

A ROLE FOR CAPITAL GRANTS?

Affordable Rentals: Testing New Financing for Very Poor Americans

BY C.J. EISENBARTH HAGER AND FRANCES FERGUSON

America's housing-construction toolboxes are busier than ever, as the housing boom continues. Yet the project-financing toolbox for rental construction has not kept pace. Its contents vary greatly depending on residents' income. In fact, for America's poorest families, otherwise known as extremely low-income families, the project-financing toolbox is nearly empty.

Take Village by the Park in Northglenn, Colorado, for example. Its 286 one- and two-bedroom units were bought recently by **Thistle Community Housing**, a NeighborWorks® organization based in Boulder. Finding the right tools for its acquisition and rehabilitation was difficult.

"The challenge," said Aaron Miripol, Thistle's executive director, "was getting enough grants so that we could make it affordable for extremely low-income families. Loans won't make it happen. Very low-interest loans, like the ones we were able to find, help, but you can't completely close the affordability gap without grants."

Thistle is committed to ending the growing displacement of Front Range residents who can no longer afford to live there – working families, single parents, seniors, and people with disabilities – by acquiring, renovating, and building quality, affordable rental and home-

ownership opportunities.

To make Village by the Park affordable, Thistle had to draw on seven different sources of funding, totaling more than \$13 million in loans, some of which were low-interest bond financed, and more than \$600,000 in grants, including \$240,000 from a special congressional appropriation to NeighborWorks® America for extremely low-income multifamily rentals.

The result was a 280-apartment community for low- and moderate-income families, with six apartment homes reserved for extremely low-income families, those earning less than 30 percent of the area median.

"The affordability has provided stability for the residents," Miripol said, "especially the extremely low-income families. Stability with the extremely low-income families leads to greater stability in the property overall."



NeighborWorks® Demonstration

The \$240,000 grant from NeighborWorks® America is part of a three-year demonstration, specially supported by Congress, in response to a shortage of available, affordable rental housing across the nation. The demonstration in effect has provided organizations in the NeighborWorks® network with an extra project-financing tool – an up-front capital grant – in addressing the housing needs of extremely low-income families.

From 2002 to 2004, Congress awarded NeighborWorks® America approximately \$5 million each year to make grants to NeighborWorks® members so they could develop attractive and sustainable rental properties with some apartments made affordable to extremely low-income families.

“The Corporation has been successfully producing mixed-income affordable rental housing,” Congress said in setting up the demonstration. “There is a substantial shortage of available, affordable housing for extremely low-income families, and the conferees urge the Corporation to continue its efforts to meet the housing needs of these families.”

With the special congressional funding, NeighborWorks® America to date has provided more than \$12.3 million in mixed-income affordable rental grants to NeighborWorks® organizations that have developed 45 properties providing rental homes for a total of 3,291 families. Of these, 365 apartment homes are affordable to extremely low-income families.

More than half the developments are new construction projects, with 29 percent acquisition and rehabilitation of existing properties. The remainder are existing NeighborWorks® properties that needed rehabilitation and/or refinancing to be able to target extremely low-income households.

The average income for an extremely low-income family is \$12,794, and the average rent they pay is \$261. The result is a rent burden that averages 24 percent of a family’s



After almost two years at Trails at Vintage Creek Apartments, Malike Hunter (here, with children Chris and Chrisha), who was formerly homeless, is working as a home health aide, taking classes, and saving to open her own business.

COURTESY FOUNDATION COMMUNITIES

income – a level of affordability that makes feasible the other critical expenses of life: taxes, utilities, food, health care, transportation, clothing.

As implemented, the special funding produced some startling results. If applied to federal housing policy, they could change the way the federal government funds affordable rental housing for America’s poorest families. The results also showed we have a long way to go in housing the very poor.

Leveraging Capital Grants

Perhaps the most remarkable finding was that Section 8 rental assistance vouchers weren’t needed for affordability at many participating properties.

In many markets, participating NeighborWorks® network members were able to structure financing for properties that housed extremely low-income families without an on-going rental assistance subsidy. Such an arrangement worked well in more-affordable markets like Grand Junction, Colorado; Houston, Texas; and Ravenna, Ohio.

NeighborWorks® America, in administering the special funding, set a capital grant limit of \$40,000 per extremely low-income unit. Participating NeighborWorks® members were able to work within this limit; in 2004, the average grant was less than \$32,000 per unit.

More than two-thirds of the awardees in 2004 were able



to structure their properties without needing Section 8 vouchers to help pay the rent for extremely low-income families.

In high-cost markets, however, such as Boston or San Jose, Section 8 vouchers still are needed to enable extremely low-income families to afford even the reduced levels of rent. Rental assistance programs close the gap between what a resident can afford and what an owner needs in rent to cover operating expenses, capital needs, and mortgage payments.

Shifting the subsidy to an up-front capital grant may in fact be a more economical way to reach these households in some markets..

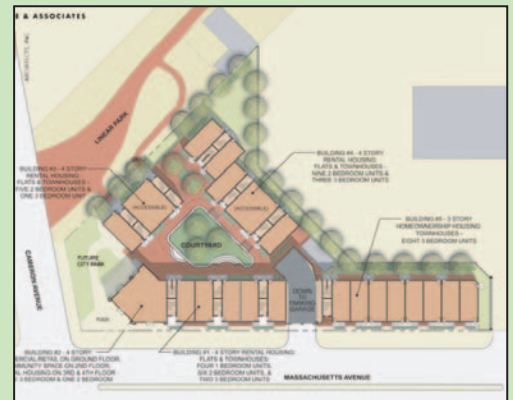
According to the U.S. Department of Housing and Urban Development, the average monthly voucher assistance payment in 2003 was \$517 – or a little more than \$6,200 a year.¹ In six and a half years, the accumulated voucher payments on a single unit would exceed the \$40,000 NeighborWorks® capital grant. Thus, if the subsidy were converted from a monthly payment to a one-time grant, the unit could stay affordable for years, while achieving greater efficiency in public spending.

The special congressional funding also highlights gaps in the current affordable housing finance system. The current system excels at providing housing assistance for moderate-income families, defined as those earning

ENHANCING A NEIGHBORHOOD

In Cambridge, Massachusetts, **Cambridge Neighborhood Apartment & Housing Services** (CNAHS) is turning a former storage facility for Massachusetts Bay Transit Authority (MBTA) electrical buses into a 40-unit, new-construction, affordable rental and homeownership housing development called Trolley Square. The mixed-use development will include 32 rental units (four one-bedroom, 22 two-bedroom, and six three-bedroom), and eight homeownership three-bedroom units. An additional 2,800 square feet of commercial/community space, a below-grade parking garage, and 4,100 square feet of open space will also be designed. Residents in the rental units will benefit from a project-based subsidy. Households will have incomes of less than 60 percent of the area median.

Seventeen units will be made available to households at less than 30 percent of the median through a \$640,000 grant from NeighborWorks® America. Of the eight homeownership units, five will be reserved for families at less than 80 percent of the median AMI and three for less than 90 percent of the median. Durable and resource-efficient materials will be used for exterior siding, cabinets, doors, hardware, and flooring. Energy Star-rated lighting and appliances, insulated doors, energy efficient Low E windows, will be incorporated. Trolley Square will also include additional conservation and “green” measures in a number of areas. CNAHS closed on the property in April and began construction shortly thereafter. Occupancy is scheduled for spring 2006.



Turning a trolley barn into affordable housing.

COURTESY CAMBRIDGE NEIGHBORHOOD APARTMENT & HOUSING SERVICES



between 50 percent and 80 percent of the area median. The funding levels may not be adequate, but the tools at least are in place.

HOME and the Low Income Housing Tax Credit are excellent resources for modestly priced rental homes, but they generally don't reach extremely low-income families. Most jurisdictions use HOME funding to support homeownership, or for loans for rental development or rehabilitation, which typically aren't affordable for extremely low-income families. Low Income Housing Tax Credits focus on families with 50 to 60 percent of area median income.

However, if a developer wants to house extremely low-income families, the project-financing toolbox is virtually empty. Section 8 vouchers are the primary federal tool. Sixty-nine percent of the vouchers are used by extremely low-income families, according to the U.S. Department of Housing and Urban Development.

Conclusion

The mixed-income demonstration has proved that capital grants can produce important results in providing affordable housing for the very poor. The special funding has helped NeighborWorks® organizations build safe and affordable homes for America's poorest residents in high-quality, mixed-income properties and neighborhoods – reversing historical trends of concentrating poverty.

With the security of a stable and affordable home, along with resident services made available by the owners, these families have gained a chance to build a better future.

In Austin, Texas, for example, extremely low-income families fill 14 of the 40 units at **Foundation Communities'** Daffodil Apartments. Eighty-eight percent have maintained or increased their access to health care; half have increased their income through better employment and have completed a financial literacy course.

A STEP IN REVITALIZING A DOWNTOWN

In Roseburg, Oregon, **Umpqua CDC**, renovated the empty, 95-year-old Grand Hotel into the 37-unit Grand Apartments, which includes two units for extremely low-income families.

"Our goal was to revitalize downtown Roseburg," says Umpqua Executive Director Betty Tamm. "We wanted to bring residents into the town to encourage more of a 24/7 economy."

The city of Roseburg convinced Umpqua CDC to take the property. Fortunately, an unspent \$250,000 grant from the Federal Home Loan Bank of Seattle accompanied the property. Umpqua also inherited a number of challenges, including damage from a 1959 dynamite explosion; a foundation unable to accommodate the added weight of two stories added in 1919; negotiations with the Department of the Interior regarding historic compliance; and many layers of asbestos flooring.

The financing was equally complicated. In all, Umpqua secured grants and loans from 10 sources, including Low Income Housing Tax Credits, Historic Tax Credits, Pacific Power, Cow Creek Band of Umpqua Indians, and NeighborWorks® America. "NeighborWorks® America's grant allows us to serve extremely low-income families," Tamm says.

The renovated Grand Apartments opened in late 2004. Residents include young single mothers, working individuals, seniors and veterans. Other buildings near the Grand now are being renovated, and the Grand is again the talk of the town.



Reclaiming a downtown landmark.

COURTESY UMPQUA CDC

At Trails at Vintage Creek Apartments, another Foundation Communities' property, extremely low-income families account for 21 of the 200 units. All have maintained or increased their access to health care, and 38 percent have increased their level of education.

In Nampa, Idaho, extremely low-income families take up 10 of the 72 units at NHS Inc. of Boise's Gateway Crossing. After the NHS's acquisition and rehabilitation of the property, the neighborhood saw a drop in crime. Police calls from the neighborhood dropped from more than 300 a year to a handful. NHS helped start a neighborhood watch program, which caused this remarkable drop in crime.

"One of our greatest success stories at Gateway," said Lisa Leiby, NHS's director of finance, "involved a woman recently released from prison and her four children. Her children have just bloomed. They have

been successful to the point that Girl Scouts had the mother and the oldest daughter speak to a crowd of 300. Both mother and daughter displayed new-found self-esteem and pride." ■

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Endnotes

¹ <http://www.hud.gov/offices/pih/programs/hcv/fvp/wponfvp.pdf>

² *America's Working Communities and the Impact of Multifamily Housing*, Alexander von Hoffman, Eric Belsky, James DeNormandie, and Rachel Bratt, 2004.

THE POLICY OUTLOOK

While the current federal fiscal environment is challenging, as Congress considers various pieces of housing legislation, a priority could be placed on replicating the principles of the mixed-income and extremely low-income outcomes achieved by the NeighborWorks® America congressional set-aside:

- ▶ Upfront grants to reach households without needing rental assistance, such as Section 8;
- ▶ Mixed-income properties to avoid concentrating poverty; and
- ▶ Sustainable financing – supporting adequate replacement reserves, asset management fees, and resident support to residents in building their personal assets and moving toward homeownership.

Here are a few things we could do to encourage the development of housing that is affordable to extremely low-income families.

The current programmatic toolbox actually works against extremely low-income families and makes "mixed-income" properties that include these households very difficult to develop. Broadening the mission of the Low Income Housing Tax

Credit (LIHTC) Program to more specifically achieve its original intent – mixed-income properties, and therefore its programmatic reach, could make reaching extremely low-income families a little easier.

A good example of broadening its mission involves the LIHTC Program's use of a "qualified unit." Currently, a unit qualifies for a tax credit if it is affordable at 60 percent or less of the area median income.

Additional subsidies then are needed to make the provision of extremely low-income units financially feasible. In order to reach extremely low-income households through the internal subsidy within a property, a development would need some market-rate units, which do not currently qualify for a tax credit.

Perhaps the low-income housing tax credit could be made more flexible, while retaining its focus on low-income households, by allowing tax credits on some unrestricted (i.e., market-rate) units in exchange for a commitment to reserve a small percent of units for extremely low income residents.

Federal and state programs also need to encourage sustainability – that is, developing a property for the long term, not just for a few years.

Developers can easily develop properties with the short term in mind – ignoring a property's lifecycle, such as needing a new furnace in 10 years, or a new roof in 15 years.

Properties that are financially structured for the long term at the outset are less likely to need further governmental assistance in the future. However, there are no incentives for such forward thinking in the current project-financing toolbox.

Lastly, as a homeownership society, we need to acknowledge that living near a poor family will not prima facie bring down our property values.

As home equity is the prime repository of most American's wealth, many – including those of us in the affordable housing industry – worry how our neighbors will influence our property value. According to a study by the Joint Center for Housing Studies at Harvard University, a majority of Americans live in mixed-income neighborhoods, where up to 11 percent of the residents are living in poverty.

Over the course of three decades, the vast majority of these neighborhoods have been economically healthy; with home values and incomes increasing year after year.²

MONTGOMERY COUNTY, MARYLAND

Preserving Income Diversity in a Hot Suburban Market

BY C.J. EISENBARTH HAGER

Like other residents of 50-year-old Pembridge Square Apartments in Wheaton, Maryland, Joel Araneda Vargas, Monica Martínez-Parra, and their two children moved to the property because it was affordable.

In exchange for affordability, however, Pembridge residents had to endure unreliable heat, crime, drugs, graffiti, and gangs. In Montgomery County, where the fair market rent for a two-bedroom apartment is \$1,187, Pembridge was one of the only affordable options.

Then, in 2002, things changed dramatically for Vargas and the other Pembridge residents. **Montgomery Housing Partnership** (MHP), a NeighborWorks® organization in Wheaton, purchased the 133-unit property, began rehabilitation, and opened up its Community Life Program to the residents.



[top] Homeowners **Monica Martínez-Parra** and **Joel Araneda Vargas**

[bottom] **Pembridge Square Apartments**
COURTESY MONTGOMERY HOUSING PARTNERSHIP

The \$40,000-a-unit rehabilitation brought new kitchens, bathrooms, carpeting, heating systems, windows, improved security, and community facilities. MHP's Community Life Program offered a pre-school program, homework club, and summer camp, as well as courses in English as a second language, computer training, and financial literacy.

Today, the Pembridge provides efficiencies and one-, two-, and three-bedroom apartment homes for extremely low-, low- and moderate-income families in suburban Washington, D.C.

To help support the extremely low-income families, Pembridge has 20 project-based Section 8 vouchers. MHP also received a \$240,000 from

a special congressional appropriation to NeighborWorks® America to develop rental homes for extremely low-income families. The grant helped convert a former basement into a community facility with a pre-school, computer-learning center, community space, and kitchen.

Key Resident Services

Vargas was one of the first Pembridge residents to enroll in MHP's individual development account (IDA) program. The Vargas family had fled their native Chile to escape the Pinochet dictatorship, sought refuge in Brazil for more than 20 years, and eventually immigrated to the United States and Pembridge Square.

Vargas worked several jobs, including working as a day laborer. Others in his family worked low-paying, yet steady jobs. The family saved their hard-earned dollars, which were matched by MHP's IDA program at a 3:1 ratio. Their IDA savings and hard work, combined with financial literacy and homeownership classes, helped the Vargas family purchase a home.

Pembridge provided MHP an opportunity to preserve affordability in a community experiencing great change. Pembridge was an \$18 million project, including the \$7 million acquisition cost.

"Pembridge Square Apartments helps ensure that our low- and middle-income neighbors are not pushed out of the community, preserving the rich diversity of Wheaton," said Robert Goldman, MHP's executive director.

NeighborWorks® America CEO Kenneth D. Wade, speaking at Pembridge's opening ceremony, applauded the development for providing "more than new buildings with fresh paint. Having a safe, stable place to call home improves the quality of life, job retention, and access to higher education." Wade was quoted in the *Montgomery County Gazette*.

Since MHP purchased Pembridge, life has improved for its residents. Police calls are down by 26 percent. The homework club serves about 50 children. The students' academic performance has improved by an average of 1.5 years on word recognition and 1.7 years on passage comprehension.

The Vargas family, now no longer residents of Pembridge, credits the services and support of MHP's Community Life Program with helping them improve their lives.

Later this year, the family will celebrate their first anniversary as homeowners – and a powerful sense of accomplishment, ownership, and fulfillment. They said they finally have a place for their family. ■

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Completing Library Square, a 46-unit rental development for low-income seniors in Mandan, North Dakota, took commitment and persistence, but NeighborWorks® affiliate **CommunityWorks North Dakota** and its partners had enough of both, it turned out, to overcome all the obstacles.

They included a major environmental problem, a seven-year timeline, cost over-runs, and a many-layered financing package. Along the way, CommunityWorks and its partners also triumphed over a polluting railroad, helped set a vision for a revitalized downtown Mandan, and won a major state housing award.

Paul Rechlin, executive director of the organization, was asked what was most difficult. “Everything,” he said, with a good-natured laugh.

For its work on Library Square, the North Dakota Housing Finance Agency (NDHFA) honored the network organization with the 2004 Housing Production Award, which recognizes the development of affordable housing. As noted in the presentation of the award, the \$5 million Library Square complex was not only designed to increase the supply of affordable housing but also to stimulate revitalization efforts in downtown Mandan.

The financing included a \$200,000 grant from a special congressional appropriation to NeighborWorks® America to help develop rentals for extremely low-income (ELI) residents. In Library Square, five of the units are reserved for these individuals.

“We couldn’t have done it without the funds from the Corporation,” said Rechlin. “The grant enabled us to fill a gap in the project’s financing and to complete construction and firm up the property’s financing.”

Environmental Challenges

City administrators and CommunityWorks and its partner MetroPlains Developers LLC wanted Library Square to retain the 1920s architectural style of its downtown location. They also wanted it to be a showpiece project for the community. While the project did achieve those goals, several obstacles lined the road to success.

The primary one was the discovery of plumes – pools of spilled, railroad diesel fuel that had been sitting underground on the water table since the 1950s. In fact, the city’s central business district contains five different plume areas, which have, over the last 20 years or so, wreaked havoc on the city’s redevelopment plans. Their most recent victim was the original vision for Library Square.

Long before the days of environmental reviews and the Environmental Protection Agency (EPA), the south side of downtown Mandan was the site of a refueling station for railroad locomotives. As the city discovered in the mid-1980s, when it started to build a new law-enforcement center, the remains of the diesel fuel spillage were significant.

As City Administrator Jim Neubauer explained, “Our crews were digging an elevator shaft for the building, and it just came up out of the ground. Apparently the fuel had entered ground water and moved around on the surface. Before they could put in the elevator shaft, and the rest of the building, 35,000 gallons of diesel fuel had to be pumped out.”

Because of the plume’s presence, the future of downtown Mandan was uncertain. Banks wouldn’t loan money; commercial interests didn’t want to relocate there; business owners didn’t want to make any further investments; and people didn’t want to live there.

MANDAN, NORTH DAKOTA

Using Housing for Seniors in Revitalizing Downtown

BY JANIS K. OPPELT



CommunityWorks North Dakota’s award-winning Library Square.

COURTESY COMMUNITYWORKS NORTH DAKOTA

Over the next several years, the city tackled numerous issues to resolve the problem, including environmental reviews and a successful lawsuit against the offending railroad. The city also developed and launched a \$14 million redevelopment project that included goals for housing. Library Square is a cornerstone of that project.

Joint Efforts

In the late 1990s, CommunityWorks and its partner began looking for a downtown site for a mixed-use development of housing and commercial space. They found the location that would fit the bill in an historical library, which the city owned, and several adjacent lots.

“The site was ideal because it was downtown and close to all the services residents needed,” said Rechlin. “Our initial vision was to incorporate new construction with the old library.”

However, part of the plan fell through. The city couldn’t decide what it wanted to do with the library and so, in 2002, CommunityWorks ended up purchasing only the adjacent lots. Interestingly, the network organization purchased these sites because a small corner of the southwest side of the Library Square lot was contaminated.

As Rechlin said, “One reason we chose this site was the downtown location. Another thing that appealed to us was that we knew there was an environmental problem. At the time, there was this sense that the city had no future and that development was impossible. We chose the site with the intention to successfully overcome the issues and demonstrate to the community that it was possible. It was critical to get this passed.”

Through the support of the city, the state (including the Health Department), NDHFA, Fannie Mae’s partnership office, HUD, and the state congressional delegation, Community-

Works finally obtained all of the official documents needed to release it and its investors from liability. This included a “comfort letter” from the EPA, a “no-association” letter from the health department, and an indemnification from the city.

The state health department did, however, include a few construction restraints. For example, Library Square had to be built on a slab foundation, with a vapor barrier and ventilation system, and there could be no underground parking. The architect and contractor worked very closely with the state health department to make sure appropriate precautions were taken not to disturb the diesel fuel.

A big part of the financing was low-income tax credits. According to Rechlin, the organization thought it had a buyer for its tax credits, but the environmental problem had to be resolved before they would commit.

“We were 70 percent done with the building when the buyer of our tax credits bowed out,” he said. “Ultimately, we were able to overcome that because we found another purchaser, but there were still some holes in financing.”

That’s where the \$200,000 ELI grant from NeighborWorks® America came in along with another \$145,000. CommunityWorks also received \$200,000 in CDBG funding, a \$384,000 bridge loan from Fannie Mae, and a special grant of \$397,000 from HUD’s economic development initiative.

“Through the hard work of everyone,” said Sherri Arenz, CommunityWorks’ housing program director, “we were able to convince the funders to really look at the environmental reviews and make the determination that the site was in fact buildable.”

After all was said and done, the building was completed in August 2003. In addition to providing needed affordable housing for low-income

seniors, it also set the stage for what all concerned hope is a brighter future for Mandan’s downtown.

A Vision for Mandan

When CommunityWorks finally held Library Square’s grand opening in August 2003, Ken LaMont, the city’s mayor, called it a “vision for the community” and “the beginning of where the community wants Mandan to go.”

City Administrator Jim Neubauer explains that a little further. “One of our goals is to bring more people downtown. To do that, you have to get people to live there, use the services, and get their families to visit. We have faith and confidence that the business district will come back.”

CommunityWorks hopes to add to that goal by building another affordable housing structure that it will call Library Square II. They’re also hoping that it includes a new HomeOwnership Center and offices for the organization’s staff.

If it’s anything like the first building, which was at full capacity within six months of completion, very little marketing for tenants will be required. CommunityWorks now has a waiting list of 50 qualified people.

Library Square “was something that we as an organization put a lot of time, effort and heart and soul into,” said Arenz. “We are very pleased and excited to see the effect our hard work has had on the community, as well as providing a much-needed housing option for the elderly.” ■

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BY JANIS K. OPPELT

When Lennox Chase Apartments in Raleigh, North Carolina, was honored with the 2004 Charles L. Edson Tax Credit Excellence Award by the Affordable Housing Tax Credit Coalition, it was cited as “the best special needs housing project of the year.”

Lennox Chase, a 36-unit property developed by NeighborWorks® affiliate DHIC Inc. of Raleigh, is Wake County’s first permanent supportive rental housing community with a preference for the formerly homeless. Many of its residents are in recovery from substance abuse, and many are being treated for mental health issues.

One of the special features of Lennox Chase is a full-time social worker, Ed Stelli, provided through Wake County Human Services’ Supported Housing Program. Stelli works with residents on-site and coordinates follow-up services with sponsoring agencies.

“Lennox Chase has been a great success so far,” said Natalie Connell, DHIC’s vice president of rental development. “One reason is the full-time presence of Ed Stelli. Another is the residents themselves, who have taken the initiative and developed several important programs on-site.”

There is, for example, a tenants’ advisory council, which Stelli and a core group of residents started about a month after the building was fully rented. Although the primary goal of the council is to help tenants, its existence is important for other reasons.

The advisory council discusses issues of concern to residents and presents guidelines to monthly meetings of tenants. Residents vote on the recommendations of the council. For the first year, Stelli facilitated the advisory council, then turned over its complete running to the tenants. He still attends meetings and answers pointed questions that

relate to DHIC or supportive services.

Lennox Chase is one of the NeighborWorks® rental developments that has received funding from a special congressional appropriation to NeighborWorks® America to develop rental homes for extremely low-income (ELI) families.

“This is our first ELI project to be placed in service,” Connell said. “The housing is what helps people improve other aspects of their lives, including employment and stability. If they don’t have a nice, safe and affordable place to live, it’s harder to fix the other things.”

Taking Action

Wake County’s affordable housing program focuses on individuals and families, including the homeless, with incomes of \$30,000 and less. The number of people in this income range is growing in Raleigh. They are, according to Annemarie Maiorano, the county’s community development director, “priced out” of the area’s housing market. In addition, those coming from a homeless situation have “issues that preclude them from going to stable housing.”

“We’ve noticed that the biggest leap in the step towards self-sufficiency is during that transitional stage,” Maiorano said. “People are fragile during this stage, and they need a little help to become self-sufficient. Lennox Chase is a response to that. We decided to let someone take a chance on them.”

To do this, and to cut the red tape for all, the county and city governments joined forces and issued a request for proposals for affordable rental housing. DHIC answered the call and received the contract.

However, as DHIC’s Connell said, “We had to put lots of layers of financing into the development to make it affordable.”

The layers included a \$600,000 loan from the city of Raleigh, which

RALEIGH, NORTH CAROLINA

Supporting the Formerly Homeless in a Second Chance



DHIC’s award-winning Lennox Chase Apartments.

COURTESY DHIC INC.

DHIC has to repay only if cash flow is available, and a 2 percent loan of \$582,148 from Wake County government, with no repayment requirement. In addition to a \$321,000 grant from NeighborWorks® America, DHIC also received a \$96,747 grant from the Federal Home Loan Bank of Atlanta’s affordable housing program. Enterprise Social Investment Corp. invested \$1.5 million in the project through its purchase of low-income housing tax credits.

Lennox Chase, a 36-unit property developed by NeighborWorks® affiliate DHIC Inc. of Raleigh, is Wake County's first permanent supportive rental housing community with a preference for the formerly homeless. Many of its residents are in recovery from substance abuse, and many are being treated for mental health issues.

Home at Last

DHIC broke ground for the two-story building in early 2003, and Lennox Chase opened its doors to the first tenant in mid-November 2003. Before the end of December, Lennox Chase was fully occupied, with a waiting list. Local social service agencies referred most of the tenants, who passed through DHIC's rental application and review process.

It's the first time in a long time that many of the residents have had a place to call their own.

The building contains 36 efficiency apartments, for which tenants pay monthly rents between \$373 and \$425. There's one two-bedroom apartment where the resident manager, Pam Williams, lives rent-free. By arrangement with DHIC, she performs various as-needed tasks.

The majority of the tenants, mostly African Americans, with half as many Caucasians and one Native American, are all in their 40s. Some are employed full-time (an average of 30 hours a week), earning an average annual income of \$11,670. Others receive disability or VA benefits.

Providing Support

"We hope that this will be the first of many housing complexes of this nature," said Ed Stelli, "a lot is riding on the success of Lennox Chase."

Stelli describes his roles as "giving support for tenants, listening to people's troubles, giving advice, helping with budgeting, troubleshooting, and making referrals to other needed services."

"I try to keep a handle on people who are in recovery," he said, "to ensure that they're staying clean and sober and attending their NA and AA meetings. I intervene when there are problems and help them get their feet on the ground so they can stabilize their lives."

Another stabilizing influence for Lennox Chase residents is Stelli's

coworker, Tommy Vassar, who is employed as DHIC's on-site property manager. In addition to helping with activities at the site, he often finds himself as a liaison between residents and Stelli.

As Vassar said, "Some residents are hesitant to go to Ed because they think he's a shrink, and they don't want to deal with a shrink. I explain that isn't Ed's role, and that he's there to help them solve problems, like Social Security and child support, and link them up with services."

Stelli acknowledged, "This setup is very unique and very needed, particularly for people who haven't always made the best choices. Many of the residents have not had the opportunity of living independently in quite some time. It's a learning process for them."

Some residents may call Lennox Chase home for a long time, while others use it as a springboard to help move forward in their lives.

Take, for example, one man – a former scientist with a good income – whose life deteriorated due to mental health problems. He moved to Lennox Chase from a county-run men's shelter. He became a member of the tenants' advisory council and, as his confidence grew, realized he had the ability to deal with professionals on the "outside." He assumed the role of liaison with the community police.

After one year at Lennox Chase, he started sending out resumes. He prepared them at the on-site business center. This resulted in a phone interview with a West Coast company, which flew him out for a three-day interview. Ultimately, the company chose him for the position, and he has relocated.

This is the kind of success story that everyone likes to hear – and the ultimate goal of Lennox Chase. ■

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