

# ...and Housing for All

January 2010  
Volume 2, Issue 1

A quarterly publication of the Five County Association of Governments

## Affordable Housing Need Grows

With the dramatic change in the economy over the course of the past few years, many individuals feel that affordable housing is no longer an issue. Unfortunately this is not the case. A recent article written by Donna Kimura of *Affordable Housing Finance* underscores this reality.

The number of renters with unaffordable housing cost burdens- those spending more than 30% of their income on rent and utilities- increased from 16.8 million to 17.4 million from 2006 to 2008.

At the national level, analysis of data from the 2008 American Community Survey (ACS) reveals that more families at every income level are facing housing cost burdens. Lowest-income renters are the hardest hit, with nearly 88% of renter families earning \$20,000 or less experiencing an unaffordable housing cost burden compared with 15.3% of those earning \$50,000 or more.

In addition, median gross rents increased from

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\$763 to \$824 between 2006 and 2008. The share of units renting for under \$500 fell from 16.9% to 16.3%, as the share of renting for \$1,500 or more rose from 10% to 11.2%.

In another notable finding, the National Low Income Housing Coalition (NLIHC) points to a shift from owning to renting since 2006, a time that many families lost their homes to foreclosures or postponed buying a house. The result is some families are doubling up, taking in tenants, or moving into smaller, more affordable units.

“The new ACS data validates the reports we are getting from across the country. More families

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## Color Country Community Housing receives national awards!

Southwestern Utah's own Color Country Community Housing recently received national praise and recognition for their Red Hawk at Springdale affordable housing development.

Thirty-five diverse developments from around the nation were selected as finalists for *Affordable Housing Finance's Reader's Choice Awards*. The selected developments represent 20

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## Neighborhood Stabilization Program (NSP)

The Neighborhood Stabilization Program (NSP) was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. Through the purchase and redevelopment of foreclosed and abandoned homes and residential properties, the goal of the program is being realized.

NSP is a component of the Community Development Block Grant (CDBG). The CDBG regulatory structure is the platform used to implement NSP and the HOME program provides a safe harbor for NSP affordability requirements.

NSP1, a term that references the NSP funds authorized under the Housing and Economic Recovery Act (HERA) of 2008, provides grants to all states and selected local governments on a formula basis. NSP2, a term that references the NSP funds authorized under the American Recovery and Reinvestment Act (ARRA) of 2009, provides grants to states, local governments, nonprofits and a consortium of nonprofit entities on a competitive basis.

Under NSP1, HUD allocated \$3.92 billion to 309 grantees including 55 states and territories and 254 selected local governments. The program was designed to stabilize communities across America hardest hit by foreclosures.

Under NSP2, HUD allocated \$1.93 billion on a competitive basis to states, local governments, and nonprofit organizations. The program objectives and eligible uses did not change under the Recovery Act, but the allocation process and some regulations on the funds have changed.



NSP grantees develop their own programs and funding priorities. However, NSP grantees must use at least 25 percent of the funds appropriated for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of the area median income. In addition, all activities funded by NSP must benefit low- and moderate-income persons whose income does not exceed 120 percent of area median income.

In order to efficiently manage and distribute NSP funds, the State of Utah organized the *Utah Center for Affordable Housing* (UCAH). The nonprofit organization links lenders holding foreclosed inventories with affordable housing providers (municipalities, nonprofits, etc.). UCAH identifies the lender of record, contacts the lender, negotiates a sales price, and offers the property to housing providers, who then acquire, rehab, and sell or lease the foreclosed properties to low and moderate income families or individuals with special needs.

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*NSP... established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment.*

## Economic Benefits adding up with Home Run 2

The following is provided by Grant Whitaker, Utah Housing Corporation President and CEO.

Utahns looking for a house or a job are benefitting from Home Run 2 housing grants, while driving home some stimulus to the Utah economy.

Since Utah Governor Gary R. Herbert announced Home Run 2 in August 2009, more than 1,900 homebuyers used the \$4,000 grant to purchase newly constructed homes.

Home Run 2 grants have created or saved Utah jobs and generated income and sales tax revenue. Kim Wood, director of the University of Utah Bureau of Economic and Business Research, projects that some 16,000 Utah jobs and \$826 million in home sales will be generated from the Home Run 1 & 2 grants distributed this year. This translates into \$44.4 million in income and sales taxes. The Home Run grants were funded by federal stimulus and administered by Utah Housing Corporation.

Home Run 2 grants were \$4,000 each. Grants in the first round were \$6,000 each. The smaller grant allows more home buyers to participate and realize the American dream of home ownership. The initial Home Run program helped eliminate the glut of new homes for sale. The second phase helped clean out some of the remaining inventory of new homes, estimated at 1,500, and spurred the start of new projects.

The increase in construction activity creates a multiplier effect on all other sectors of the state's economy. Building new homes benefits many job sectors. When a house sells there are numerous people in the chain paid for their work and supplies. These include contractors, developers, realtors, manufacturers, painters, plumbers, electricians, landscapers and more. Utah's real estate bubble that occurred from 2005 to 2007

drove up employment in those areas, and the recession eliminated an estimated 18,000 jobs in 2008 and possibly that many or more this year. That's why people say that housing led us into the recession and housing will lead us out.

Another benefit of the Home Run 2 grant program is that it can work in conjunction with the \$8,000 Federal Tax Credit for first-time homebuyers to allow even more Utahns to get into a new home. The Federal Tax Credit has been extended until April 30, 2010 and provides up to \$8,000 for qualified first-time home buyers purchasing a principal residence. It also authorizes a tax credit of up to \$6,500 for qualified repeat home buyers. The tax credit does not have to be repaid unless the home is sold or ceases to be used as the buyer's principal residence within three years after the initial purchase.

Economic benefits from Home Run and Home Run 2				
Program	Grants	Jobs created/protected	Home sales	Sales/Income Taxes
Home Run	1,652 @\$6,000 each	7,205	\$376 million @ ave. price of \$255,000	\$20 million generated
Home Run 2	1,950 @\$4,000 each	8,600 projected	\$450 million (@ ave. price of \$225,000)	\$24 million projected
<b>Total projected benefits</b>	<b>3,602</b>	<b>15,805</b>	<b>\$826 million</b>	<b>\$44 million</b>

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states, plus the District of Columbia, and they are home to working families, formerly homeless families and individuals, and seniors.

The finalists in the 10 categories were selected by the editors of *Affordable Housing Finance*. The developments were chosen through an assessment of several key characteristics, including:

- Impact on the community by adding to the affordable housing stock or improving the immediate social or economic fabric; and
- Role in overall community revitalization or social change.

Once the finalists were selected, individuals from around the nation voted for their favorites in each category. Shortly thereafter, Color Country Community Housing received notification that they were the winner of the Rural Reader's Choice Award and was honored at the 2009 Affordable Housing Developers' Summit on Oct. 28 at the Palmer House in Chicago.

On December 3, 2009 Color Country Community Housing received a Development of Distinction award at the Tax Credit Housing Finance Conference in Las Vegas. The *JTCH Development of Distinction* award recognizes excellence and honors outstanding achievement in the development of affordable tax credit housing. A panel of judges with wide-ranging expertise in the Low Income Housing Tax Credit (LIHTC) industry reviewed all the entries and selected the winners. Red Hawk at Springdale was selected because the development overcame significant obstacles during pre-development.

In receiving these national awards, Color Country Community Housing is provided with some much needed recognition. To put it lightly, development of affordable housing is extremely difficult. These awards honor the professionalism and vigilance of this organization in their efforts to provide quality affordable housing here in southwestern Utah. For additional info about Color Country, feel free to contact Rebecca Jensen at 435-673-3131.

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are renting, rents are going up, and the lowest income households are struggling to pay for the most basic necessities. These data were collected before the rapid rise in unemployment, which means the situation today is even worse. As Congress considers giving even more tax breaks to support homeownership, equal attention must go to the diminishing housing choices of low income renters," said NLIHC President Sheila Crowley in a statement.

To help ease the nation's housing crisis, NLIHC has been calling on Congress to fund the National

Housing Trust Fund with at least \$1 billion. The fund was created in 2008 but has not yet received funding. For more information, visit [www.nlihc.org](http://www.nlihc.org).



*...families are doubling up, taking in tenants, or moving into smaller, more affordable units.*

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Purchased properties include single or multi-family homes, building lots, blighted properties, partially constructed homes, or even properties that simply need a fresh coat of paint and new carpet.

The process facilitates the rapid and efficient transfer of discounted, foreclosed properties to affordable housing, an option that otherwise might not exist. The lender's troubled asset is more rapidly removed from the books, and the affordable housing provider is given the opportunity to purchase discounted properties in support of their mission. Some lenders have chosen to make loans to the nonprofits to purchase properties at terms favorable to both lender and nonprofit. The asset is remedied, and the affordable housing provider is able to leverage remaining funds to purchase additional properties.

NSP funds can be used in: Washington, Utah, Salt Lake, Davis and Weber counties, where most of the foreclosed properties are concentrated.

***UHC introduces Equity Now Program***

Utah Housing Corporation (UHC) introduces its new *Equity Now* program to help Utah's first-time home buyers purchase their first home and quickly use the Federal First-time Home Buyer Tax Credit to build equity.

*Equity Now* is a new product of UHC that enables first-time homebuyers to use the \$8,000 Federal Tax Credit to assist them in purchasing a home and building almost-immediate equity.

UHC offers a first mortgage loan and a modest second mortgage to assist homebuyers with their down payment and closing costs.

UCAH has begun purchasing properties across the five counties. With few exceptions, properties purchased have been identified by nonprofit entities within their geographic areas of expertise. UCAH is seeking to work first with nonprofit entities and municipalities who are interested in purchasing foreclosed properties at a discount. Alternatively, for profit property rehabilitation specialists may also participate but nonprofit and municipal entities will have the first right of refusal of identified properties.

To date, UCAH has closed properties intended for sale to five nonprofit entities. Here in southwestern Utah, Color Country Community Housing has been an active participant in the NSP program. To date UCAH has approached Color Country with approximately 30 properties. Of these properties, Color Country has shown interest in 5 properties and purchased 1 in St. George. Currently they are looking at several other properties and fully anticipate continuation of their participation with the NSP program.

Homebuyers need very little cash of their own to purchase their home because the *Equity Now* second mortgage can be as large as 6% of the amount of their first mortgage. That amount generally covers all but a small amount of the cash needed to close.

Normally, the Federal Tax Credit is obtained only after the home is purchased and all financing arrangements are completed. But for most homebuyers, the time they most urgently need the financial help of the Credit is when they are trying to put together the down payment and closing costs for the purchase of their home.

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Equity Now not only overcomes that problem but also provides homebuyers a \$100 incentive when they use the Credit to quickly build equity in their home.

As soon as the home purchase is completed, the homebuyers must file an amended Federal Tax Return and claim the Federal Tax Credit. IRS will then pay the homebuyers the entire amount of the Credit in cash. In so doing, homebuyers can then immediately increase their equity in the newly-acquired home by using that cash to pay off the second mortgage entirely (or to reduce its balance considerably). For additional information about the Equity Now program or the other programs that Utah Housing Corporation offers refer to: [www.utahhousingcorp.org](http://www.utahhousingcorp.org).

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