



Neighborhood Reinvestment Corporation

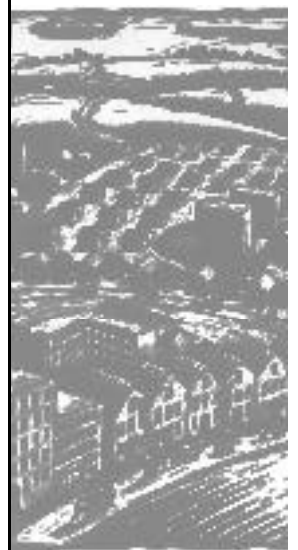
The NeighborWorks® Journal



The Vitality of America's Working Communities: Meeting the Local Challenges to Multifamily Housing

**Edited Proceedings of the
Neighborhood Reinvestment Corporation Symposium
at the NeighborWorks® Training Institute,
April 24, 2003, Chicago, Illinois.**

HOSTED BY THE NEIGHBORWORKS® MULTIFAMILY INITIATIVE



a message from the



Executive Director

On April 24, 2003, Neighborhood Reinvestment hosted the fourth national symposium on multifamily excellence, *The Vitality of America's Working Neighborhoods: Meeting the Local Challenges to Multifamily Housing*, in Chicago, Illinois. Organized by NeighborWorks® Multifamily Initiative, this symposium brought together national leaders from across the field with experienced practitioners and local leaders to examine the challenge of creating healthy neighborhoods while ensuring that all Americans, especially low-income families, could afford to live in them.

Studies show that mixed-income communities are more sustainable than communities of concentrated poverty. Therefore, we sought to explore how mixed-income communities perform over time – and how we could support more of these communities. In collaboration with Harvard's Joint Center for Housing Studies (JCHS), Neighborhood Reinvestment is honored to publish the summation of its findings along with Ellen Seidman's synopsis of the symposium where the research was first presented.

Symposium participants heard the research and explored this challenge: How can local jurisdictions find and support a balance of affordability, while ensuring the long term value and health of their neighborhoods? If we don't want concentrated poverty, then Americans who are living on low incomes must be able to find homes they can afford in healthy communities. Yet, neighbors often resist "affordable housing," fearing it will "bring crime, harm schools, or reduce property values."

To address these issues, this symposium was designed to directly learn from mayors and other city officials. Neighborhood Reinvestment greatly appreciates the National League of Cities (NLC) and the United States Conference of Mayors (USCM) in making housing a priority. We send a hearty "thank you" to our distinguished speakers, Thomas Menino, Mayor of Boston and President of the USCM, John DeStefano, Mayor of New Haven and President of the NLC, and Norman Rice, former Mayor of Seattle and CEO of the Federal Home Loan Bank of Seattle.

We found many communities throughout the country that successfully balance the ownership and rental challenge by developing public tools that creatively address this issue.

Our sincere thanks to the John D. and Catherine T. MacArthur Foundation for their generous support of the research conducted by JCHS. We also thank Fannie Mae, Freddie Mac and Bank One for their sponsorship of this symposium.

We invite you to read the findings, and feel free to contact the many remarkable pioneers who have supported the Vitality of America's Working Communities.

Sincerely,

Kenneth D. Wade
Executive Director
Neighborhood Reinvestment Corporation

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The NeighborWorks® Journal is an occasional publication of the Neighborhood Reinvestment Corporation. Its intent is to inform and instruct readers about successful strategies, practices, programs and procedures that emphasize a partnership approach to improving the economic and social well-being of families and communities. In addition, its intent is to highlight issues of growing concern to revitalizing communities and to inform readers about the work of the NeighborWorks® network and the Neighborhood Reinvestment Corporation.

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NeighborWorks® is a registered service mark for the neighborhood revitalization programs offered by the Neighborhood Reinvestment Corporation and a national network of local nonprofit organizations. It identifies the provider of those services as a member of the national NeighborWorks® network, which includes Neighborhood Housing Services of America and Neighborhood Housing Services, Mutual Housing Associations and similar community-based development organizations.

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* To obtain a copy of the complete research report, log on to the NeighborWorks® publications catalog at www.nw.org

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Symposium Summary

The Vitality of America's Working Communities: Meeting the Local Challenges to Multifamily Housing

by Ellen Seidman with assistance from Lucinda Flowers

The Neighborhood Reinvestment Corporation's 2003 multifamily housing symposium was designed to begin to explore the questions left outstanding from the 2002 symposium. If mixed-income housing that includes multifamily housing can positively contribute to our neighborhoods' social and economic well-being, why is it often so difficult to build – or rehabilitate – such housing? How can we overcome those difficulties? And what makes some communities and developers succeed while others continue to struggle?

The symposium brought together more than 250 community development leaders, elected officials, developers, planners and educators, with keynote addresses from New Haven Mayor John DeStefano, Jr., president of the National League of Cities; Boston Mayor Thomas Menino, president of the U.S. Conference of Mayors; and former Seattle Mayor Norm Rice, currently chief executive officer of the Federal Home Loan Bank of Seattle. It was organized around two sets of discussions, one involving the fit of multifamily and mixed-income housing in five very different kinds of places (ranging from inner city to rural small towns), and one involving the set of tools needed to successfully enable multifamily and mixed-income housing be a part of those places. The discussions had two critical ground rules: recognize that neighborhood concerns are real and must be faced and dealt with (i.e., no whining and complaining about NIMBYism), and find paths to success rather than obstacles that excuse failure.

America's Working Communities and the Impact of Multifamily Housing

As background and context for the symposium, the Joint Center for Housing Studies at Harvard University and Neighborhood Reinvestment Corporation prepared a paper that analyzed data from the 1970, 1990 and 2000 censuses to better understand America's "working communities" – those neighborhoods (census tracts) where the median income is between 60 and 100 percent of the median income of their metropolitan area. The paper framed seven important conclusions about working communities and the role of multifamily housing in them:

- In 2000, about 56 percent of America's population, 157 million people, lived in working communities. 68 million people, or almost 25 percent of the United States population, lived in working communities in which 10 percent or more of the housing was in multifamily units. These proportions have been roughly steady over the past 10 years, because working communities have been growing at about the same rate as the national population. However, working communities with high concentrations of multifamily housing have been growing at a faster rate than other working communities.
- Working communities with at least 10 percent of their units in multifamily housing have *higher* house values on average than working communities that are virtually all single-family housing, although the gap is closing.
- More than one-quarter of the new residences that were built in working communities during the 1990s were in multifamily buildings.
- Working communities have about the same level of poverty as the United States as a whole, and communities with multifamily housing do not have higher levels of poverty than those that are wholly single-family. In fact, working communities in which about half the units are in multifamily buildings have both more multifamily housing than do poverty areas and a higher average income (\$66,000 compared to \$53,000) than do working communities that are almost exclusively single-family.
- Working communities, like the rest of the country, are becoming more diverse, although they still have a somewhat higher percentage of whites than the country as a whole. Minorities in working communities are concentrated in central cities less than are minorities as a whole.
- Incomes are growing in working communities, but in general more slowly than in affluent communities, and frequently not fast enough to keep up with increasing house prices and rents.

- The role of multifamily housing in working communities varies depending on such factors as whether the metropolitan area is growing or shrinking and how built-up the metropolitan area is. For example, in growing areas, multifamily housing can provide housing for workers needed to fill new jobs. In all types of communities, multifamily housing can serve as the affordable stepping stone to homeownership for families with modest incomes.

As Joint Center Executive Director Nicolas Retsinas pointed out in introducing the study and the symposium, these working communities – and their affordable multifamily housing – are a vibrant and essential part of the American landscape, and all of us need to pay a good deal more attention to them.

Why Do We Need Multifamily Housing and How Do We Get It?

Mayors DeStefano and Menino set the tone for the remainder of the day, with a strong emphasis not only on the importance of communities that include affordable multifamily housing but also on how to achieve such inclusion. Mayor DeStefano focused on multifamily housing as choice:

Choice to live in a downtown that's exciting, that's fun, that's close to work.

Choice to live in decent, safe, affordable housing for some families.

Choice to live in a supportive environment because of health, lifestyle or economic reasons. And choice to use land in a sensible fashion so we don't sprawl out, and we take advantage of that city.

But, he said, "in order to accomplish any of the hard things in life, we have to work together. The secret of multifamily housing is to build that reality."

Mayor Menino focused on the need to build a broad coalition in support of affordable multifamily housing. The lack of such housing must be seen as a national economic issue, in which jobs are going begging because workers, including professional workers, cannot get housing they can afford where the jobs are; in which senior citizens cannot grow old in their communities and their children cannot afford to live there either; in which children are sick and

can't learn because they are growing up in a constantly changing series of unhealthy environments because their parents cannot find the "decent, safe and sanitary" housing promised in the Housing Act of 1949. If we can bring together those who care about these other issues – jobs and economic growth, seniors, health, education – we can add immeasurably to the advocates for affordable multifamily housing. Mayor Menino had two further pieces of advice:

We must include smart growth concepts in the conversation about housing because "poorly planned development is a common enemy of cities and suburbs alike, because it sucks the life out of the core cities and ruins the countryside."

"The best way to build [affordable] housing is to create mixed-use development and design the buildings so that they compliment and strengthen the neighborhoods."

The Morning – Similar Issues in Five Different Places

The five morning discussions, led by panels that included elected officials, developers, advocates, and consultants, explored the role of multifamily housing in inner cities, inner ring suburbs, new growth suburbs, affluent suburbs, and rural small cities and towns. Although much of the discussion focused on new construction of affordable multifamily housing, in fact it was a good deal broader, encompassing multifamily housing for those at many income levels, high rise and low rise, rental and ownership, new and old, and affordable multifamily housing in the context of development that is mixed as to use, income, type of housing, and tenure.

The special geographic focus of each session took the discussions in slightly different directions. For example, the group discussing inner-ring suburbs – where much multifamily housing already exists and preservation is key – spent a good deal of time on the manner in which the density of multifamily housing can provide these communities with the comparative advantage they need to attract (or retain) those who value a sense of community close to work.

Multifamily's density can support amenities such as

public transit and quality retail outlets, and can ultimately lower residential property tax bills by increasing the retail and commercial activity. In contrast, the towns and small cities group focused on the need to plan carefully, particularly for those in the path of economic development, because the presence of open land can lead to upzoning and development without consideration of the community's character and needs.

Nevertheless, the similarities among the groups far outweighed the differences. Participants in the three suburban discussions focused on the importance of cities and towns of similar size and economic and growth patterns working together – but participants in all three sessions emphasized how important it

stated as a concern about crime, transportation gridlock, school overcrowding or declining property values. And there is the simple fear of change and concern about displacement: “I have no objection to this new world, but I want to be sure I can stay where I am.” Often these fears are born of lack of experience with multifamily housing. On the other hand, sometimes the fear comes of bad experience: fear of bad design, poor physical fit into the community, and bad stewardship by some owners or managers.

The groups also found common ground in how to deal with the fear. First, treat it as real. Second, communicate early and often, starting with comprehensive planning, not with proposed deals. Third, involve the existing residents at all stages,

Multifamily housing provides housing for the entire life cycle: it's the first affordable housing of students and young adults getting started in life and the last housing for seniors who want to downsize.

was to give such coalitions time to grow by successful example, rather than to try to force participation. They also talked about the importance of high quality design, which encompasses community fit, open space, desired amenities for the entire community, and effective stewardship. Those in the inner-city and rural groups focused on the importance of neighborhood and emphasized how critical it is to involve current residents in planning for the future. They also both discussed the paradox that new affordable multifamily housing can sometimes make things worse, in the inner cities by reducing density and forcing displacement of the very poorest into already-struggling neighborhoods, and in rural areas by starving the older affordable housing of financial support and its most responsible tenants.

Critical Themes

Throughout, several critical themes emerged:

Multifamily housing inspires fear, which must be met head on and addressed. Every group discussed the fear engendered by multifamily housing. Sometimes that fear is clearly expressed as a concern that people of a different race, income level, or ethnic group will move into the neighborhood. Sometimes the fear is

especially the earliest. Fourth, include advocates as well as opponents in your conversations – or else the opponents will take all the air time. Fifth, make sure the fit between the housing and the community is good; don't think just because land is or can be zoned for multifamily housing that such housing is the most appropriate use of the land. Sixth, involve the police to reduce both the fear and the reality of crime. Seventh, have and publicize examples of good multifamily housing to build and maintain trust. Take people on tours of affordable multifamily housing so they can see, feel and touch the housing and meet the residents. Eighth, tell the positive multifamily story. Finally, make new allies.

There is a positive multifamily story to tell and it needs to be told. In each group, the discussion eventually focused on why multifamily is good for communities. Two themes were expressed over and over again. First, multifamily housing provides housing for the entire life cycle: it's the first affordable housing of students and young adults getting started in life and the last housing for seniors who want to downsize or need supportive housing. If multifamily housing is affordable, it also helps young families save to become homeowners. Second, multifamily housing is critical

to the maintenance of essential services and for economic development. It is where the police and firefighters, teachers and hospital workers can afford to live. In center cities, it is where those supporting the retail and tourism industries live. In areas of high economic growth, it's how employers can be sure they will have the workers they need within a reasonable commuting distance. In fact, in this context, multifamily housing can reduce both residential property taxes and transportation congestion.

Multifamily housing's density can enable it to serve as a buffer between single-family neighborhoods and commercial areas. It can provide the needed traffic to make retail development and public transit viable. And, by more efficiently using land, energy and water, multifamily housing can enhance the environment.

We need to broaden the coalition of those supporting affordable multifamily housing, and the potential partners are there. All groups talked about both the need and opportunity to broaden the coalition of those advocating for affordable multifamily housing. When people other than the "usual suspects" are advocates, those in leadership positions tend to listen. Several of the discussions focused on employers as the most effective advocates of multifamily housing. If a community is threatened with the loss of a university or hospital because its staff can no longer find housing within a reasonable commuting distance, it is likely to listen when the university or hospital proposes to sponsor new multifamily housing. With effective leadership, the community itself, by defining multifamily housing as essential to continued provision of quality services, can become an advocate. And when a potential new employer makes it clear that choice of location will depend in part on the availability of affordable housing for workers, those who are interested in keeping the community's economy strong will listen.

Other potential members of the coalition are commercial developers, who know they need population density to make their projects successful; senior citizens groups, who know their members will need different physical surroundings as they age but who also know most seniors want to age in place; safety, health and school workers, both as people who want to live near those they serve and as people who understand how important a stable physical environment and healthy community can be to a

child growing up; and officials in similar towns and cities, who have benefited from having quality affordable multifamily housing and who understand how to accomplish the goal.

While the responsibility to bring the groups together is heavily on housing advocates, when they are successful, the results can be stunning, as in California's successful \$2.1 billion affordable housing bond issue and the follow-on \$100 million Los Angeles affordable housing trust fund.

Commitment by local officials is essential if affordable multifamily housing is to be built. Participants – including in particular the elected officials in the sessions – agreed that commitment by local leaders to making affordable multifamily housing part of their community is absolutely essential to getting the job done. And all agreed that making and keeping this commitment is hard, particularly in places that are built up and not growing economically and in the face of short election cycles. There are a series of tools that can help.

Coalitions of similar places have been successful near Seattle and around Atlanta and Chicago. These coalitions provide the opportunity to learn from each other's successes (and failures), the ability to support high-quality professional assistance (such as in developing plans, zoning and building codes that encourage multifamily that fits into the community), a structure to work together to plan for the needs of the broader area, and a certain amount of political cover, as officials in each town are strengthened by the successes in others. Getting and maintaining local commitment are also easier when there is strong state commitment to making certain all parts of the state welcome affordable housing. The state can establish rules that "tilt" toward affordable housing (such as inclusionary zoning and growth management), provide incentives suburban jurisdictions care about (such as roads), and provide cover to committed but vulnerable local officials by taking some of the most difficult decisions out of local hands. States can also require localities and regions to engage in comprehensive planning. If there is follow through, such plans can enable each succeeding generation of local officials to build on the work done previously, rather than having to refight old battles each time a proposal for affordable multifamily housing appears. Finally, all participants agreed that

getting and keeping local commitments to affordable multifamily housing would be far easier if there were true commitment at the federal level. This includes not only funding, but also rules that encourage, rather than stifle, mixed-income housing.

Affordable multifamily housing works best when it is part of something bigger. Thinking about – and building – affordable multifamily housing in isolation is not only counterproductive, it is usually futile. For multifamily to be an effective part of the community, and to be welcomed as such, it needs to be part of something bigger, both in concept and in the context of being part of a larger development. By making certain multifamily is integrated into the community as part of any comprehensive plan, and making it part of the discussions and decisions about economic development and smart growth, a community can focus on the strengths of multifamily. They can view it, for example, as housing for workers essential to the community’s health and economic development and to enable people to live in a community throughout their life cycle. Being part of such discussions means that not only will affordable housing not be ignored, but also that economic development and smart growth will not be used as barricades against it. When affordable housing, multifamily and not, is part of something larger and forced to conform to broader local standards of construction, siting and upkeep, it disappears into the broader community, paving the way for further successes.

Succeeding with Multifamily – Inspiration and Guidance from Seattle

At lunch, former Seattle Mayor Norm Rice spoke passionately about both the need for affordable multifamily housing, and how he and his city had made it happen. The case for multifamily housing, Mayor Rice said, rests on demand – the country is getting bigger and much of the growth is in sectors that do not want or cannot afford single-family homes; density – neighborhoods with multifamily housing can be full service communities, places to live, work, shop and play, and moreover are environmentally friendly; and diversity – multifamily communities provide choice, opening the door to economically, socially and racially diverse populations to live together. Moreover, because it has these characteristics, multifamily housing can promote three critically important principles: social equity,

economic opportunity, and environmental stewardship.

However, these propositions do not seem to be self-evident to the American population. Supporters must work hard to increase the acceptance of high-density development. Mayor Rice discussed two strategies that had been critical to Seattle’s success: extensive public outreach, and superior designs. It is not enough to fight opponents; supporters must get out the good news that “multifamily housing conserves land, uses municipal infrastructure more efficiently, and places less burden on local schools and transit systems.” And supporters must be vigilant to counter every piece of bad publicity with examples of success. Similarly, superior design is essential to making density attractive. “High-density developments can win favor when they have a sense of style, include open space, and are pedestrian friendly.”

Mayor Rice concluded by reminding symposium participants that “battles are constant. They have to be fought over and over again.” He urged participants to fight the battle not only in their own communities but also in national policy. Because “today we are in a battle, a battle for social equity in this country, and housing is a critical leg in making sure that equity is a reality in our lives.”

The Afternoon – Tools for Success

The afternoon took participants back into small groups to discuss the tools that can make affordable multifamily housing possible: communicating to build consensus, planning and zoning tools, funding balanced housing, partners who ensure great neighborhoods, and maintaining the trust. Building on and consolidating what they had learned in the earlier part of the day, the groups talked about what had been successful and how to expand that learning.

Although communicating to build consensus was the focus of one group, as in the morning sessions, the tight relationship between effective communication and success ran through all the sessions. Several themes were common:

Communication must involve a broad spectrum of people, including in particular current residents, likely opponents, likely advocates, and unlikely partners such as employers. It is critical to get people “out of their silos” and to encourage them to talk and work together.

Effective communication about mixed-income or multifamily development is planned, and planned early; preferably it starts as a community begins its planning process, but at the latest it starts when a developer conceives of a project, not when the project has been fully designed.

The locality, the developer and the community all have to be at the table in some form or another. Mandates that developers meet with the community may well be counterproductive if developer and community perceive this as a way for local leaders to avoid their responsibilities to help make affordable housing happen.

Communication will be most effective when legitimate concerns, such as design, maintenance, fit, traffic congestion, etc. are carefully researched and resolved, so that concerns that are more purely fear-related can be brought to the surface and dealt with head-on.

Effective communication is a long-term process. It doesn't end when a project has won approval, but continues through implementation, and after a project is built.

Effective communication is not a game of manipulation, it is a collaborative process with a known goal: to build affordable multifamily housing that fits into the community. Effective communication includes having a strategy to "choose the time and place and forum where you think you can have the highest possibility of having a constructive conversation about the real merits of your proposal."

Effective communication is a long-term process. It doesn't end when a project has won approval, but continues through implementation, and in some form should continue after a project is built, to prepare the ground for the next affordable multifamily development, no matter who the developer.

Planning is in many ways a special form of communication, and participants agreed that effective comprehensive planning that is then implemented can help reduce the need to constantly refight the same battles. While state-wide action, including tools such as inclusionary zoning and

zoning overrides, as well as court-imposed fair share requirements, can be extremely effective, a wide variety of localities across the country have also developed effective planning and zoning tools.

Chicago has enacted a local inclusionary zoning ordinance, with density bonuses.

In Austin, Texas, the SMART program (Safe, Mixed Income, Reasonably Priced, Transit-Oriented Housing) combines a requirement for affordability impact statements for all government actions with fast-tracked zoning and fee waivers for developments that meet the city's standards, and coordination with tax credits to enable really low-income families to live in mixed-income housing. Tucson, Arizona, is following suit.

Alexandria, Virginia, has a fair share program in which each of the city's five precincts takes affordable

developments on a predictable rotating basis

In Green Bay, Wisconsin, through a very open process, the city adopted a smart growth plan that focuses on downtown revitalization and affordable housing, thus taking pressure off individual developments; moreover, the city established a series of neighborhood associations that are truly part of the planning process both with developers and with the city.

Participants cautioned, however, that while a good deal of progress had been made, there were still many times and places where development of, in particular, housing affordable to low- and very-low-income households, was still a difficult uphill battle. Creative suggestions for such situations included bringing an action under the Federal False Claim Act against communities that had certified their lack of discrimination against such housing in connection with receiving federal money but had not made good on that representation.

Funding Methods

Participants pointed out that no matter how smooth the road, the process of developing affordable housing requires funding beyond what the conventional market will provide. The funding session was a robust discussion of funding methods both actual and hypothetical. Ron Terwilliger of Trammel Crow led off the discussion with a list of the multitude of ways state and local governments can ease the funding burden:

Pass, contribute or lease land through federal funds, such as CDBG, HOME and Empowerment Zone

Inclusionary zoning coupled with transferable development rights and density bonuses, which alter the development's economics by allowing more units on a given amount of land

Soft second mortgages for builders, enabling them to use less market-rate bank financing

Credit enhancements, which can reduce the cost of bank funding

Tax-increment financing, in which a portion of the increased real estate taxes that will accrue to the community from the property's improvement is capitalized to support the cost of land or development

Tax abatements, including waiver of impact and other development fees

A variety of state and local tax credits, some dedicated to special classes of affordable housing, such as workforce housing

Housing trust funds, funded through a variety of mechanisms (such as bonds in Los Angeles and a portion of the recording fee in Missouri) and used for a variety of purposes, ranging from general support of affordable housing development through fee abatement to support of very low income housing

And, recognizing that time is money in the development process, a streamlined zoning and permitting process can be considered a source of funding

The discussion uncovered many other funding techniques. Missouri has a donation credit, which provides anyone donating virtually anything to a

not-for-profit affordable housing provider to take a tax credit of 55 cents on the dollar on their state income taxes. Other techniques include encouraging universities and hospitals to donate old facilities that can be reused, primarily as housing for seniors; having a state housing finance agency lend excess reserves at low interest rates for long periods to cities for relending to affordable housing developers; rezoning to permit adaptive reuse of commercial or industrial properties for residential; and even, in fast-appreciating markets, repayable tax abatements. One of the most innovative mechanisms discussed was Albuquerque's "value latching" in which the capitalized value of increased local taxes from downtown development is being used to purchase nearby land for landbanking for affordable housing.

Importance of Partnering

The partnering session built on the "make new allies" theme of the morning sessions, with a strong emphasis on the critically important role of community policing in building the sense of security and community that is essential to making mixed-income development not only feasible but successful. The role of the police is especially important, because a concern about crime is one of the most common fears associated with multifamily or mixed-income housing. However, as several of the police representatives in the session pointed out, police usually function in a response, not a partnership mode. Moreover, the residents of many mixed- and lower-income communities are not used to trusting the police as partners. Nancy McPherson of the Portland, Oregon Police Bureau, described the importance of problem-oriented policing, which uses information about crimes to try to find the underlying cause, which might be related to, for example, lack of after-school programs for teenagers. When the police use their knowledge to truly understand what the community's problems are, and then partner with the community to solve them, communities can begin to feel secure.

But police are not the only important partners: schools that truly serve the community, with community facilities and programs for adults as well as children, also contribute to the success of a neighborhood. And churches, sports organizations such as neighborhood soccer leagues, neighborhood watch groups and local employers can be effective partners. But to be truly effective, the community and

its potential partners must work together. Prospective developers of mixed-income housing would do well to find and build on existing collaborations, rather than attempting to be, as one participant put it “the high-powered organization that comes in and tells people what they’re going to do.”

Keeping the Trust

If effective communication is the foundation tool of making mixed-income development work, then trust is the capstone that ensures that no mixed-income development will be a community’s last. If the promises made at the beginning of the relationship – of good design compatible with the community, community-oriented facilities, maintenance and stewardship – are kept, each new affordable housing development can become an example that encourages acceptance by other neighborhoods and surrounding communities. But a failure to follow through, particularly on security or maintenance, makes further affordable development far more difficult not only for a particular developer, but also for all who come afterwards. As one participant pointed out, this is not a matter only for developers; government financing agencies, such as HUD and state housing finance agencies, also have stewardship responsibilities.

Keeping the trust is, however, frequently the primary responsibility of local government, for the good management and maintenance of mixed-income properties is an issue that applies to older communities as well as new ones. Often the owners and residents of these properties do not have the resources to maintain them adequately. Participants discussed some innovative solutions. In Shaker Heights, Ohio, for example, the city partnered with the state’s green building coalition to help property owners replace heating and cooling systems with systems that cost less to maintain because they are more energy-efficient. And when a Shaker Heights property is sold, the city requires that 150 percent of the estimated amount needed to bring the property up to code is put in escrow and is not released until the city signs off on the repairs. In Orange County, California, the owner of some run-down four-plexes fixed them up when one of the cities coupled the threat of code enforcement with a credible offer by a nonprofit to buy the properties. The need to adapt properties, whether residential or commercial, built years ago to new life styles and new needs is a

critical challenge for older communities, particularly in the inner city and inner-ring suburbs. Helping a new generation of owners learn how to restore and maintain older small multifamily buildings to keep them liveable and affordable is a technique pioneered by ShoreBank in Chicago.

Participants discussed the difficult role of code enforcement for local officials. Shoreland, Washington, Mayor Scott Jepson commented, “As an elected official, code enforcement is one of those hot buttons. . . . You’re sort of damned if you do and damned if you don’t.” On the other hand, it is critically important to maintaining the trust because appearances are so important to neighborhoods and neighbors. As one participant said, “if you have a neighborhood full of cheap fiberglass and aluminum carports and your code says that’s not what we want, that’s the difficult part.” Can the states take over some of this function? Participants pointed out that not only would this reduce pressure on local elected officials, but it would also mitigate some of the problems caused by codes that vary town-to-town.

The Closing Session – What Have We Learned?

Jim Carr of the Fannie Mae Foundation opened the closing session by discussing what he had heard as he moved among most of the day’s sessions. The most striking point, he said, was the consistent discussion of fear – fear of race, income, ethnicity, class, design, siting, maintenance, and budget impact – while there was far less discussion of the benefits of multifamily housing. Carr pointed out that not only did affordable multifamily housing have the benefits cited by Mayors DeStefano, Menino and Rice in the earlier sessions, but that also it was an integral part of the American dream of homeownership: only if rental housing is affordable to families will they be able to save to become homeowners. Carr also discussed the damage, to both individuals attempting to save and to communities, of the high-priced and often predatory financial services that frequently are the only option for residents of lower-income communities.

From the afternoon tools discussions, Carr took five major points:

One cannot talk about affordable housing without also talking about diversity

Regulatory barriers and misplaced incentives can undermine even the best plans

We need better ways to share innovative housing finance approaches

Location, siting, design and, especially, maintenance are critical

We need more robust discussions about how to build support for sufficient funding for affordable housing

Lead participants from each session summarized their impressions. Mayor Scott Jepson emphasized that in most locations, symposium participants were really facing two challenges: the challenge of multifamily housing that fits in a neighborhood and the challenge of affordability. “We need to build a greater reliance on working together, working with each other,” rather than letting the “same five people” who complain at meetings of his city council every Monday night set the tone and content of the debate.

Ron Terwilliger discussed the importance of political commitment, and the role that the business community must have in correcting “this imbalance between jobs and housing, where people have to live, and how they have to commute.” Mary Sue Barrett of the Chicago-area Metropolitan Planning Council added that commitment at the state level, including incentives and threats “that are connected to some things that are in the self-interest of local communities – road building, for example,” can make a big difference in sustaining the commitment of local elected officials. Moises Loza of the Housing Assistance Council added that regional approaches, long-term plans and allies can also provide needed “cover.” Both Barrett and Loza commented on the importance of engaging and educating the community to overcome the fear factor, and of doing it early in the process. Loza reminded participants of Mayor Menino’s admonition to get involved in the smart growth debate, because “smart growth can be manipulated, intentionally or unintentionally, to where certain communities are redlined, so that there’s no affordable housing taking place.”

Denise Fairchild of the Community Development Tech Center in Los Angeles condensed the discussions she had participated in to the “Seven C’s”:

Managing Change, which in the inner city is primarily fear of dislocation

Communication: “having conversations about what

we care about, what we value, so that we pull everybody up to the same sense of worth and values”

Community building, making certain people of different incomes, classes and ages come together to build a quality neighborhood

Comprehensive planning, which enables us to change in a systematic and logical way

Commitment, which needs to be both strong and long-term

Collaboration among all participants in a neighborhood, including the police, schools and churches

Cash, which is needed not only for development, but also to support the conversations that need to precede it

Mayor Kathy Gilliland of Loveland, Colorado, focused on emotion and the need to talk to both local officials and the community about how multifamily or mixed-use housing really is going to affect them. She emphasized the need to tell the positive story: that quality affordable housing is a spur to economic development, that multifamily housing is “the entry level for your children. It’s the place for your parents to move when they want to downsize out of a single-family house.” Other participants added that when employers are able to move into or stay in a community because their workers have sufficient housing, the property tax burden on the rest of a community’s residents is decreased.

The day ended with a reminder about the importance of communication to making anything positive happen in the world of affordable housing, and a charge to participants to commit themselves to using what they’d heard to make affordable mixed-use and multifamily housing happen in their communities.

Ellen Seidman, a former board chair of Neighborhood Reinvestment Corporation, is Senior Managing Director-National Practice, Shorebank Advisory Services.

Research Executive Summary

America's Working Communities and the Impact of Multifamily Housing

by Alexander von Hoffman, Eric Belsky, James DeNormandi and Rachel Bratt

This paper was prepared to provide background information for a conference sponsored by the Neighborhood Reinvestment Corporation entitled *The Vitality of America's Working Neighborhoods: Meeting the Local Challenges to Multifamily Housing* held in April 2003. The motivation for the paper was the lack of descriptive information on working communities.

Although previous studies have focused on areas of concentrated poverty, no studies have focused before on the areas where moderate-income working households predominate. The first step in studying working communities is to define them. Working communities are defined as census tracts in which median household incomes fall between 60 and 100 percent of the area median income of those tracts' metropolitan areas.

The Neighborhood Reinvestment Corporation was especially interested in distinguishing among working communities with high shares of multifamily housing, high shares of single-family housing, and more mixed housing stocks. *Mixed-housing-stock working communities* are those in which multifamily structures (defined as having five or more dwelling units) accounted for between 10 and 30 percent of the census tract's dwelling units. In *high multifamily working communities*, multifamily complexes contain more than 30 percent of all dwellings. *Single-family working communities*, in contrast, are places in which multifamily structures accounted for less than 10 percent of all housing units.

This study examines working communities defined as of 2000 and also how working communities defined as of 1990 changed over the 1990s. It

relies on information from the Census of Population and Households and on case studies conducted in six metropolitan areas. The limited aims of the project did not allow for probing analysis of the reasons for observed differences among different types of communities, for differences within each type of community, or ways in which these communities changed during the 1990s. However, this report does provide a great deal of descriptive detail on working communities and raises many questions about difference among them and how they change over time.

The chief findings of the study follow.

Working Communities and Multifamily Housing in Profile: 2000

Working communities contain a majority of the American people. Working communities in 2000 contained 157 million people or 56 percent of the population of the United States.

More working communities are located in suburbs than in central cities. Half of all working communities' residents are suburbanites, and only a quarter live in central cities.

Working communities with multifamily dwellings, however, are concentrated in central cities, while single-family working communities are predominantly suburban, exurban and rural.

Builders have constructed significant numbers of new homes in working communities. In 2000, 32 percent of all dwellings in working communities were twenty years old or less, nearly the same percentage as for the nation.

The average income in working communities with multifamily structures tends to be higher than

in single-family working communities. In 2000, average family income for the nation's high multifamily working communities was about \$66,000 and for mixed-housing-stock working communities about \$60,000, both higher than the \$53,000 average income for single-family working communities. In large measure, these income differences reflect the greater concentration of high multifamily working communities in urban areas.

Working communities with multifamily dwellings have higher house values on average than other types of working communities. In 2000 the average house value in high multifamily working communities was about \$182,000 and in mixed-stock working communities was \$139,000, both higher than the \$112,500 in single-family areas.

Although a portion of their residents earn below the poverty line, working communities are not places of high poverty nor are they becoming impoverished. In 2000 the proportion of poor people in the population of working communities was 11.5 percent. This was just barely below the figure for the United States and the same share these census tracts had had ten years earlier. Furthermore, mixed housing stock and high multifamily working communities had poverty rates that were not materially different from poverty rates in single-family working communities.

Working communities had slightly greater proportion of whites and slightly smaller proportion of African-Americans and Hispanics as the nation as a whole. In 2000 the working communities' population was 74 percent white, 10 percent black, and 11 percent Hispanic. In comparison, the population of the United States was 70 percent white, 13 percent black and 12.5 percent Hispanic. The slightly lower shares of minorities in working communities reflect the fact that minorities have lower average incomes.

Change and Stability in Working Communities During the 1990s

To understand how working communities fared during the 1990s we identified different types of communities in the 1990 census, traced them in the 2000 census, and analyzed the changes in their overall characteristics.

Changes that occur in different types of communities may be better understood relative to those in their region or the nation. For example, median (or average) income in a tract or group of tracts can rise yet still fall in relation to the metropolitan area, if that income rose more slowly than the income of the metropolitan area.

Working communities attracted new residents and builders of new homes during the 1990s. Their population increased by 12 percent, and their rate of homebuilding was brisk—16 percent of homes were built between 1990 and 2000. Both these figures were only slightly less than the national figure.

The great majority of dwellings built between 1980 and 2000 in working communities were single-family houses, but more than a quarter of new residences were multifamily homes.

Average incomes in working communities rose by 5 percent in real terms over the 1990s, only one percentage point less than the national average rate of change in income.

Average income in the single-family working communities rose by 8.5 percent, more than in mixed-stock working communities—where it rose by only 3 percent—and more than in high multifamily working communities, where it fell slightly—by about 1 percent.

Between 1990 and 2000, 80 percent of working communities kept their median family incomes within the range of 60 to 100 percent of their metropolitan area's median income.

The remaining areas closely divided between areas that exited the group of working communities as a result of rising and falling median income: slightly more exited as a result of falling incomes than rising incomes.

The average value of owner-occupied houses in working communities rose during the 1990s by a healthy 7 percent in real terms. This may pose a problem of housing affordability for those whose incomes lagged.

Working communities as a whole did not undergo drastic racial or ethnic transitions. During the 1990s, the proportion of African Americans and Hispanics in the working communities' population rose just slightly more than it did for the United States population.

Among the different types of working communities, single-family areas fared the best during the 1990s:

Slightly smaller shares of single-family working communities exited the category as a result of income changes, but those that did exit were more likely to do so as a result of incomes gains than losses: 82 percent of the 1990 areas remained in 2000 in the same income category and 12 percent moved to higher income categories.

Single-family areas added more residents and homes than did high multifamily and mixed-stock working communities.

Home values increased in single-family working communities by 14 percent in real terms, perhaps in part due to higher rates of new home construction in these areas, as opposed to a small 2 percent rise in mixed-stock and a 3 percent decline in high multi-family working communities. Of course, these are averages, and many working communities in each category deviated from these trends.

Mixed-Stock Working Communities in the 1990s: Focus on Six Metropolitan Areas

Case study cities represent different sizes, and economic and demographic types of urban regions: Atlanta, Austin-San Marcos, Boston-Worcester-Lawrence, Chicago-Gary-Kenosha, Cleveland-Akron, and Sacramento-Yolo.

For example, the Chicago-Gary-Kenosha region has a population of 8.9 million, the third most populous metropolitan area among the nation's largest metropolitan areas, while the Austin-San Marcos region contains just 1.2 million residents, ranking thirty-eighth in population.

Yet Austin-San Marcos was one of the fastest-growing metropolitan areas in the country in the 1990s, while the Cleveland-Akron area barely grew.

The mixed-stock working communities were identified from the 1990 census and traced to the 2000 census to determine how their overall characteristics changed.

In five of the six metropolitan areas the mixed-stock working communities predominantly remained mixed-stock working communities between 1990 and 2000.

In Cleveland-Akron, a region with little population growth or homebuilding, mixed-stock working communities changed very little during the 1990s but 30 percent exited this category either as a result of income changes or changes in the mix of housing units.

In the booming Austin-San Marcos metropolitan area, prosperity in the form of rising incomes and new housing development actually reduced the

number of mixed-stock working communities.

In high-growth regions such as Austin-San Marcos, Atlanta, and Sacramento-Yolo, development of single-family houses was a major reason that mixed-stock working communities in 1990 exited the category: they became predominantly single-family areas in 2000.

In the large but economically vital urban regions of Boston and Chicago, diverse trends were at work. In some tracts, incomes rose quickly; in others, incomes lagged; in some, single-family homes came to predominate, but in others, multifamily construction was the order of the day.

In Atlanta, Boston, Chicago, Cleveland, and Sacramento median incomes in mixed-stock working communities grew so slowly—relative to their regions—that 30 percent or more of the 1990 mixed-stock working communities dropped out of the category by 2000.

Community Portraits

To understand the reality beyond the statistics, Community Portraits—summarized in Sidebars and in complete form in Appendix C—describe areas with mixed-stock working communities in the six focus regions listed above. These profiles illuminate the ways that multifamily dwellings contribute to neighborhood life. Although some homeowners continue to feel apprehensive about new multifamily projects, the Community Portraits suggest, such housing often provides refuges of affordability, opportunities for upwardly mobile families, entryways to homeownership, and facilitates economic and racial diversity. Furthermore, the existence of multifamily housing encourages the population density needed for retail outlets and other forms of economic development.

Remarks



Mayor John DeStefano, Jr.

*Mayor of New Haven CT
President of the National League of Cities, 2003*

I'm going to talk about biology.

Why do I want to talk about biology? When Ellen Lazar got up, and she said, "what's good multifamily housing?" She's talked about financially, physically, socially stable and sustainable, sustainable over time. And I was thinking about the oldest multifamily project in my city. I'm on an old New England green. My city hall sits there. And across is this 200 year old multifamily housing project called Yale University.

And if you think about it, it is true. It has all the elements of success. It's got vast social infrastructure. It's integrated – the rent is not cheap, however!

I worked for the city for 10 years before I realized all the faults of elected officials and chose to become one and correct their transgressions.

I am cutting ribbons for some second times on the housing projects in my city. Have you done that before? And it's sort of the disquieting feeling when you cut the ribbon on something you're very proud of, and you say, "My God, I hope 10 years from now I can come back here and feel good about it."

And usually we do, but not always, because most of us know success is not only the housing stock. It's the people who live there, and the investments we make in them, and the investments we make in building a community. None of us are going to talk about this and not talk about the importance of stability and safety in our communities. None of us are going to talk about this and not acknowledge the importance of public education systems that give kids a chance, and lift them up, and give them an opportunity to succeed. None of us are going to do it without talking about just creating stable economic communities where people have an opportunity to take care of themselves.

Now back to biology. This is an election year for me, and I always like to recall the obvious – like ask for votes. So I think it's good to state some obvious points, and this is sort of my biology lesson about cities, which I'd extend to almost any community. Cities are not natural. Cities are not born. Cities are made.

Now, as you know, New Haven has a harbor. It has two big cliffs that the Puritans called – sensibly – East Rock and West Rock. And that is natural. But that's not my city. My city is a sum of hundreds of decisions and associations made across time that formed the substance and force of what we are today.

Who would have thought, 300 years ago, in New Haven, when a Divinity School relocated to my community, that they would now be my largest employer, powering a biotech industry that could not have been conceived of at that time?

Cities are what we make of them. Everything that these communities are or are not result from choices that we make, that we make over time, that we make in our home, and that we make in our own time. So, while cities are not natural, they are organic.

There is a second lesson from biology: one thing that ties all these communities together is our desire, as human beings, to associate with one another. There's a reason why we do it.

You know, sociologists say we did it originally for economics or for protections, but fundamentally, we become bigger when we associate with one another. There isn't one of us who haven't accomplished anything in our lives that didn't require the help, assistance, support, and the standing on the shoulders, of someone else. Each and every one of us like to think of ourselves as this nation of rugged individuals – the greatest generation. We should call them the most subsidized generation in the nation's history. We are bigger by association.

One: Cities are matters of choice. Two: Association drives what we are.

While we like to acknowledge that diversity is a strength, being different doesn't necessarily assert or mean that we are going to succeed. Look at Iraq right now. There's lots of diversity. It doesn't mean it's necessarily going to succeed. We have to work, when we come together in these cities, to do things.

Why do I mention all this? Because “we have to work at it” offers a lesson for multifamily housing...let me explain.

We all know the benefits of multifamily housing. It provides choice for some to be able to live in the community in which we were raised, but can't any more, because housing prices have gone through the roof. Choice

Cities are not natural. Cities are not born. Cities are made.

to live in a downtown that's exciting, that's fun, that's close to work. Choice to live in decent, safe, affordable housing for some families. Choice to live in a supportive environment because of health, lifestyle or economic reasons. And choice to use land in a sensible fashion so we don't sprawl out and take advantage of that city and the ease.

But you know what? Most people's opinions about multifamily housing and what they know about it, they learned in high school, and they learned it through fear and ignorance or prejudice.

In Connecticut, I loved to watch the pattern of zoning in some of my dear suburban communities – and I do love them. But you know, they wouldn't do affordable housing, then they wouldn't do multi-unit housing, now they won't do single-family housing with kids, because they don't want to have to pay for them to go to school.

Confronting that reality is a meaningful thing. In a society that understands that we all need to associate with one another to succeed, we also understand that in order to accomplish any of the hard things in life, we have to work together. The secret of multifamily housing is to build that reality.

I want to say a word about “deals”. America is strong not because of the tanks over in Iraq. You miss the point if you think that's why we're strong. It's because we've made a deal with ourselves. And the deal we've made is not with the government. It's with ourselves, and it's with ourselves over time. It says that who we are, and who we become, is in large measure determined by what we do today, and by what we believe today, and by what we aspire today to become tomorrow. And it works because there's a balance, and there's a balance of rights, obligations and protections.

If you look at America – I distill it down to three things. We believe in a level playing field. We don't always

make our public policy reflective of that fact, but we believe in a level playing field. We believe in the protection of persons and property, and we believe in the obligation to invest in one another and all those institutions that affirm those rights and protections.

At the National League of Cities where I come from, we believe in political leadership taking responsibility and ownership for those rights and obligations. That part of political leadership's responsibility is to help our communities see their shortcomings, to understand what their opportunities are, to provide a positive, inspiring vision that's not based on how we're different, but how we're the same. And when you do that, you start thinking about that balance of rights and obligations, the level playing field, protection of persons and property, and the obligations to invest in one another.

Then you go back to something else I said earlier about not being a victim, and choosing to stand together. You know, we live in a world of choices. That's what politics is. Before we get to our multifamily housing to insure it's stable physically and socially sound right now, choices are being made that all of us who care about hous-

In order to accomplish any of the hard things in life we have to work together. The secret of multifamily housing is to build that reality.

ing and building quality communities need to pay great attention to.

Right now, 45 of the 50 states are running budget deficits – 60 to \$85 billion next year, \$67 billion this year. These states went on a tax-cutting binge over the last decade.

Did you see the *New York Times* two days ago? The Governor of Missouri turning off every third light bulb? I thought that was a particular unique solution to the budget but, you know, drill down a little deeper into what's happening in America, and people are living in these houses; in Nebraska, where 25,000 poor mothers are being cut off from health care; in Texas, where 275,000 children are being dropped from health care.; at the University of Iowa, tuition going up 20 percent. Oregon – did you follow Oregon? They were going to close the last month of school, and I was talking to Mayer Menino. I said, "Is it true what I heard, that the Governor wanted to privatize and sell parts of the University of Massachusetts?" And I go back to something which is – you know, our investments in one another.

And then there's the federal government. The federal government, had it not gotten the tax cut the last year-and-a-half ago, and the one that is being proposed now, we'd be in surplus for 10 years. OMB now estimates deficits for the coming 75 years.

You know, 10 years ago, at National League of Cities, we were big deficit hawks. I really didn't care. It wasn't my issue. My feeling was that if the federal government wanted to run deficits, as long as they left me alone, I felt sort of, that was their business. I wasn't going to worry about that.

But it is our business. And it is affecting all of us, and our ability to sustain healthy communities. The budget resolution that the congress adopted before they went on vacation contained \$550 billion in proposed tax cuts. What does that mean?

Look at what it means for domestic spending in the coming years. Hope VI, which has been a wonderful HUD program, is proposed to be eliminated. The public housing capital funds, \$202 million reductions. Urban Empowerment Zones eliminated.

You know, we have an obligation to invest. It's not, "it would be nice if we could invest".

The Section 8 initiative. The Section 8 initiative, housing assistance to needy families, better known as "Let's block grant the money to the governors, because they'll know what to do with it." And, by the way, 45 out of 50 of them are running budget deficits, and they're really going to continue to invest in affordable housing if we do that.

And this dividend tax cut, because it's a piggyback tax for the state, will further exacerbate their financial problems to the tune of about \$6 billion, has not only crowded us out of the bond market, but will make less attractive low-income tax credit for housing, that is creating something like 115,000 units of housing today.

Now, you know, my experience – I flew into O'Hare yesterday. I didn't build O'Hare. A bunch of people from around America and Illinois built O'Hare, and it was a place that's part of the infrastructure and economic vitality of Chicago and the state.

I went to the University of Connecticut, and I like to say I paid for my tuition. I didn't pay for my tuition. Tens of thousands of Connecticut residents whom I don't even know paid for my tuition and that allows me to earn a living and take care of my family.

You know, I left my grandmother's multifamily house and went to live in my parents' house, which was paid for with a subsidized mortgage, care of the Veterans Administration. I don't know who those people were. Hell, I'm not even a veteran. And I benefited from that. But that's the strength of America, association and benefit from each other.

One thing that ties all these communities together is our desire, as human beings, to associate with one another.

I have two sisters, and neither my sisters' lives nor my lifestyle are compromised by my mother's health because of Medicare that's available to take care of my mother. And my oldest boy now attends the University of Connecticut as well, although I point out, his car insurance is more than the tuition – But that's not because the tuition is low, but because of those five unfortunate incidents. But he's gotten much better.

You know. All of us came here to have this discussion, about things we care about and think are important in our community because of the investment of other people. So let's not let our communities be victims. Let's not be victims. Choices are being made today.

I have no problem with getting rid of dictators in Iraq, creating a safer world, that is going to cost my taxpayers – assuming it's \$100 billion – about \$37 million. We'll pay that price in New Haven, because we believe in our freedoms, we believe in investing in America.

But that investment doesn't end, or start at our national borders. They begin within our borders.

So as we come together and speak powerfully to the issue of multifamily housing, and building quality communities, and communities of choice, let's not forget the biology lesson. It's not an accident. Cities, communities, are not natural. We make them.

And the choices we make today are going to affect the communities we, and our children, and our grandchildren are going to live in. Everything we enjoy and benefit today is a result of investments made by other people who we don't even know and other times. And while we compliment each other on our skills, and our towns, and all the graces God gave us – and God amply gave us – we didn't do it alone. We did it with other people.

Neighborhood Reinvestment Corporation understands that. So many of you, in your communities, understand that. Let's not leave the job half done.

Thank you.



Mayor Thomas Menino

Mayor of Boston, MA

*President of the United States Conference
of Mayors 2003*

It's great to be here this morning.

My message today is going to be on several different levels. As a capital city, Boston has a lot of development going on. We have about 76 projects going on right now, about \$43 billion. Seven new hotels being built in the city of Boston.

But you know something? That's going to happen. Downtown is going to happen. The most important thing to me as mayor is what goes on in my neighborhoods because that's where people live, raise their kids, and go to school.

It's really a pleasure to be with people who work to invest in our neighborhoods by preserving and creating affordable housing. The "Vitality of Working Communities" is an important study for several reasons. One reason that sticks out for me is that this study – this disproves many of the negative stereotypes that surround issues of housing, especially multifamily housing and working communities.

I know from experience, as many of you do, that the key to a vibrant neighborhood is not whether it is made up of single or multifamily homes. The key is that the homes are planned right, and built right, that there is good transportation, that there are top notch neighborhood schools, and that you invest in strong local businesses that provide jobs, goods, and services.

This study comes at just the right time, because it shows that it just doesn't make sense to walk away from investing in working communities. Right now, working families and people of all ages at different income levels are struggling to keep a roof over their heads. The people have taken a turn for the worst, and so has the housing situation.

Housing costs are still high. On top of that, people lose their jobs, and, in many cases, their health care.

At this crucial moment, as the lack of affordable housing is reaching crisis proportion, the federal government is walking away, leaving countless families out in the cold. It's great to have record numbers of home ownership. We also have record numbers of homeless, and too many people paying too much for housing. That has to change.

So today, let me share a few thoughts with you. First, I want to talk about the impact of the administration's lack of commitment to housing, and community development. And second, I want to suggest ways in which the federal government can, and must, step up to the plate.

By eliminating Hope VI, by slashing funds for public housing, by refusing to produce housing, the federal government has sent a strong message that affordable housing is not their problem. And you see that by doing this – they slashed Hope VI – as though all the projects are done.

But those of us on the local level know that the housing shortage is everyone's problem, and its effects are devastating. Some of the effects are easy to see, as I said, more families are homeless. Other effects are less tangible, but just as important.

In Boston, the lack of affordable housing drives young people out of our city. Instead of staying in Boston, the young graduate from BU, MIT, Northeastern, or any of our colleges and universities, are forced to leave. The

brain drain is not good for the people, especially when we rely so much on the young people with bright, innovative ideas.

The problem is not just in Boston, but also in cities and towns across our nation. As Nick said, I've been active in the U.S. Conference of Mayors for several years. I've learned a lot about our country from other mayors. I've met them all through this last 10 years.

Our membership ranges from small cities, like Hampstead, Long Island, to leaders from New York, Los Angeles, Chicago – and, by the way, today is Mayor Daley's 62nd birthday, so we all should send him a gift. Nothing more than \$50.00, because it's illegal.

The most important thing to me as mayor is what goes on in my neighborhoods. Because that's where people live, raise their kids, and go to school.

As president of the Conference, I've prioritized housing issues, and I'm amazed at the participation I'm getting from some of my fellow mayors. Of course, I understand that Boston was having a tough time. I talk to people every day, both tenants concerned about rising rents, and young people wanting to buy their first home, but can't find anything they can afford.

This situation exists despite all we're doing locally. We have issued building permits for more than 6,000 new units the last two-and-a-half years, and of those, 2,200 were affordable. I have set aside \$33 million in city funds for affordable housing. We set up a program leading the way in the metro area, which we completed in June, and we may exceed our goals.

Now, do you know how many units in the last year the 28 cities and towns surrounding Boston produced of affordable housing? 4,478. I don't mind being the leader. I just don't want to be the loner. And yet this should be state government, when they give out money for housing, there should be some penalty for not building affordable housing in the neighborhoods of the towns that surround urban areas.

Well, my experience with the Conference shows this. A lack of housing is an issue not just for high-cost cities like Boston and San Francisco, but across housing markets. My fellow mayors from Augusta, Georgia, to Indianapolis, to Redwood City, California, across the country see an unprecedented need to focus their energy on the housing issue. That's why, as president of the U.S. Conference of Mayors, I appointed a network of regional housing chairs with some of the most energetic mayors we have in the country, mayors like Laura Miller of Dallas, R.T. Rybak of Minneapolis, and Peter Cavell of Burlington, Vermont.

Mayor Miller has already held several meetings in Texas. We are hoping to bring these mayors together for lobbying day of housing issues in Washington, soon.

And I should also recognize the great work that Mayor Willie Brown of San Francisco has done as chair of the Conference's Housing and Community Development Committee. Willie may be term limited out of the Mayor's office later this year, but you know, he'll be heard from when it comes to housing and other important issues that face us.

These mayors all know that housing is not just a poor people's problem any more. Research shows that teach-

ers living in Washington, D.C. cannot afford a basic two-bedroom apartment there. Nurses in San Diego can't afford to live there. And I bet you all heard about one especially tough fact from that research. Janitors and retail sales people cannot afford the rent in virtually any of the 50 largest metropolitan areas.

My work with other mayors has made me realize, this is not just a Boston problem, or a San Francisco problem. It's a problem that can't be solved locally. The loss of stock, the lack of supply, are national issues.

So why won't the federal government do its part? We have to reverse these troubling trends. Between 1997 and 1999, we lost more than 200,000 affordable units. In the absence of any new production we had to reserve all assisted living units. The rate of home ownership for whites is over 70 percent. For African-Americans and Latino families, it is less than 50 percent. We need to close the racial gap.

The number of 25- to 34-year-olds living with their parents has reached record numbers. We need to give young people a chance to jump start their lives.

Funding for assisted housing for seniors remains flat, despite the fact that baby boomers are approaching retirement. We also need to deal with some of the negative perceptions of assisted living.

And there's another reason to focus on housing. It's a perfect medicine for a sluggish economy. When you add up all the building costs, remodeling, people buying appliances and furniture, housing accounts for 20 percent of our gross domestic product. Nothing to sneeze at, especially given the softness of other sectors. In fact, the boost from housing will increase jobs and add to tax revenues.

Think of it. Jobs, wages, and local tax revenues, sale of appliances, furniture, and all the things it takes to make a house a home. So why don't the federal government do its part?

I tell you what I think. There's no real national housing policy because, until now, housing was seen as a poor person's issue, and the poor have no clout. We're seeing an increase in homelessness, an increase in homeless working families, and still, Washington cannot get its act together.

Many cities, including Boston, know the best way to build housing is to create mixed-use development and design the buildings so that they complement and strengthen the neighborhoods.

Just look at the Bush administration's plan, like Mayor DeStefano said, to move the Section 8 voucher programs away from the housing authorities, convert them to block grants for the state. Won't that be great?

This plan is a lose-lose proposition. The governors didn't ask for this program. The governors asked for help, with Medicaid costs, education mandates, and homeland security. What they got handed to them was a housing program that many states are all ill-equipped to administer.

If you want evidence that the states should not be taking over local housing resources, just look at the sharp decline in the Massachusetts commitment to affordable housing. In fiscal year 1989, the state provided \$208 million in operating funds for housing and community development. Fifteen years later, Governor Romney is proposing a budget of \$74 million. That's a \$134 million cut in actual dollars without indexing for inflation.

Capital spending is also far below 1989 levels. Clearly, “leave it up to the states” is not the answer.

So what should we do? The U.S. Conference of Mayors has put forward a comprehensive national housing strategy that balances housing production and preservation. We have a real plan to address our nation’s housing crisis rather than shifting the organizational boxes.

First, create a broad coalition beyond the usual suspects. We have national senior groups, like the AARP, medical groups like the AMA, and teachers’ organizations that see housing as an issue. In Boston, the housing authority has joined with the Boston Public Health Commission, Tufts, and Harvard Medical School, to reduce asthma among public housing residents.

Let’s all work together to create a housing program that creates more homes and apartments, that working families, seniors, low-income workers and the disabled can afford. Housing isn’t a luxury. It’s a fundamental right.

Public Health people see the connection between clean homes and health, especially for children and the elderly. Teachers realize that children can have problems when they are bounced from place to place, or living in bad housing, or living in shelters.

Second, we want to frame the housing issue as a national economic issue. We’re seeing in Boston that a lack of workforce housing is affecting businesses. Our universities and teaching hospitals report that it’s taking longer to recruit professional staff.

If, as a nation, we do nothing, high cost areas will continue to have difficulty recruiting the skills they need to succeed, and young people will go elsewhere, discouraged.

Third, we must include smart growth concepts into our conversation about housing. Years ago, mayors didn’t pay much attention to the problem of sprawl. It was viewed as suburbia’s problem. But poorly planned development is a common enemy of cities and suburbs alike, because it sucks the life out of the core cities and ruins the countryside. They have the opportunity to get it right, and the actual housing policy is thoughtful about where development occurs, and may even warrant revitalization of our cities and older suburbs. We can redevelop brown fields before building out new greenfields.

I think many people are realizing the desire for something new, a new house in a newly developed suburb or ex-urb, is leaving us with longer commutes, less time for our families, and overuses of our highways. I think of this every morning as I hear about the rush hour traffic reports. There are no easy commutes any more, except for those of us who live very close to where we work.

And as for concrete steps we need to take, the first one is to establish a strong housing production program, such as the National Affordable Housing Trust Fund based on the 200 funds established in communities across our country, including Boston, to provide steady revenue streams to assist low income workers.

But, as I point out to cities in the U.S. Conference of Mayors, any Housing Trust Fund proposal should be funded with new money that will provide cities with direct access to those funds. Let’s cut off the overhead and

the middle man. At the same time, we provide incentives to builders. One way to do that is to provide tax credit for the development of home ownership housing as the president has proposed.

Any housing package must be a bipartisan package, and the administration has put forward a good idea for adoption. Of course, the value of this tax credit, as well as the low income housing tax credit, will be negatively affected by the enactment of the administration's tax plan regarding dividends.

Let me just add, the day the president proposed that, I got a call from one of the CEOs in the city, one of the biggest companies we have. And he called up and said, "Gee, you know, Tommy," he says, "Last night, I just gained \$232,000."

I says, "How?"

"With the proposal the president said about dividends." He said, "How stupid is that? I make \$5 million a year, and I'm going to get more through tax-free dividends." Where's the initiative in that? Where's the thought in that process?" And also it's going to cost us, as cities, much more money. So you have to have a well thought-out plan.

We should work to expand employer-assisted housing programs for working families. In Boston, companies like Citizen's Bank are starting these programs. We should look at the new incentives to expand these efforts.

It's time to go beyond the tired housing policies of the past. Back then, our policy was to throw up a 30-story building that was a neighborhood eyesores. Well, times have changed, and most of those buildings are being demolished. Many cities, including Boston, know the best way to build housing is to create mixed-use development and design the buildings so that they complement and strengthen the neighborhoods.

I always say of Hope VI in the city is that what it does is give people dignity. They give them a front door and a back door and a piece of land. That's all people want. They're not piling people up on each other. And that's why we have two Hope VI redevelopments of two areas in our city that were really problems for us in the past, but today they're places where people are proud to live.

So let's all work together to create a housing program that creates more homes and apartments, that working families, seniors, low-income workers and the disabled can afford. Housing isn't a luxury. It's a fundamental right. This issue deserves national attention.

I hope you'll join me in making a national housing agenda a reality. I think this study helps guide development and protects working communities and moves all of us forward.

Thanks a lot.



Norman Rice
President and CEO, FHLB of Seattle
(Former Mayor of Seattle, WA)

When some of my staff was asking me, why do I continue to give speeches, I said, “Because I like to be recognized, and I like the bios that appear in the programs.” Because they let me know that I did something good in my lifetime.

I really am very pleased to be with you this afternoon. I look out at this crowd, and when I see all of you from all the different places that you come from, I feel like I’m preaching to the choir. But I made a promise to myself that every now and then, the choir needs a sermon too.

And I really do think that neighborhood reinvestment and the topic of multifamily housing is critical to the lifeblood of this country, and the sustainability of this nation.

I enjoyed the opening session, because I got to see some of my former colleagues – Mayor DeStefano and Mayor Menino, and the dialogue and politics brought back a whole lot of memories of the housing battles that I fought in Seattle. And then when I got here, I saw Mayor Rita Mullins who is here and also from the state of Washington. There’s another man you may not have known, Mayor Scott Jepsen, from Shoreline, who is also here. I have to recognize mayors, no matter where, because it is an interesting job. You’re closest to the problem with the least amount of money to do anything about it.

And just as Mayor Menino said, people know what you eat, where you live, where you go, and they follow you to all those places.

So my remarks have been billed as an informative and inspiring luncheon address and, as I said, with a room full of experts on housing, I doubt that I could add much to the way of new information, so I’ll try to impart some inspiration with the idea that, given the state of the world, we all could use a little inspiration.

Like most of you, I receive a lot of chain mails that make their way around the internet, and I’m talking about the emails with the thoughtful verses and stories about life. And if I think they’re particularly good, I try to file them away for future use. A few years back, I got an email that really resonated with me. I don’t know the author, but I do know that I’ve heard that great philosopher, George Carlin, use it every now and then –

It reads: “The paradox of our time in history is that we have taller buildings but shorter tempers, wider freeways but narrower viewpoints. We spend more time, but have less. We buy more but we enjoy it less. We have bigger houses and smaller families, more conveniences, but less time. We have more degrees, but less sense, more knowledge, but less judgment. More experts, but more problems, more medicine, but less wellness.”

And it goes on with a few more stanzas, and then it reads, “We’ve been all the way to the moon and back, but have trouble crossing the street to a new neighbor. We’ve conquered outer space, but not inner space. We’ve done larger things, but not better things.”

In my mind, those last lines capture the predicament of what I consider to be the nation’s housing situation. We’ve built more housing, but not necessarily more communities, places where people really do connect. We’ve certainly conquered what we city dwellers once thought was outer space – that once peaceful rural countryside that is now lined and filled with strip malls and fast food joints.

We’ve certainly figured out how to build larger housing, but it’s not necessarily better housing. Just ask the people who can’t afford to live there.

It's plain we have a housing paradox in America, and to end that paradox, we need to do a better job of matching housing that people want with the housing that people need and can afford. And that, of course, means multifamily housing, a whole lot more multifamily housing.

I believe the case for multifamily housing centers on three issues: demand, density and diversity.

Let's start with demand.

The fact is, the country is getting bigger. The U.S. Census Bureau suggests that the nation's population will increase by about 2.2 million people annually in the early years of this decade. While that's half the growth rate that we saw in the 1990s, it's still the equivalent to adding a metropolitan area the size of Denver every year.

Even more important than the overall population numbers are the changes, though, that are going on by age group. The number of people over 45 will jump by more than 50 percent by the year 2020. In the future, we'll have fewer in the 35 to 44 age group, and a lot more 18 to 34 year olds, and I, for one, don't want those 18 to 34 years olds living in my basement.

Multifamily housing, by its very nature, fosters diversity, and when we offer housing choices in neighborhoods, we open doors to people of different colors, ethnicities, ages and incomes. We break down stereotypes, and we introduce new role models – the right new role models.

At the same time, these demographics tell us that we will see two classic American households, couples in their late 30s and 40s with small children, looking for single family homes. Simultaneously, there will be more households without kids, senior citizens, empty nesters and young adult and single couples.

Now, these population numbers don't even take income into account, which brings the whole notion of affordability into the picture, and you see an even stronger demand for multifamily housing.

Density is another key facet of multifamily. I don't have to tell you that the local opposition to high density developments is one of the greatest challenges facing us, and it's another one of America's great paradoxes. We're anti-sprawl, and we're anti-density.

I've always believed that if we could build attractive, friendly neighborhoods with places that live, work, shop and play, then we could convince people that higher densities don't necessarily translate into a lower quality of life. And if we could do that, we'd make the big step in addressing housing affordability in our community.

So, put strong community policing in place and we can also restore greater security and safety to our American neighborhoods. And with higher density neighborhoods, we can also make strides in pollution control, environmental preservation, and the scores of other problems that threaten our quality of life.

I think National Public Radio's Ray Suarez makes the case for greater density and mixed use development, in his book, "The Old Neighborhood." "Remember," he wrote, "Life has increasingly become a string of pearls. Incidents and encounters staged in a wide range of almost random physical locations, strung together by the

automobile.”

Well, when you stop to think about it, that is how many Americans live today. But it doesn't have to be that way. And my experience tells me that there are two essential strategies to increase America's acceptance of high density development.

Number one, extensive public outreach. You know better than anyone else how important it is to get the pro-density message out there. Last year, the Urban Land Institute published a report on housing density, and has given us a lot of great advice on combating NIMBYism, and I encourage you all to take a look at it.

The one key point in the report is that there is a need to mobilize supporters as well as fight opponents. These factions require different messages and strategies, yet both are equally important. I think it's also critical that we push the follow up story, the news feature about what's happened after the public hearing, or since the groundbreaking.

Earlier this year in my city, Seattle, the leading newspaper ran a huge front page article about a proposed housing development. And in this case, it was supportive housing. And under the tabloid style headline it read, "Seattle to build housing for street drunks."

The article was horribly one-sided. In fact, it was downright dreadful. But there was some aggressive PR a week or so later that generated an equally long follow up piece, and it focused on a successful supportive housing program, the Wintonia Hotel, and it carried this headline: "Wintonia has proved a good neighbor."

The case for multifamily housing centers on three issues: demand, density and diversity.

This incident demonstrates to me how vigilant we must be with the media. We have to counter the opposition to high density development with the good news that one, multifamily housing conserves land, and two, it uses municipal infrastructure more efficiently, and three, it places less burden on local schools and transit systems.

Superior design is the second essential strategy. I can't say enough about the role of design in making density more appealing or more marketable. I know that you have a session on design this afternoon, so I won't belabor the point, but by "design," I don't just mean architecture. High density developments can win favor when they have a sense of style, include open space, and are pedestrian friendly. And my friends, you know what a tall order that can be.

Diversity is the critical issue of the multifamily housing development, and by this, I mean social, economic and racial diversity. When I was mayor, I championed the concept of the urban village. It was a critical element in the city of Seattle strategy for neighborhood planning.

One of the things in our neighborhood planning effort, we felt that we had to make sure we communicated to our community the values that we were going to put in place in neighborhood planning. We wanted to engage in the dialogue, and what we wanted to do was listen to the community and take their values and show that they were an integral part of the plan that we produced.

We centered that planning effort around social equity, economic opportunity, and environmental stewardship. Social equity: that whatever planning process we put together, we were not going to drive a wedge between those who have and those who don't.

Economic opportunity: that in every plan that we would produce, we would produce the opportunity where people would have their own economic security to buy their own food, their own shelter, to pay for their own education, to have the mobility that they needed to survive.

That's what I think the multifamily strategy has to be – to empower all of us to be the spokespersons to make it really work.

And environmental stewardship. While we look at urban areas and we think of environmental stewardship as protecting that land out there, the decisions that we make in the cities have more of a dramatic effect than anywhere else that we could be. We don't need more concrete for roads, more concrete for big parking lots that add to the run off and pollute our air and bring more cars, and really destroy the quality of life that we have. Those planning efforts have to capture that essence, and I really think, in my mind, the idea of "the village" captured the essence of that community and the ideals of the environmental and human sustainability that we needed.

Urban villages can seamlessly integrate people in a way that celebrates diversity and inclusion, because they don't pander to the interests of one group over another, the families over the senior citizens, or the rich over the poor. The whole notion of the village centers on equality and collaboration.

Multifamily housing, by its very nature, fosters diversity and when we offer housing choices in neighborhoods, we open doors to people of different colors, ethnicities, ages and incomes. We break down stereotypes, and we introduce new role models – the right new role models.

Mayor Menino was talking about the disruption of Hope VI, and one of our biggest projects in the city of Seattle was a Hope VI project called Holly Park. We took away a garden community, and we decided that we were going to make it a mixed use, mixed income, community. We put together all those elements I used as a value-centered effort, and we've engaged the community in planning and designing. Even the units were planned around their needs.

We had a strong Southeast Asian component and an East African component in that area. They designed the units in ways in which really captured the culture that they believed in – big kitchens, small living rooms, places where they gathered.

But when you walked around that whole Holly Park, you saw what really the essence of a mixed-use community could really be. We were able to get a library, a community center, a transit center, to bring all those elements to give people pathways to opportunity – pathways so that they could see their future in that community and see their ways to opportunity.

Those are the things that we need to do. We added a very good community policing strategy with that whole effort – my good friend, Nancy McPherson is here – making sure that all elements of what the city did would compliment our development.

I really do think that multifamily housing is one of the best tools this country has also to combat racism and economic segregation, because we all know that housing is more than shelter or a place to live, it's where the path to economic opportunity and social equity begins.

It's for this reason that I believe the work that you're doing here today is so very, very important. It's why I wanted to be here to listen, and it's why I wanted to be here to contribute to this dialogue.

One of the things I think is most important is that we sometimes think that battles can be won once. But battles are constant. They have to be fought over and over and over again. And, as the economy rises and falls, we have to make sure that we are girded to really be as nimble and innovative to get our voices heard.

It's time for all of us to really understand that we need to rally around the opportunity to make every citizen in America a homeowner, with shelter over their head, and with an opportunity to really have the freedom for economic opportunity.

You here are those agents. You here are the voices. You here have to come together to create that strategy for moving forward.

I really think that sometimes we think we need to walk away. We sometimes think we need a charismatic person to articulate our vision. But it's you, in this room, that really are the charismatic leaders, and each one of you are empowered to make a difference, and that's what I think the multifamily strategy has to be, is to empower all of us to be the spokespersons to make it really work.

That's a large order. A lot of you now, say, I want to go back home. I'll deal with my community. I don't have time to talk about national policy. The issues are there. But I really think today we really are in a battle, a battle for social equity in this country, and housing is a critical leg in making sure that equity is a reality in our lives. Every one of us has to take that battle and say that this is as important as the one, as Mayor DeStefano said, as the one far away. That battle is here today in our domestic policy and in the way in which we execute it.

And if we won't raise our voices now, the opportunity to build that housing slips further and further away. If we won't put a dollar down for the opportunity to buy land, to buy supplies, to subsidize individuals so that they can move forward, that opportunity slips away.

If our voices are silent, then we deserve just what we get. So today, choir, you've got to raise your voices. You've got to sing. You've got to sing loud and clear, and you've got to sing in every village, and every place that we have.

I challenge to that effort. I challenge you to make that difference. And you know something? I'm an optimist. I believe we can.

Thank you very much.

Neighborhood Reinvestment Corporation, the NeighborWorks® Network and the NeighborWorks® Multifamily Initiative

The Neighborhood Reinvestment Corporation was established by an act of Congress in 1978 (Public Law 95-557). A primary objective of the Corporation is to increase the capacity of local community-based organizations to revitalize their communities, particularly by expanding and improving housing.

Currently there are approximately 225 independent, locally led nonprofit community development corporations that comprise the NeighborWorks® Network. A key to the success of NeighborWorks® organizations is their partnership-building approach to neighborhood revitalization, uniting residents, private-sector businesses, foundations and local and state governments.

Launched in 1999, the NeighborWorks® Multifamily Initiative is the collaborative portfolio management program for NeighborWorks® organizations whose primary mission is development, ownership or management of affordable multifamily housing. Currently, 68 NeighborWorks® organizations, operating in 33 states and Puerto Rico, belong to the Multifamily Initiative. Together, they own over 35,000 affordable housing units.

2004-2008 5-YEAR GOALS

- Develop or preserve 15,000 units.
- Invest \$1 billion in development and preservation.
- Asset manage so that 90 percent of Multifamily Initiative members have “positively performing portfolios”.
- Serve 15,000 residents through services which support increased family and community assets.
- 3,500 residents are involved in leadership at the property, organization or community level.
- Provide broad-based access to lessons of the Initiative.

As a capital partner, the Multifamily Initiative has formed the Neighborhood Capital Corporation (NCC). NCC speeds access to capital designed to enable the preservation and development of affordable multifamily housing. NCC provides predevelopment loans of up to \$150,000 and interim development loans. Initially capitalized by Neighborhood Reinvestment, the NCC is now building its capital base through both direct investment and through agreements with lenders who would like to participate in this type of lending. ■

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