Developing New Uses for Low-to-No-Market Brownfields: The Affordable Housing Solution

Practice Guide #13
Winter 2005

Southeast Regional Environmental Finance Center

EPA Region 4

University of Louisville

Carol Norton

Center for Environmental Policy and Management

University of Louisville
Department of Sociology
Louisville, KY 40292

502-852-4749

lauren.heberle@louisville.edu
http://cepm.louisville.edu

Table of Contents

Introduction

For the latter part of the past century, suburban areas have been growing at a constant pace. In most cases, middle- to upper-income households have left older urban areas for new residential developments on the outskirts of city limits. Simultaneously, factories and manufacturing companies have also moved to more expansive sites in suburban or semi-rural places. What's left behind are *brownfields*, which are most often defined as *"…abandoned, idled, or under used industrial and commercial facilities/sites where expansion or redevelopment is complicated by real or perceived environmental contamination"* (US Environmental Protection Agency [EPA], 2005).

The result of this shift in household location and workplace activity are neighborhoods that have pockets of vacant and abandoned properties and little to no economic activity. The redevelopment of brownfields in these older neighborhoods can be a tool for revitalization. Many of these sites are in areas that require little investment in infrastructure since utilities, roads, and sidewalks are often already in place. Additionally, investment dollars in a neighborhood or community may serve as a catalyst to attract more development.

This practice guide serves as a tool for local government officials and affordable housing advocates and developers. It includes data that illustrate the need for affordable housing choices. Since a majority of brownfield sites are scattered within older urban neighborhoods, this guide approaches infill development as a viable location for residential units. Case studies are provided to illustrate how some affordable housing/brownfield developments were funded and how working partnerships between the public and private sectors are essential for their success. A listing of federal, state, and local funding sources is found in an appendix to this Practice Guide. (More information is provided on brownfield redevelopment and financing strategies in Practice Guide #1: *Public Strategies for Cost-Effective Community Brownfield Redevelopment Practice*, http://cepm.louisville.edu/Pubs_WPapers/practiceguides/PG1.pdf, and Practice Guide #10: *Brownfield Redevelopment: Make it Possible!*, http://cepm.louisville.edu/Pubs_WPapers/practiceguides/PG10.pdf)

Affordable Housing

The most widely accepted definition of *affordable housing* is a residential unit that is priced to require no more than 30 percent of a household's annual income on rent or mortgage plus taxes (White, 1992; U. S. Housing and Urban Development [HUD], 2005). In other words, it can be defined as housing in all price points for people in all stages of life.

It is important to note that affordable housing is not synonymous with *public housing*. Federally-funded public housing was initiated when Congress passed the United States Housing Act of 1937 as not only a means to provide more housing options for those in need and but also to create employment opportunities for a publicly funded workforce. It took more than a decade for local government and housing officials, along with land use planners, to educate and convince the federal government to recognize and act upon the growing disparity between incomes and housing costs and adopt the Housing Act of 1949.

The goal of the 1949 Housing Act was "a decent home and suitable living environment for every American family" (White, 1992). This involved supporting both public housing as well as introducing strategies meant to encourage home ownership. The Act included:

- strategies that financed slum clearance under urban redevelopment (later referred to as *urban renewal*) programs
- increased authorization for Federal Housing Administration (FHA) mortgage insurance
- commitment by the federal government to building 810,000 new public housing units
- allowing the Farmers Home Administration to grant mortgages to encourage the purchase or repair of rural single-family homes (Lang and Sohmer, 2000; Fannie Mae Foundation, 2005)

This legislation added a new direction for housing assistance by making it feasible for moderate- to low-income households to *afford* to purchase single-family homes

Why the current need?

The cost of housing represents the largest outlay of income and has continued to increase throughout the past several decades (White, 1992; Marti, 1984). HUD states that approximately 12 million renter and homeowner households spend at least half of their annual income on housing costs. Based on this, if a family has only one full-time worker who is being paid the current minimum wage, that family would be at a loss to find a two-bedroom apartment in the U.S. at local fair-market rent that they could afford (HUD, 2005).

According to the United States Census, the median asking sale price for a house rose from $59,500 in 1989 to $88,925 in 1999. While housing prices rose during this 10-year period, median household income increases were minimal. After adjusting for inflation, median income rose 4.75 percent whereas the median housing price rose 11.2 percent. It should be noted, however, that the national average for median rent actually dropped a bit; 1989 median rent, adjusted for inflation, was $481 as compared to 1999 median rent of $460 (United States Census Bureau, 2005).

During the five years following 1999, prices for the real estate market continued to experience hefty increases while median incomes rose only incrementally. In 2004 the U.S. median rent had risen to $615 and the median asking sales price of a home had gone up to $121,700. Comparing 2004 to the 1989 census data (adjusted for inflation), this was a respective increase of 12.8 percentage in median rent and 34.3 in median asking sale prices. Household incomes did not keep up with these increases. The median household income for 2004 was $44,389. The median household income for 1989, after adjusting to the value of the dollar in 2004, was $44,024, indicating little or no change over a 15-year time span. The gap in rents, home prices, and household income widened significantly during the 1989-2004 time period.

The significant rise in median home values is worth noting as well. In 1970 the median home value in the U.S. was $17,000 (adjusting for inflation to 2000 dollars brings the home value to $65,300). Thirty years later that value rose to $119,600 (United States Census Bureau, 2005). Even though this may have been good news for current home owners, this jump in home values put the asking price of existing homes out of reach for many moderate- to low-income households.

These statistics tell us that that nearly one third of the population in the U.S. has rent and mortgage payments significantly high enough to make it difficult to meet basic household needs. The end result is that these households can barely meet the cost of essentials such as food, clothing, transportation, and medical care (White, 1992; HUD, 2005).

Infill Development: Brownfield and Housing

Communities across the nation have been working hard to address the housing needs of their citizens from both the public and private sectors. Policies and programs have been created to stimulate affordable housing developments. Examples of these policies and programs include things such as low-income tax credits, tax credits for first-time home buyers, below-market land sales and land-bank purchases, incentives for economic development, and changes in local zoning and code enforcement (Suchman, 2002).

At the same time, there is a need to revitalize urban neighborhoods. Infill development is a means to bring economic vitality back into older sections of town. Local economic development officials, working with housing specialists, can draw upon the resources available to develop strategies which provide affordable housing options. These options are then combined with mix-used developments in order to stimulate new growth in urban areas.

Frequently the brownfield sites in these older urban neighborhoods contain historic buildings that might be converted for residential use. There are funding mechanisms that support the redevelopment of brownfield sites that include the rehabilitation of historic structures. For example, the Federal Rehabilitation Tax Credits, governed by both the National Park Service and the Internal Revenue Service, provide a dollar-for-dollar reduction on federal taxes for owners of historic properties. (More information about these historic tax credits, as well as grants and low-interest loans, is presented in Practice Guide #8, *Brownfields: Historic Preservation as a Redevelopment Option*, http://cepm.louisville.edu/publications/publications.htm#PG8 .)

There are a number of different strategic approaches for infill development that local governments can implement or adopt as policy that would also be suitable for affordable housing developments on brownfield sites.

As an initial step, an infill development plan should be drafted that includes an inventory of possible sites, planning and design guidelines to fit the specific areas, and an assessment of the neighborhoods where these sites are located. New housing cannot be isolated from creation of new jobs, retail development, improved transportation, community-based policing (addressing the causes of crime, fear of crime and other community quality of life issues), coordinated social services, streamlined regulatory process, community participation, and an aggressive marketing campaign.

Regulatory framework should be reviewed to make sure that it encourages rather than discourages infill development. Development standards should be flexible enough to allow development on the odd sized and substandard lots typical of older neighborhoods. Standards should also allow for mixed-use and higher density developments to ensure economic feasibility and maximum redevelopment.

Providing incentives, such as housing density bonuses or flexible building codes, can be considered as viable options to encourage infill projects like the rehabilitation of older structures. Other effective incentives may include granting a waiver and a delay or reduction of development fees for sewers, parks, schools until the project has positive cash flow. Varying development fees, relative to the distance away from the urban core, can be adopted to help encourage infill and to discourage sprawl.

The governmental permit and approval process of a development project, especially one that involves brownfields, can be time consuming, confusing, and often involves multiple layers of bureaucracy. Streamlining the process of obtaining the necessary development approvals and permits for infill developers can help cut infill development project costs. Local governments can define separate review processes and assign personnel to assist developers in identifying and negotiating the approvals needed. Additionally, governmental officials can aid in the process by developing master environmental impact reports at the local level, so that projects that conform can proceed without an additional environmental review. Consolidation of reviews can save time and money

To attract development, publicly sponsored developments and amenities should be made in areas that are targeted for infill development. Cities must invest in police and fire protection, road repair and maintenance, sidewalk and lighting improvements, maintenance of vacant lots, and other rehabilitation work to make these areas suitable for investment. Local economic development officials should provide prospective developers with valuable information, including an up-to-date inventory of potential sites, incentives and assistance, a listing of any environmental concerns, and which areas have been earmarked for high-priority development.

Local governments should prepare master environmental impact reports (EIRs) that can be used to assess the impact and determine the mitigation measures needed for an affordable housing redevelopment plan on a brownfield site. Proposed projects that implement the plan may not have to conduct additional environmental reviews or may only be required to focus on a few identified issues. Costs for EIRs can be recouped in development fees. When the shorter permitting time and economies of scale are factored in, the development costs can be lower for the developers than paying for a full scale EIR.

Making available (at little or no cost) foreclosed properties or other publicly owned lands in targeted neighborhoods can be a tool to assist infill developers with land acquisition and assembly. Cities can discourage land speculation by taxing vacant land at higher rates, using eminent domain to help assemble lots, bank land to assemble parcels with tax delinquencies, and consider a public/private venture by simultaneously developing city owned land adjacent to private development.

Since many brownfield sites are in older, distressed neighborhoods, encouraging and organizing community participation is an effective way of getting community buy-in for infill housing developments. The education of the community about benefits of infill, the trade-offs of infill vs. sprawl, factual information regarding higher-density and affordable housing, as well as working with environmental and transit advocates, can help to gain support for infill housing. Local governments should step in to facilitate the resolution of potential conflicts between builders and local interest groups and provide strong, written policy statements for affordable housing/brownfield developers for the support needed for the approval of controversial infill projects.

By establishing alternative approaches to major, long-term and high-risk infill housing developments, such as the creation of a public/private corporation to initiate projects, local officials can attract and work with developers while maintaining momentum (Suchman, 1997). This may be best illustrated in the following case studies.

Case Studies

Affordable housing projects paired with brownfield redevelopment provide opportunities for the *private sector* to work hand-in-hand with the *public sector* to transform vacant and blighted sites into viable and revitalized neighborhoods. Private sector developers often have access to equity capital and experience in project management. On the other hand, the public sector can provide affordable housing mandates, urban planning, and means to overcome land-use issues, title problems, and can provide incentives, such as low-income tax credits and state financing, for redevelopment (Johnson and Kesling, 2005).

Funding for cleanup and development often comes from several sources. That is why redeveloping brownfield sites for residential use often requires several agencies and organizations to work together to ensure the site has been remediated to safe and sufficient standards. The following case studies exemplify the use of funding mechanisms for acquisition, clean-up and construction costs, the advantages of partnerships and how public/private partnerships strengthen affordable housing/brownfield projects.

Oakland, CA – East Bay Habitat for Humanity

East Bay Habitat for Humanity is converting a brownfield site in Oakland, CA, into a residential complex with 26 affordable homes for first-time home buyers. These new homes will be in close proximity to schools, a commercial/retail center, and a Bay Area Rapid Transit (BART) station. The affordable housing development, with a projected $6 million price tag, is located on a site that was first used as a nursery, followed by a truck dismantling and recycling yard.

East Bay Habitat garnered $2,600,000 in low-interest loans and grants totaling $1,510,000 to offset site acquisition, as well as cleanup and development costs. Loan and grant dollars were received from the City of Oakland, U.S. Environmental Protection Agency (EPA), California Department of Toxic Substances Control (DTSC), California Center for Land Recycling, the Department of Housing and Urban Development (HUD), California Department of Housing, and Community CalHome. The balance of the remaining costs is financed through East Bay Habitat's fundraising efforts (EPA, 2005; East Bay Habitat for Humanity, 2005; J. Bergdoll, personal communication, October 31, 2005).

Rainier Court – South East Effective Development (SEED), Seattle, WA

SEED, a community development corporation in Seattle, WA, teamed with another nonprofit organization and a for profit company on the Rainier Court project which includes a 208-unit affordable apartment building for senior citizens, a 178-unit family apartment building, and 115 affordable new homes. A limited liability partnership (LLC) was formed with Inter City Construction, the for profit partner, with SEED acting as the managing partner. Senior Housing Assistance Group (SHAG), a nonprofit, is the property manager.

The project site, a former brownfield, had first been an undocumented landfill for about a decade. After that the uses were light industrial and included a storage yard for vehicles and construction equipment. Working with the EPA and participating in Washington's voluntary cleanup program (VCP), SEED was able to have the site tested for contaminants and remediated to standards for residential use. Grants and low-interest loans from EPA and both the county and the state helped finance the contaminant testing and cleanup.

Major funding and financing for the residential developments included low-income tax credits, loans from the city of Seattle, and tax-exempt and taxable bonds issued by the Washington State Housing Finance Commission.

It took 10 years for SEED to assemble the site and recruit a private for-profit development partner who had the capabilities to secure financing for the project. This was due to the fact that the affordable housing site was located in a community with low rents and high land and construction costs. Additionally, in the past, private developers had not worked in this area and lending institutions were reluctant to finance developments in this community.

According to Pat Chemnick of SEED, it was essential to secure financing from public sources to fill the gap between the cost of the project and projected revenues that would be generated. Even though the EPA loan was valuable and helped fill the gap, SEED needed to secure significantly more gap financing to make the project work, especially because their goal was to provide housing affordable to low- and moderate-income households. His advice to other organizations is to know in advance about financing affordable housing or to partner with a firm or organization that has knowledge and prior experience in this field before undertaking a project (P. Chemnick, personal communication, October 13-14, 2005).

Malibu Bay Apartments, West Palm Beach, FL

Malibu Bay Apartments is a 264-unit low- to moderate-income apartment complex that was built on a brownfield in West Palm Beach, Florida. The brownfield, a former 18-hole golf course, was designated by the local government as a brownfield because the ground water had become contaminated with arsenic after years of pesticide treatments. Malibu Bay is one of six parcels that were developed on this site.

The Housing Trust Group of Florida, LLC (HTGF) developed the site and tapped into a number of funding sources to finance the $30 million project. The budget included $300,000 in environmental consulting fees. The first mortgage ($20,010,000) was financed through the Housing Finance Authority of Palm Beach and $7 million was garnered in Low-Income Tax Credits. The second mortgage ($800,000) was with the South Florida Regional Planning Council, which serves as a conduit for EPA assistance programs. Palm Beach County Housing and Community Development Department provided the third mortgage ($262,000). West Palm Beach City Home Funds ($200,000) was used for both land acquisition and development expenses related to the project and the city waived utility connection fees which translated to about $136,500 for the affordable units.

Since HTGF participated in Florida's brownfield voluntary cleanup program, they are eligible to receive $200,000 Voluntary Cleanup Tax Credits (VCTC), and the development corporation has also taken advantage of the state's brownfield sales tax rebate whereby HTGF is eligible for a rebate from the Florida Department of Revenue on all sales tax paid on the construction materials for the Malibu Bay apartments project. With approximately 2,000 individual receipts that were saved for documentation, the company expects to receive a $300,000 tax rebate.

Since most local and state offices have brownfield development specialists and the expertise and knowledge on cleanup and funding sources, Shawn Wilson, HTGF's Executive Vice President, stressed that it is important to communicate with these government officials while an affordable housing project is in its initial stages of development. Wilson also said that affordable housing developers must become astute at turning over every rock, pebble, and leaf for money to finance a successful development (S. Wilson, personal communication, January 11, 2006).

804–806 Pennsylvania Avenue, Clearwater, FL

Working together, Clearwater Neighborhood Services, Inc. (CNHS) and City of Clearwater departments took a neighborhood eyesore and developed it into the city's first single-family homes built on a brownfield. The property was a former junkyard and contaminants included drums of regulated and unregulated wastes, tires, abandoned vehicles, pesticides and other chemicals. The junkyard was located within a neighborhood that was being transformed through the efforts of CNHS. The nonprofit organization had been actively involved with the residents, many with low-incomes, to revitalize the distressed neighborhood by building affordable homes on vacant lots and rehabilitating existing homes. Converting a negative aspect into a positive asset took a great deal of collaboration between CNHS and various city departments.

There was approximately $38,000 in city liens held against the property due to numerous code violations that spanned several years. These were forgiven after the property owner donated the parcel to CNHS. Clearwater's brownfields program, which is within the city's Economic Development Department, tapped into Florida's brownfields funds for $150,000 which was used to cleanup and remediate the site to meet residential standards. Two new homes were built once the site was cleaned to proper standards. The residents, both first-time homebuyers, received city subsidies for no down payment through Florida's State Housing Initiatives Partnership Program (SHIPP) (D. Hufford, personal communication, October 19, 2005; I. Gulley, personal communication, November 7, 2005).

Conclusion

An adequate supply of housing for very low-, low-, and middle-income persons is a challenge that faces each community across the entire country. Census housing data verify that housing costs over the past 20–30 years have outpaced household incomes, creating an ever-widening gap in the number of people and families whose household incomes are not sufficient enough to afford decent housing. This social and economic phenomenon is not isolated. Simultaneously, the lack of decent housing contributes to the decline of neighborhoods, many of which are located in older urban neighborhoods.

The presence of brownfields can also be a contributing factor to the demise of a neighborhood. Converting these abandoned and idled parcels into affordable residential settings can serve as a catalyst to revitalize a neighborhood and/or community. Most often, these development projects are based on a co-operative effort between several levels of government, public/private partnerships, and community members. If not for the working relationship between Clearwater Neighborhood Services and the City of Clearwater, FL, the neighborhood junkyard might not have been cleaned and used as a building site for two affordable homes.

As illustrated in the case studies within this guide, housing developers must be able to tap into a multitude of funding mechanisms such as grants and low-interest loans for clean-up and remediation, as well as low-income tax credits and federal programs for construction costs in order to build residential units that would be affordable. Projects such as East Bay Habitat for Humanity in Oakland, CA, or Malibu Bay Apartments in West Palm Beach, FL, are good examples of how different funding sources can be pooled together to offset construction costs.

In addition, the planning and implementation stages of these projects, which would include land assembly, cleanup and mediation, and finding the right mix of partners and financing, can be time consuming. A classic example would be the fact that it took South East Effective Development (SEED) a decade to complete the Rainer Court housing project in Seattle, WA.

In the long run, it is the revision of policies by local governments that can motivate and expedite affordable housing developments on brownfield sites. Reviewing current land use and permit and licensing policies can identify barriers that affect these development projects. A revision of some policies may, in fact, stimulate brownfield redevelopment projects.

Appendix

Public Financing Programs

Listed below are federal and state brownfield and affordable housing financing programs along with web addresses that can be found within the U.S. Environmental Protection Agency (EPA), the U.S. Department of Housing and Urban Development (HUD), the Department of Treasury, the US Department of Agriculture and the Federal Housing Finance Board (FHFB). Additional funding options and resources for brownfields may be found in Practice Guide #1, *Public Strategies for Cost-Effective Community Brownfield Redevelopment*, http://cepm.louisville.edu/Pubs_WPapers/practiceguides/PG1.pdf and Practice Guide #10: *Brownfield Redevelopment: Make it Possible!*, http://cepm.louisville.edu/Pubs_WPapers/practiceguides/PG10.pdf).

It should be noted that although the federally funded programs outlined below and in other Practice Guides are active sources, there is no guarantee that these programs will continue to be funded.

<u>Federal Funding Sources</u>

Brownfield

The Federal government offers brownfields programs within several of its departments to help stimulate the cleanup and redevelopment of these sites. With the availability of grants, loans and tax incentives, local housing officials and housing developers can utilize brownfield sites as viable locations for housing developments for low-income persons and families. Since many of the federally funded brownfield programs are cleanup related, tapping into them for affordable housing developments is a good option as a funding tool.

The U. S. Environmental Protection Agency (EPA), www.epa.gov, offers three financing programs that may be applicable to housing:

- ***Assessment Grants*** are available to government bodies at the local, tribal and state levels as well as redevelopment agencies, regional councils, and land clearance agencies and can be used to assess a site prior to cleanup. These expenses could include a site assessment, community outreach efforts and the any costs relative to pre-cleanup. These grants are typically $200,000 per site or jurisdiction, but may, in some cases, be as high as $350,000.
- ***Cleanup Grants***, which can be up to $200,000 per site, are available to site owners whether a municipality, nonprofit, or qualifying development agency. However, there is a 20 percent match required (either in funds or in-kind services), which may be appealed in some cases.
- ***Revolving Loan Fund (RLF) Grants*** can be used to provide low or no-interest loans for brownfield cleanup. These grants are administered to government bodies at the local, tribal and state levels as well as redevelopment agencies, regional councils, and land clearance agencies and can be up to $1 million for a five-year period.

Housing

The U.S. Department of Urban Housing and Development (HUD), www.hud.gov, has funding programs that are can be applied to affordable housing developments and a few are specifically for the redevelopment of brownfield sites. It should be noted however that HUD money is usually available and distributed at the state and local levels, therefore addition funding regulations and eligibility requirements may be added in addition to what is required by the federal government.

- ***Community Development Block Grants (CDBG)*** has been one of HUD's most successful and important allocation programs for more than 30 years. CDBG funds are distributed as annual grants and earmarked for projects that contribute directly to the economic benefit of the low- to moderate-income population. A portion of these grant dollars are earmarked for '*entitlement*' communities. There are certain criteria that dictate whether or not a city or county is *entitled* to receive CDBG funds, and this is based on a formula that includes certain factors such as population. In addition, a portion of HUD's CDBG funds are administered directly to the States for distribution to smaller municipalities. CDBG projects focus on entire neighborhoods and districts and can be used to eliminate slums and urban blight and HUD lists profiles of how CDBG monies have been used in communities nationwide on their website.
- ***Section 108*** funding is a tool that allows a municipality to funnel a portion of their CDBG dollars into a federally guaranteed loan pool. These low-interest loans can then be used to as incentives to encourage private investment in distressed neighborhoods.

- The ***Brownfields Economic Development Initiative (BEDI)*** is used in conjunction with Section 108 funds to ensure that a redevelopment or development plan is viable. These funds, which can help offset pre-development costs, must be linked to outcomes that benefits persons of low- to moderate-income.
- The ***HOME Investment Partnership Program*** is in itself, the largest federally funded block grant awarded to States and local governments. Its primary objective is to provide low-income housing. HOME touts itself as being one of the most flexible funding sources and it is designed to encourage and foster communities to strategize and develop plans that are specific to their low-income housing needs. HOME funds can be distributed as grants, loans or loan guarantees, but requires that participating jurisdictions (PJs) provide a 25 cents match of every dollar in program funds as a buy-in or commitment to affordable housing programs. In many cases, nonprofit housing organizations work closely with the States and cities in the distribution of HOME dollars. Even though HOME funds cannot be used for brownfield cleanup and site preparation, these funds can be used to carry out affordable housing development on the brownfield site.
- ***Self-help Homeownership Opportunity Program (SHOP)*** funds are awarded to nonprofit groups that meet the federal government's eligibility standards and used to purchase property and improve or add necessary infrastructure for the self-help construction of up to 30 affordable homes. These homes, backed with owner and volunteer sweat-equity, may be located on a brownfield site. SHOP funds cannot be used for site assessment and remediation.
- The ***Initiative for Renewal Communities and Urban Empowerment Zones (RC/EZ)*** is a federally funded program that offers tax incentives intended to stimulate job growth, promote economic development and create affordable housing opportunities in designated cities and towns. In 2002, an estimated $17 billion was earmarked for 40 RCs and 8 EZs each with its own strategic plan and partnerships between government, for-profit and nonprofit agencies and organizations. Detailed information about the 180 Renewal Communities, Empowerment Zones and Enterprise Communities (RC/EZ/ECs) in the U.S., which includes maps, contacts and locations, can be accessed via HUD's website.
- ***Supportive Housing for the Elderly (Section 202)*** grants, eligible to private nonprofit organizations approved by HUD, are interest-free capital advances that are to be used to develop rental housing projects for senior citizens (62 years or older) with very low income that would include supportive services such as cleaning and cooking assistance. Section 202 funds can be used for the purchase and/or site preparation of a property, construction of new facilities or conversion and rehabilitation of existing structures into housing. If the developed housing remains available for elderly persons with very low incomes for 40 years or more, the interest-free capital advances will not have to be repaid.
- ***Section 811 Supportive Housing for Persons with Disabilities***, another HUD program, provides grant money to nonprofit organizations that serves very low income persons with a physical disability, developmental disability or chronic mental illness (18 years of age or older). Viable uses for these funds include the purchase and cleanup of property, new construction or rehabilitation of existing

structures into rental units that may include independent living projects, condominium units and small group homes with the availability of supportive services for persons with disabilities. If the developed housing remains available for disabled persons with very low incomes for 40 years or more, the interest-free capital advances will not have to be repaid.

Department of the Treasury (www.ustreas.gov)

- ***Federal Rehabilitation Tax Credits***, governed by both the National Park Service and the Internal Revenue Service, provides a dollar-for-dollar reduction on federal taxes for owners of the historic property. The tax credits can be either 10 percent or 20 percent, with the determination set by the owner. These tax credits are available to any qualifying project and are non-competitive.
- ***Low-Income Housing Tax Credit (LIHTC)*** program, created by the Tax Reform Act of 1986, has provided the States with the equivalent of nearly $5 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households.
- ***Brownfield Tax Incentive*** enables the owner of a property to fully deduct the environmental cleanup costs in the year they are incurred, rather than having to be capitalized (these would be the costs incurred for clean up that would in turn increase the value of the property). Certifications must be administered through the State brownfields/environmental offices.
- The ***Community Development Financial Institutions (CDFI) Fund*** was created as an incentive to banks and lending institutions in order to stimulate economic development in distressed urban and rural communities as well as creating identifiable community development financial institutions (CDFIs). These CDFIs meet the financial needs of areas and people that had been underserved by traditional banks and other lending institutions, including mortgages for low-income housing. Since its inception, more than $534 million has been awarded to community development organizations and financial institutions.
- The ***New Markets Tax Credit (NMTC) Program*** enables investors to receive Federal income tax credits for making qualified equity investments in designated Community Development Entities (CDEs) which in turn must use the private-sector funds for economic development projects in both rural and urban distressed and low-income communities. In its second round of funding, the US Treasury awarded $3.5 million in tax credits to 63 organizations that financed projects in 45 States.

Since its inception in 1932, The Federal Home Loan Bank System, which was created by the Federal Home Loan Bank Act, primary function is to finance loans for market-rate home mortgages. More recently, the Federal Home Loan Bank System's public policy mission has been expanded to include Affordable Housing and Community Development lending.

- ***Affordable Housing Program (AHP)*** subsidies must be used to fund the purchase, construction or rehabilitation or refinancing of owner-occupied or rental housing for very low-income and low- or moderate-income households. There are

12 FHLBanks that earmark at least 10 percent of its annual net earnings to its AHP. A combined total of $214 million is available for the AHP in 2005.

- ***Community Investment Program (CIP) for Housing*** is a program in which either loans at a discounted interest rate or AAA-rated letters of credit from the FHLBanks are made available to member banks and thrifts. These banks and thrifts may in turn use CIP to fund the purchase, construction or rehabilitation or refinancing of owner-occupied, rental housing or manufactured housing parks for very low-income and low- or moderate-income households.
- ***CICA Programs for Economic Development*** offers low-cost, long-term funds for member financial institutions (banks and thrifts) and other eligible lenders which provide financing for projects that are for certain economic development and housing activities in both rural and urban areas where incomes fall below 110 percent to 115 percent of the area's median incomes.

US Department of Agriculture (USDA) Rural Development (www.rurdev.usda.gov)
The US Department of Agriculture (USDA) Rural Development has several loan and grant programs specifically for low-income housing. Their ***Rural Housing Service (RHS)*** works on a partnership level with non-profits, Indian tribes, state and federal government agencies, and local communities to create and make available funds which offer options for the construction and purchase of homes for persons with low incomes.

State Funding Sources

Brownfields

In addition to the funds set aside by the Federal government for brownfields redevelopment, most States have their own set of funding programs that may prove to be beneficial when developing a brownfield site with an affordable housing component. Primarily the States' brownfields funding is focused on cleanup and site preparation. Some of the funds available are actually dollars that have been sifted down through federal funding programs such as CDBG. Those funding sources will not be re-addressed in this section. It is also important to note that each State sets its own criteria for eligibility requirements and many offer liability release provisions, in addition to financial incentives.

Two of the most popular programs offered by the States are ***Brownfield Programs*** and ***Voluntary Cleanup Programs (VCPs)***. Brownfield programs, most of which are funded by the EPA, are specifically for abandoned or idled sites, whereas VCPs can be applied to sites that have an existing use.

VCPs, perhaps the most important tool for brownfield redevelopment, are state-sponsored and exist in nearly all 50 States. These programs give local governments and property owners' access to technical assistance, encourage cleanup by private parties (often the owner or operator of a site) in the absence of state enforcement measures, and often offer tax or monetary incentives to facilitate the cleanup (See Practice Guide #9, *Contaminated Properties: History, Regulations, and Resources for Community Members*, http://cepm.louisville.edu/publications/publications.htm#PG9). It is through the VCPs that States offer liability release. It is not uncommon for a State to target areas for cleanup, and diverting funds from other federal and state sources for that purpose. This, however, could jeopardize a brownfield site's eligibility to participate in a VCP.

The ***Resource Conservation and Recovery Act (RCRA)*** established guidelines for the cleanup and removal of toxic and hazardous wastes. Included in this act are the mandates for containment and remediation of petroleum tanks often referred to as Underground Storage Tanks (USTs). Under approval from the EPA, most States have set up their own petroleum tank cleanup programs which offer financial assistance. However, their programs, eligibility and funding levels may vary state to state.

Housing

With the steady reduction of federal funding for assisted housing, a number of States have established ***Housing Trust Funds (HTF)*** through legislation, ordinances and/or resolution to create affordable housing for low and very low income individuals and families. HTFs are financed by dedicated public revenue sources such as real estate transfer taxes but other sources may include interest on real estate escrow accounts, interest on bond reserve accounts, development fees, the sale of unclaimed and state property and fees from off-shore oil drilling, or gifts from foundations or individuals.

HTFs are usually administered to local governments and agencies, private developers or nonprofit agencies, or income eligible individuals or families and may be in the form of grants or loans. In addition to the States, HTFs have also been established at the city and county levels.

References and Resources

East Bay Habitat for Humanity, http://www.eastbayhabitat.org. (Retrieved October 13, 2005)

Fannie Mae Foundation, http://www.fanniemaefoundation.org/programs/hpd/pdf/hpd_1102_edintro.pdf (Retrieved August 30, 2005).

Johnson, D. E. and Kesling, J. L. (2005). "Brownfields Offer Developers Hope as Housing Options Dissipate," *Nationwide News*, http://www.in.gov/idem/land/brownfields/nationwidenews.html . (Retrieved August 30, 2005).

Koven, S. G. and Lyons, T. S. (2003). *Economic Development: Strategies for State and Local Practice*. Washington, DC: International City/County Management Association (ICMA).

Lang, R. E. and Sohmer, R. R. (2002) Editors' Introduction "Legacy of the Housing Act of 1949: The Past, Present, and Future of Federal Housing and Urban Policy," *Housing Policy Debate* 11 (2): 291-298.

Marti Jr., M. (1984). *No Place to Hide: Crisis and Future of American Habitats.* Westport, CT: Greenwood Press.

May, P. J. (2005) "Regulatory Implementation: Examining Barriers From Regulatory Processes," *Cityscape: A Journal of Policy and Development and Research* 8 (1): 209–232.

Office of Federal Housing Enterprise Oversight (OFHEO), www.ofheo.gov . (Retrieved August 30, 2005).

Schill, M.H. (2005) "Regulations and Housing Development: What We Know," *Cityscape: A Journal of Policy and Development and Research* 8 (1): 5–19.

Suchman, D. R. (1997) *Developing Infill Housing in Inner-City Neighborhoods: Opportunities and Strategies*, Washington, DC: ULI–the Urban Land Institute.

Suchman, D. R. (2002) *Developing Successful Infill Housing*, Washington, DC: ULI–the Urban Land Institute.

Tanner, J. (2001) "Affordable Housing," *Urban Issues, Selections from The CQ Researcher*, Washington, DC: CQPress, A Division of Congressional Quarterly Inc.

United States Census Bureau, American Fact Finder, Table P080A. Median Household Income in 1989, http://factfinder.census.gov/servlet/DTTable?_bm=y&-state=dt&-ds_name=DEC_1990_STF3_&-mt_name=DEC_1990_STF3_P080A&-CONTEXT=dt&-redoLog=true&-geo_id=01000US&-format=&-_lang=en (Retrieved August 30, 2005)

United States Census Bureau, American Fact Finder, Table P53. Median Household Income in 1999, http://factfinder.census.gov/servlet/DTTable?_bm=y&-state=dt&-ds_name=DEC_2000_SF3_U&-mt_name=DEC_2000_SF3_U_P053&-CONTEXT=dt&-redoLog=true&-geo_id=01000US&-format=&-_lang=en (Retrieved August 30, 2005)

United States Census Bureau, Housing Vacancies and Homeownership (CPS/HVS) – Historical Table 11, http://www.census.gov/hhes/www/housing/hvs/historic/histt11.html (Retrieved October 24, 2005)

United States Census Bureau, Historical Census of Housing Tables – Home Values, http://www.census.gov/hhes/www/housing/census/historic/values.html (Retrieved November 18, 2005)

United States Department of Housing and Urban Development (HUD), http://www.hud.gov/offices/cpd/affordablehousing/index.cfm. (Retrieved August 30, 2005)

United States Environmental Protection Agency (EPA), http://www.epa.gov/OCEPAterms/bterms.html . (Retrieved October 12, 2005)

United States Environmental Protection Agency (EPA), http://www.epa.gov/brownfields/03grants/eastbay.htm . (Retrieved October 12, 2005)

White, S. M. (1992). *Affordable Housing: Proactive & Reactive Planning Strategies.* Chicago, IL: American Planning Association.