



Affordable Rental Housing Initiatives

A City Practice Brief

Fall 2008

Renters in many localities, whether urban or rural communities, have trouble finding decent, safe and affordable housing. This lack of low-cost rental properties is a long-standing problem. According to a recent study by the MacArthur Foundation, four key factors are continuing to drive the loss of housing to low and moderate-income renters. Those factors are: (1) Housing costs have escalated. Thousands of apartments were converted into condominiums or high-end rentals. (2) Aging properties are being removed from the market. Many longtime owners are unwilling to invest in costly repairs and may be unable to raise capital for needed renovations in this current market. (3) Operating costs continue to soar. Rising property taxes, energy costs, and insurance are some of the reasons the rental owner finds it difficult to maintain the upkeep of their buildings. Foreclosures are also on the rise. Owners are defaulting on loans, abandoning properties, and leaving renters at risk. (4) Long-term subsidies are expiring. Government backed loans, rent subsidies and tax breaks provided incentives for owners to keep rents affordable for 15 years or more. The obligations began to expire in the late 1990s. Hundreds of units are now out of this program. This change allows owners to charge market rents, which is a burden to low and moderate-income dwellers.

The current housing and market downturn has exacerbated the already short supply of rental housing. The foreclosure crisis has resulted in a tremendous increase in vacant and abandoned properties which are deteriorating and not suitable for occupancy. Now, renters are competing for the limited supply of housing with former homeowners. Given the scope of the crisis, local governments need interventions and strategies to develop and maintain more units of affordable rental housing.

This City Practice Brief presents examples where local governments are developing strategies and programs to preserve rental housing. These include loans to owners of rental properties for rehabilitation and repair, ordinances for rent control, housing levies for rental housing production, and local tax revenues set aside for the redevelopment of low income rental complexes.

For more examples, visit the City Practices database at www.nlc.org.

Rental Rehabilitation Loan Program

City: **Appleton, Wisconsin**

Population: 70,087

For more information, contact: Laura Roy, Housing Coordinator
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laura.roy@appleton.org

Appleton relaxed the terms of its Rental Rehabilitation Loan program in order to attract the participation of a greater number of property owners. Under the old terms of the program, the property owner was required to fund 25 percent of the cost of the rehabilitation to qualify for a 20-year loan term at zero percent interest for the first five years and 3 percent interest for the subsequent 15 years. The revamped program funds 100 percent of the rehabilitation (up to \$15,000 per unit, or the equity in the home) with a zero-percent-interest loan with payments deferred until the time of sale or transfer. The changes make a larger number of applicants eligible to participate in the program.

Cambridge Neighborhood Apartment & Housing Services

City: **Cambridge, Massachusetts**

Population: 101,355

For more information, contact: Christopher Cotterl
(617) 349-4634
Ccotter@cambridgema.gov

Cambridge Neighborhood Apartment & Housing Services (CNAHS) preserves affordable housing in a city with high rental prices. The organization purchases HUD properties that have been classified as affordable housing, but are in danger of losing rental restrictions after the final mortgage payment has been made on the property. Between 1995, the year rent control ended in Cambridge, and 2003, CNAHS purchased over 850 units in the city. The group finances the projects through Low Income Housing Tax Credits, the state of Massachusetts, which has a fund for preservation, and the city which receives funding from the state's Community Preservation Act.

Loan Program for Affordable Housing and Public Transit

City: **Denver, Colorado**

Population: 566,974

For more information, contact: Mike Roque
mike.roque@denvergov.org

The City of Denver created a new loan fund for preserving affordable rental housing that will allow Denver to leverage the metro area's \$5 billion expansion and upgrade of the region's public transit system and link its affordable housing preservation strategy to its regional transit strategy. The goals of the plan are to use interagency coordination in order to promote sustainable development, as well as an improved transit system that will benefit Denver as a whole. Oversight for this project is provided by Denver's Office of Strategic Partnerships. Denver's loan program for affordable housing was a finalist in the MacArthur Foundation Awards for State and Local Housing Preservation Leaders.

Rent Leveling Ordinance Information Guide

City: **Jersey City, New Jersey**

Population: 240,005

For more information, contact: Charles Odei, Director
(201) 547-5082
charlieo@jcnj.org

Jersey City provides an information guide for landlords and tenants about the city's rent leveling ordinance (City Code Chapter 260), which applies to tenants residing in buildings of five residential units or more. The city allows three types of rent increases: automatic cost of living increase, hardship rental increase, and capital improvement increase. The city permits a cost of living increase, consisting of 4 percent, or the Consumer Price Index if it is less, once every twelve months. If a building fails to yield a "fair return," or 6 percent above the passbook demand in a savings account of a bank in the area, the owner may raise the rent with a hardship rental increase. The city calculates the amount based upon the equity in the landlord's property investment. Lastly, landlords may raise rent if they submit and win approval from the Rent Leveling Board for major capital improvement projects. The city provides the information guide, which is available on line, to ensure that citizens have a better understanding of their housing rights and responsibilities.

Rent Stabilization and Arbitration Board

City: **San Francisco, California**

Population: 776,733

For more information, contact: Rent Arbitration Board
(415) 252-4600

San Francisco established rent stabilization and an arbitration board to set guidelines for rental increases in the city (Chapter 37 of the Administrative Code). Concerned about the shortage of housing, the board set allowable rent increases at 60 percent of the CPI each year. The code also requires 25 percent ownership interest in certain cases to evict, allows only one owner move eviction per building, limits relative move-ins, and prohibits the eviction of seniors, disabled persons, and persons who are catastrophically ill.

Rental Property Repair Program

City: **San Jose, California**

Population: 894,943

For more information, contact: Rachel VanderVeen, Assistant to the Director
(408) 535-8235
rachel.vanderveen@sanjoseca.gov

The San Jose Department of Housing's Rental Property Repair Program, a program of the Strong Neighborhoods Initiative (SNI), allows owners of residential rental properties located within SNI target areas to apply for grants or loans for properties where at least 51% of the units are occupied by households at or below the Santa Clara County median-income level, adjusted for family size. Exterior Improvement Grants are available for a maximum of \$25,000 per property (parcel), and a Repair Grant is available for a maximum of \$15,000 per property. The improvements financed by the city's Repair Grant must be used to correct health & safety hazards, energy efficiency, and exterior improvements as determined by the Housing Department's Project Coordinator. Exterior improvements must be in conformance with the appropriate SNI Neighborhood Advisory Council guidelines. The city web site hosts a link where residents can be prequalified for either grant program.

Affordable Housing Ordinance

City: **Seattle, Washington**

Population: 563,374

For more information, contact: City Hall
(206) 684-4000

Seattle has an ordinance (No. 120823) which helps residents find affordable housing throughout the city. The ordinance provides for an \$86 million housing levy over seven years. Most of these tax revenues are used for rental housing production, providing approximately 1,700 new units of rental housing per year. Some of the funds provide home buying assistance to low-to-moderate income families. The remainder of the fund is used to provide rental housing payment assistance to those who are in danger of losing their homes due to nonpayment of rent. The levy costs the average Seattle homeowner \$49 per year.

Asset Management Program

City: **Seattle, Washington**

Population: 563,374

For more information, contact: Bill Rumpf
bill.rumpf@seattle.gov

The City of Seattle created an asset management program, including training, capital needs assessments, and technical assistance, to foster efficient operation, long-term financial viability, and sound property conditions throughout a large portfolio of city funded, privately-owned, affordable rental housing. The goals of the program are to have more reliable and organizationally improved methods for analyzing city owned housing in Seattle. The asset management program was a finalist in the MacArthur Foundation Awards for State and Local Housing Prevention Leaders.

Villages of Taylor

City: **Taylor, Michigan**

Population: 65,868

For more information, contact: Fred Zorn, Economic Development Director
(734) 374-2733
fzorn@ci.taylor.mi.us

The Villages of Taylor are five distinct communities redeveloped from privately-owned low-income rental complexes in southwestern Taylor. The complexes had accounted for half of the city's calls to the police and were burdened by problems of poor management, crime, and poverty. Residents in the neighborhood voted to increase their taxes in order to purchase and redevelop the complexes. After the city purchased the property, it hired a property management firm to oversee the redevelopment. The project was financed through an agreement with HUD. Each unit in the development received \$17,000 in renovations, and 961 parking spaces were eliminated to create 25 new parks. Renters who break the law

or violate the terms of their lease are removed by the city. To reduce crime, police patrols work to get to know residents.

Department of Rent Stabilization Ordinances

City: **West Hollywood, California**

Population: 35,716

For more information, contact: Allyne Winderman, Director of Rent Stabilization and Housing
(323) 848-6450
awinderman@weho.org

The West Hollywood Department of Rent Stabilization enforces ordinances (Numbers 6400-6417) which protect tenants from unreasonable and excessive rents, protects tenants from involuntary displacement, and keeps rents within the city at a moderate level. The ordinances also ensure a just and reasonable return to landlords. The city holds hearings, prosecutes tenant harassment, enforces maintenance standards, keeps rental records, and maintains a free rental referral service. The service provides information to tenants and landlords about their rights and responsibilities through a 24-hour information line, rent stabilization counselors, and on its web site.

This Brief was developed by Bonnie Mann, Project Manager, Affordable Housing Programs, and Tim Davis, MRS Intern, National League of Cities.

City Practice Briefs contain examples from NLC's City Practices database, available at www.nlc.org. Series editors: Bruce Calvin and Larry Foxman. For more information contact the NLC Municipal Reference Service at (202) 626-3130 or email mrs@nlc.org.