (\$20). For more information contact NAHB, 15th and M Streets NW, Washington, D.C. 20005, or call (202)822-0200.

"Affordable Housing: A Missing Link" (\$10) identifies causes of runaway housing prices. For more information contact the **Center for Public Dialogue**, 10615 Brunswick Avenue, Kensington, MD 20895, or call (301)933-0277.

---

**Building Blocks is published quarterly by the Federal Housing Finance Board, Housing Finance Directorate, 5th Floor, 1777 F Street, N.W., Washington, D.C. 20006. The telephone number is (202) 408-2810.**

---