



**Community HousingWorks
Rental Housing Stability Pilot Program
White Paper**

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Community HousingWorks Rental Housing Stability Pilot Program

Introduction

The number of households in San Diego County will grow by 36 percent by 2050 (SANDAG, 2011). This rapid population growth will have long-lasting implications on regional home and rent prices, and have a significant impact on affordable housing. The goal of this white paper is to demonstrate the need for affordable housing programs that offer flexible payment plans and financial literacy education, as well as to prove the efficacy and impact of Community Housing Work's (CHW) Rental Housing Stability Pilot Program (RHSPP). CHW is a local nonprofit organization dedicated to helping people and communities move up in the world through opportunities to own, rent, and achieve. A student consultant team from the University of San Diego's Nonprofit Leadership and Management Master's program produced this white paper in the spring of 2014. Methods to develop this white paper included a review of academic research on the affordable housing industry, key informant interviews with CHW staff, residents, and partners, a review of other program designs in the country, and the development of a logic model to depict the relationship between the intervention activities and the program outcome. Based on this extensive assessment, the Rental Housing Stability Pilot Program offers an innovative solution to a critical need in the San Diego community. In fact, the pilot phase of the program is already demonstrating significant impact.

About Community HousingWorks

Founded in 1982, the mission of CHW is to help people and communities achieve upward mobility. CHW believes that with the stability of a good home, an inspiring goal, powerful tools,

and the community's compassion and support, people can change their futures and move up in the world. For this reason, CHW offers numerous comprehensive programs that serve over 8,000 San Diego children and families each year.

First, CHW is dedicated to ensuring that the dream of homeownership is achievable. In order to meet the needs of traditionally underserved communities, CHW offers reality services for buyers and sellers, home loan and down payment assistance, pre-purchase homebuyer and post-purchase homeowner classes in English and Spanish, as well as foreclosure intervention counseling.

Second, CHW is committed to providing rental homes to San Diegans with limited resources. CHW develops and owns 31 rental communities, including over 1,900 apartments. In addition, CHW offers "green" rental communities that provide lower utility and maintenance costs for residents. Also, CHW provides supportive housing and services for seniors, veterans, people with disabilities, and people transitioning from homelessness.

Third, CHW is devoted to helping people achieve their dreams. For this reason, CHW operates programs that help San Diegans build greater home stability, financial security, and give youth opportunities for greater success. For example, CHW offers financial fitness courses that help individuals get out of debt, build credit, access jobs, and buy homes. These courses are complimented by benefit screenings, match saving accounts, workforce development training, and one-on-one coaching. For youth, CHW operates 18 Learning Centers throughout the County that offer a safe place for youth to learn, access leadership training, and foster a love of reading.

CHW is San Diego County's only member of the national NeighborWorks Network® and an award-winning affiliate of the National Council of La Raza (NCLR). The NeighborWorks Network® is a partnership of organizations in America that strive to create opportunities for people to live in affordable homes. The NCLR is the largest national Hispanic civil rights and

advocacy organization in the U.S.

The Need

Housing is a basic need and a fundamental right of every human being. In fact, housing provides a space for children and families to live in privacy, security, and dignity (Rizvi, 2012). Yet, an increasing number of families are unable to achieve this right. In fact, an estimated 12 million renter and homeowner households in the U.S. now pay more than 50 percent of their annual incomes for housing. Moreover, a family with one full-time worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States (HUD, 2014)

For this reason, many families are forced to live in rental affordable housing. Affordable housing is defined by the U.S. Department of Housing and Urban Development (HUD) as housing that costs no more than 30 percent of a household's monthly income. In San Diego, the median price of a home is more than \$500,000. In addition, the median income for a family of four in San Diego is \$63,400. This means that affordable housing for a low-income family would be an apartment renting for about \$1,500 per month or a home priced under \$225,000 (SDHC, 2011). With the economic aftermath of the Great Recession still being felt, these costs are very prohibitive for lower to moderate-income families in San Diego.

Moreover, this housing environment forces families into difficult choices about food, clothing, transportation, and health care (HUD, 2014). In fact, key informant interviews with residents of CHW provided personal accounts of how emergency situations like job loss or a sudden reduction in income placed an enormous financial burden on families. Although costs may be somewhat lower for those families in subsidized housing, these expenses can, nonetheless, put families in a position where they pay their rent before food.

The number of households in San Diego will grow by 36 percent between 2008 and 2050. Yet, the vacancy rate in San Diego will drop by 29 percent between 2008 and 2050. This means that San Diego will have more residents than homes for residents. In fact, a recent County report indicates that more than 94,000 affordable housing units for low and moderate income San Diegans are needed by 2050 (SANDAG, 2011). For this reason, it is imperative that residents already in affordable housing remain in their homes—because the chances of families finding another home are increasingly challenging.

Reports also indicate that 84 percent of the affordable housing units required in San Diego are projected to be multifamily households (SANDAG, 2011). This adds another layer to the need because housing stability is critical to the growth of children. In fact, family processes are shown to mediate the effects of stressors associated with lower incomes on long-term outcomes for children. Family processes allow families to develop their identities, manage their roles, and organize the tasks of daily life. In turn, this creates greater family cohesion, which has positive outcomes like a sense of belonging and a sense of security (Mayberry, 2014). Disruption of this cohesion due to housing instability is linked to lower reading and math achievement among children and even greater rates of school dropout. This often occurs because housing changes typically require children to switch schools or live in more dangerous neighborhoods (Nichols, 2003). More family strain is added making a challenging situation an impossible one.

Traditional Solutions to the Need

Traditionally, solutions to the need for housing are driven by an intention of fueling the economy (Martens, 2009). Since 1917, the federal government has taken the lead in providing affordable housing for low income Americans through two approaches: deep subsidy programs and shallow subsidy programs. Deep subsidy programs are intended for the lowest income

Americans and consist of financial assistance or actual public housing complexes that allow residents to spend no more than 30 percent of their income on rent. For example, these programs can take the form of housing vouchers, which allows recipients to rent privately owned housing of their choosing through financial assistance. It can also take the form of public housing, which are actual homes for individuals that meet the income requirements. Yet, only one in four eligible low-income households receives assistance from deep subsidy programs (Schwartz, 2013). Moreover, these programs are completely dependent on Congressional appropriations, which is not the most stable funding source. For this reason, the deep subsidy solution is inadequate, and requires assistance from shallow subsidy programs and other private sector approaches.

Shallow subsidy programs are designed to leverage private investment, and enable rents to be lower than what the market would charge, but not to point where they are affordable for the lowest income households. These programs include the Low Income Housing Tax Credit, tax-exempt housing bonds, and HOME investment partnership block grants. All of these programs act as financial incentives for the private sector to invest equity into low-income rental housing developments. For example, the Low Income Housing Tax Credit (LIHTC) provides investors with a dollar for dollar reduction in their federal income taxes based on the amount of money they put into a new rental affordable housing development. Furthermore, state and local governments sell tax-exempt bonds to investors in order to provide them with below-market rate mortgages. Finally, investors utilizing the LITC can also apply for financial assistance from the federal government to make up the gap in funding new affordable housing developments. This funding is called HOME investment partnership block grants. Unlike deep subsidy programs, shallow subsidy approaches have seen very little growth over the last three decades. The recent Great Recession especially limited shallow subsidy programs (Schwartz, 2013).

In short, the imperfection of deep and shallow subsidy programs opens the door for

innovative private sector solutions. The more than ninety-year history of affordable housing demonstrates that meeting this critical need goes hand in hand with making it commercially viable for developers and investors.

Our Solution: the Rental Housing Stability Pilot Program

In 2012, CHW received a \$10,000 grant from the NeighborWorks Network® to fund a study entitled the “Eviction Prevention Program” (EPP). The purpose of the study was to develop best practices around housing stability for lower income individuals and families around the nation. This study compelled CHW to formalize the Rental Housing Stability Pilot Program (RHSPP), which provides flexible payment plans and wrap-around support services for residents at particular CHW-owned rental complexes. In order to get referred to the program, residents must be three or more days delinquent in their monthly rental payment. Below is a step-by-step guide to how the RHSPP works:

1. Community managers, employed by ConAm Property Management (a CHW partner) at the CHW rental complex, are responsible for proactively informing residents about the program.
2. Residents who miss the rent payment due date are given a Notice to Pay Rent or Quit. This prompts the resident to contact the community manager.
3. The community manager completes a RHSPP referral form and directs the resident to contact CHW directly to schedule a one on one appointment. The community manager also has the resident sign a release of information form. Both the referral form and release of information form are communicated to the site supervisor, community manager, CHW coaches, CHW asset portfolio managers, and client services staff using Team Lab, a cloud based customer relations management platform. Using Team Lab, all parties involved

communicate about the proposed payment plan and implementation.

4. CHW coaches and the resident meet to develop a payment plan. The payment plan is written in plain language, and includes both negative consequences of nonpayment and positive consequences of successful payment completion. Financial coaching and counseling sessions focused on budgeting and asset building are offered by coaches to the resident.
5. The payment plan is agreed to by the resident, coach, asset manager, community manager and by CHW as owner of the rental housing community.
6. Residents who are successful in completing their payment plans and financial education sessions are eligible to participate in CHW's match savings program. Residents also gain the important benefit of housing stability and a future of greater financial health.
7. CHW reports outcomes on a monthly basis. Community managers respond to 12 specific questions each month using a survey tool called Survey Monkey. Outcomes are reviewed and evaluated by CHW to measure success at each property site in the RHSP program.



The unique characteristic of RHSP is the proactive interaction and partnership between CHW, community manager, and resident. Every stakeholder comes together to help the resident keep his or her home. Moreover, the opportunity to repay back-rent over time, the financial education, and the caring attitude demonstrated by coaches and community managers make this program one of a kind. These wrap-around services provide a buffer to residents who might face

job loss, deportation of the primary breadwinner, sudden illness, or other life challenges that interrupt their financial existence.

From the perspective of a property owner, RHSPP is unique because it provides significant cost savings when eviction proceedings are avoided. Unoccupied housing units do not maximize the property owner's return on investment. In the case of a property owner like CHW, the program allows evictions to be avoided in a compassionate way. CHW is dedicated to helping residents achieve upward mobility, improved credit scores, and the financial benefits that accompany this progress. For CHW, this return on investment speaks louder than any revenue saved.

Evaluation of Program

CHW evaluates RHSPP by measuring quantitative data on financial impact, as well as qualitative data on resident success stories. Quantitative tracking includes breakdowns such as the savings garnered from avoided evictions, income increases at the household level, debt and legal fee costs, payment plan completions, and interactions through coaching. CHW measures program effectiveness through qualitative user-friendly tools to solicit feedback from residents. These surveys address topics like the personal impact that the program has made on an individual, as well as feelings of self-confidence surrounding financial well-being. It should be noted that stability is also measured with residents three, six, and 12 months after a payment plan is completed. Finally, these metrics are compared against the other organizations participating in the NeighborWorks Network® study to benchmark success.

Impact of the Program

RHSPP is having a tremendous impact on the San Diego community and for the residents served. In fact, the program is acting as a powerful tool for families to meet our County's

prohibitive rent costs. Since many low income San Diego families are paying more than 50 percent of their income to rent costs that average about 1,500 per month, the payment plans offered through this program give families extra time to pay, which makes their financial situation more manageable (HUD, 2014). Moreover, the program is a safeguard against the decreasing availability of homes in San Diego (SANDAG, 2011). For example, the payment plans allow residents to stay in their homes, preventing them from falling into the current environment in which there are more San Diegans looking for rental homes than there are homes available. Finally, the financial coaching offered through this program is not only creating greater home stability, but also producing more financially savvy consumers. Through this education, residents develop budgeting techniques, decrease debt, increase savings, and improve credit scores. This investment into financial literacy provides greater opportunities for home ownership, consumers with more disposable income, and ultimately, creates a strong San Diego economy.

The results of the program demonstrate this impact. In fact, 33 of the 44 residents referred to the program achieved housing stability during the pilot period. This 75 percent success rate means that these families met the obligations of their payment plan and got to stay in their home. Moreover, over a third of the residents completed the entire payment plan. All 44 residents received financial coaching. Furthermore, the success of this pilot period translated into over \$159,350 in savings for the San Diego community. This is because the average total property cost to evict a household is \$4,829. Since 25 residents were able to go on payment plans and remain in their homes, property owners and the community avoided thousands of dollars in outstanding debt and legal fees. This is important because it's money that can otherwise be reinvested into affordable housing properties to improve the San Diego community.

On an individual level, this program is having a remarkable impact. Key informant interviews were completed in the spring of 2014 with residents served by RHSPP, as well as CHW

staff and partners in order to determine impact. Interviews revealed a common theme: residents referred to this program are living paycheck to paycheck, and lack the ability to recover from extraordinary events such as the loss of a job or a sudden illness. However, these interviews also showed that RHSP is giving residents the tools to increase their upward mobility and rebound from these events. A testimonial by one resident of seven years and a single mom underscored the importance of the program:

“I had some savings, but because I’m a victim of domestic abuse I had to move a lot. Bills got ahead of me. I got in a deep hole, and eventually ended up in affordable housing. The Rental Housing Stability Pilot Program helped dig me out. Now, I know how to manage my expenses. I have a higher credit score, and was even able to buy a car!”

–Resident served by RHSP

This program is also providing a more stable environment for children. For example, one resident revealed that she would have been unable to pay her rent without the assistance of RHSP. As a mother of two children, this was especially important because it would mean that they would be out on the street. Since housing instability is linked to lower reading and math achievement among children and even greater rates of school dropout, the fact that this resident and her children were able to stay in their home, means that her children are in a stronger position to grow and achieve their dreams (Nichols, 2003). This is one of many similar results from the pilot period. By giving greater opportunities to the next generation, the long-term impact of this program is likely to be a community with an educated and strong work force.

Finally, this program is having an impact because it’s serving as a model for the rest of the nation. RHSP is one of six other programs in the nation that offer this type of service. It should be noted that RHSP is the only service of this kind in San Diego. This is important because RHSP is blazing the trail for a new kind of wrap-around service delivery for low-income residents of affordable rental housing, as well as a new kind of partnership between nonprofit

organizations and for-profit property management companies. The initial results of the RHSPP are being shared through the NeighborWorks Network®, which means that best practices will be shared with entities all over the country.

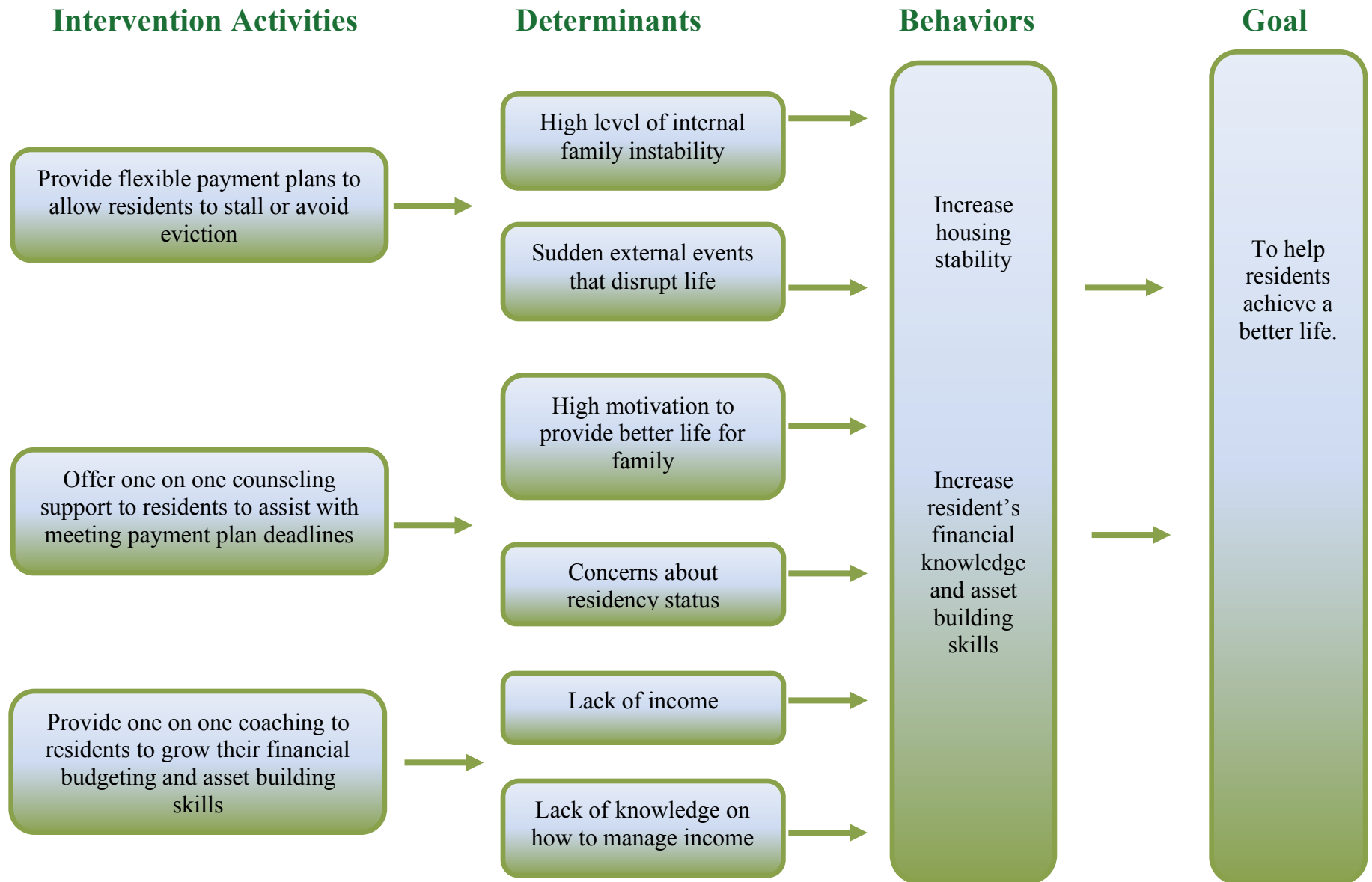
Conclusion

The San Diego community will be a better place if more individuals and families have the opportunity to live in stable homes. Unfortunately, the current affordable housing environment is defined by prohibitive rent costs and a lack of availability. For this reason, it is critical that our community offer services that give people the flexibility and tools to build their financial resources and the ability to remain in their homes. Community HousingWork's Rental Housing Stability Pilot Program is providing this vital service and is already having demonstrated success. Through your support of CHW and this program today, more families will be able to achieve their dreams. This means you'll play an integral role in creating a stronger local economy, more confident and savvy residents, a compassionate community, and a better San Diego.

Appendix A: Reference Materials

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Appendix B: Logic Model



Appendix C: Process Flow Model

