Housing Partnership Network

Lessons of the International Housing Partnership

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Housing Partnership Network (HPN) is an award-winning business collaborative of the nation's leading affordable housing and community development nonprofits.

HPN's member-driven social enterprises and policy activities are supported by offices in Boston and in Washington, D.C.

Social Mission.
Private Enterprise.

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Executive Summary

Safe, decent, affordable housing plays a key role in improving lives and communities in the U.S. and around the globe. Its ongoing shortage has opened the door to new ideas about how to manage, preserve, and develop affordable housing that is more sustainable and cost-effective, while also guaranteeing the best possible living situation for residents.

Housing Partnership Network's (HPN's) search for innovative social enterprise models that can better leverage private sector resources has led us to explore both domestic and international examples, particularly those from the United Kingdom. Our recommendations are based on HPN members' experience developing and financing affordable housing in the U.S. and our learning from over a decade of international exchanges with affordable housing developers from the United Kingdom, Canada and Australia. The International Housing Partnership (IHP) was launched by HPN in 2003 and is now a collaborative of more than 175 high-capacity nonprofits from Australia, Canada, the U.K. and the U.S. that collectively operate one million affordable homes housing more than 2.5 million people.

Our paper explores the lessons these international exchanges offer to the U.S. affordable housing delivery system, with special focus on what we learned from our British colleagues. The international exchanges have deepened our thinking on how the combination of social mission with private enterprise is the most effective way to develop and manage affordable housing and improve communities. We believe that housing policy in the U.S. would benefit from an emphasis on institutions that combine deep social mission and strong business acumen.

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HPN members and our international colleagues share an approach to developing communities that combines the best features of mission-driven nonprofits with the entrepreneurship of the for-profit sector. The IHP has shown us that those housing nonprofits that focus fundamentally on public purpose and commit to reinvesting any financial return into their work, while maintaining the structure to efficiently raise private capital and create partnerships with the private sector, can most effectively leverage limited public resources to deliver the best results for people and communities.

This paper explores these questions in three main sections:

Part I: Background on the modern U.K. affordable housing system

The election of Margaret Thatcher's conservative government in 1979 marked the beginning of a systemic shift in U.K. housing policy, putting in place reforms that introduced a greater role for private actors in the affordable housing sector. The cornerstone of Thatcher policy was Right to Buy, which gave council housing tenants the opportunity to purchase their homes, often at a significant discount. Also critical to this reform agenda were transfers of some government-owned social housing properties to nonprofit housing associations in order to address the mounting capital and repair needs of Britain's affordable housing stock. These transfers, known as Large Scale Voluntary Transfers, have also been key to expanding the capacity of nonprofit housing providers in the U.K. to manage and develop large portfolios of affordable housing properties.

Part II: A comparison of public-private partnerships in the U.K. and the U.S.

The British and U.S. affordable housing systems both rely on hybrid public-private partnerships—neither fully government, nor completely private. The relatively large scale and capacity of British nonprofit housing associations can be greatly attributed to Large Scale Voluntary Transfers. The British system also has benefited from a universal tenant-based housing subsidy program and a strong regulatory and funding infrastructure that allows for flexible management of properties across portfolios. The British government subsidies for housing are being reduced in various ways and as a result the system is currently in flux. The U.S. system is different but also has elements of public-private partnership. The primary capital source for the development of affordable housing in the U.S. is the Low-Income Housing Tax Credit (Housing Credit), which raises private capital from investors who receive credits against their tax liability for project-based investments in affordable housing. The U.S. system does not have a universal program of rental assistance as the British used to, but the social enterprise model works well in both countries, in different ways.

Part III: Five policy recommendations that aim to expand the role of social enterprises in the U.S. affordable housing system

The lessons of British housing polices suggest that the U.S. system for affordable housing could be made more effective and efficient with the following five policy reforms. These reforms include policies that build on current successes in the U.S. system and enhance the capacity of mission-oriented housing providers to develop and preserve affordable housing and help low-income people access opportunity. Our policy reform agenda is accompanied by examples and case studies of innovative work by mission-oriented nonprofit housing providers in communities across the country.

1. **Expand the Capital Magnet Fund.** The Capital Magnet Fund has proven to be a uniquely effective tool for leveraging public funds to attract private investments for affordable housing. The program competitively awards grants to nonprofit lenders and qualified nonprofit housing organizations, and requires that they use other sources of capital along with these awards to achieve a mandatory 10:1 leverage ratio. This program should be significantly expanded because it has the potential to scale innovative affordable housing finance models and to make efficient, effective use of government funds.

2. **Prioritize preservation and stock transfer to high capacity nonprofits.** As resources for affordable housing development shrink, it is critical to preserve the existing stock of safe, decent affordable housing and ensure that it is managed efficiently for the long term. It can be more cost-effective to rehabilitate aging HUD-assisted properties under new nonprofit management. Another tool that should be expanded and made permanent is the Rental Assistance Demonstration (RAD). RAD converts public housing and other assisted housing to a common rental assistance platform and makes it possible for affordable housing developers to access private capital for repairs. In San Francisco, RAD is being used to transfer ownership and management of public housing stock to nonprofits—many of whom are HPN members. We support expansion of this demonstration.

3. **Use a portfolio model for multifamily housing preservation.** While the Housing Credit program will likely continue to provide capital on a project-by-project basis for affordable housing development, it makes sense to shift toward portfolio finance for aging HUD-assisted and Housing Credit properties. Policies should enable mission-oriented housing providers to acquire and preserve multiple affordable housing properties more cost effectively by packaging several properties into one financial transaction.

4. **Make housing a platform for improving communities and building assets for residents.** High-performing housing nonprofits are well suited to link affordable housing development to broader programs of community and individual improvement. These organizations can advance opportunity for low-income people because they combine their skill in housing development with extensive networks of relationships with social service providers. Policies like Choice Neighborhoods, Promise Zones, and the Family Self-Sufficiency program should be expanded to leverage cross-sector partnerships that use affordable housing as a platform for broader outcomes.

5. **Improve access to affordable homeownership.** The Right to Buy policy in the U.K. highlights the enduring importance of homeownership in both countries. While Right to Buy was successful in creating new homeowners, it led to massive losses in the affordable rental housing stock and thus should not be duplicated in the U.S. Rather, proven approaches to affordable homeownership—including nonprofit acquisition and rehabilitation and rent-to-own programs—should be expanded. This expansion will require affordable mortgage products such as Federal Housing Administration mortgage insurance and critical subsidies for single-family development, acquisition and rehabilitation like the HOME program.

The U.S. needs to serve more people with decent, affordable housing in safe neighborhoods because three quarters of the Americans currently income eligible for housing assistance do not receive it. We believe that combining the nonprofit mission with private business discipline is the best way to create more affordable housing and manage it effectively for the long term.

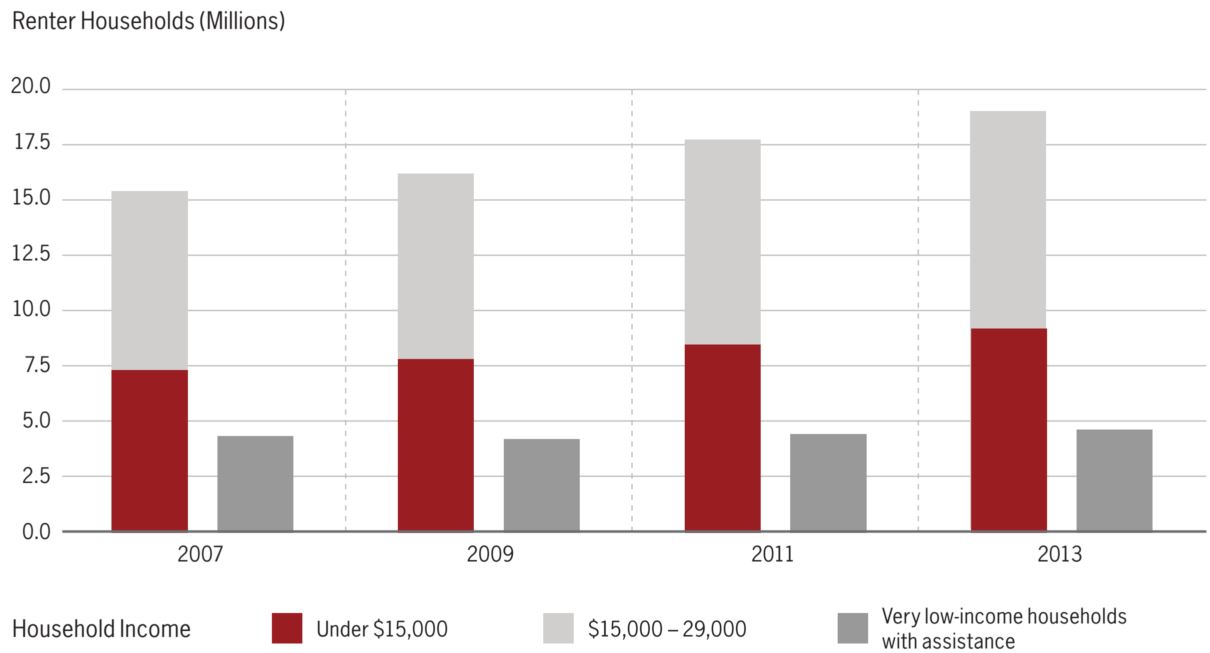
Housing Partnership Network

Housing Partnership Network is an award-winning business collaborative of nearly 100 of the nation's leading affordable housing and community development nonprofits. Creating private sector partnerships and enterprises that achieve ambitious social missions, HPN and its member organizations work together to scale innovation and impact, helping millions of people gain access to affordable homes and thriving communities that offer economic opportunity and an enhanced quality of life. In 2013, HPN received a MacArthur Foundation Award for Creative and Effective Institutions, and a Wells Fargo NEXT Opportunity Award in recognition of its ongoing leadership and innovation in affordable housing and community development. HPN operates businesses that help improve the efficiency and impact of our members such as a property and casualty insurance company that insures their apartments, a strategic sourcing and procurement business that helps them purchase the supplies they need to build and renovate housing, and a social purpose Real Estate Investment Trust that provides financing for affordable housing.

Introduction

The last decade has seen a mounting affordability crisis for low- and moderate-income renters, an escalation in housing demand from low-income seniors, and the onset of significant capital and rehabilitation needs from the country's aging affordable and public housing stock. The most recent report on the nation's housing from the Harvard University Joint Center for Housing Studies reported that just under half of all renters in the U.S. are cost- burdened, paying over thirty percent of their income on housing costs.[1] Eighty percent of households earning minimum wage are cost-burdened, with burdens falling disproportionately on minority households, low-income seniors and people with disabilities. This rent burden translates to a large and growing need for affordable housing among the country's most vulnerable individuals and families.

Figure 1. Growth in the number of lowest-income renters far outstrips increases in assisted households



Notes: Household incomes are adjusted for inflation using the CPI-U for All Items. Household counts by income are based on three-year trailing averages. Very low-income renter households have incomes up to 50% of local area medians.

Sources: JCHS tabulations of US Census Bureau, Current Population Surveys; US Department of Housing and Urban Development, Worst Case Housing Needs Reports to Congress.

1 Joint Center for Housing Studies of Harvard University. 2015. "America's Rental Housing: Expanding Options for Diverse and Growing Demand". http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/ctools/css/americas_rental_housing_2015_web.pdf

Even as housing need escalates, traditional resources for affordable housing are exceptionally tight, with greater competition than ever for a shrinking pool of federal, state, and local dollars. At the same time, the existing stock of affordable housing is aging and faces growing renovation needs, while properties developed under programs like the Housing Credit risk falling out of the affordable stock as they reach the end of their fifteen-year affordability provisions. If these properties are allowed to age out, residents may be at risk of displacement from their homes, and we may lose a critical source of affordable housing for the future.

In the face of these mounting challenges, we see the opportunity to develop new strategies to preserve and manage affordable housing in ways that are sustainable, cost-effective and oriented toward resident success. Housing Partnership Network (HPN) believes that social enterprises that combine social mission with business discipline are positioned to satisfy these needs and take on a greater role in the U.S. affordable housing system, providing innovative, sustainable housing solutions while also being committed to helping low-income people thrive and access opportunity in the places where they choose to live.

We propose policy reforms that expand the role of social enterprises, while also creating a more effective, efficient system for affordable housing delivery. Social enterprises have a core mission to serve residents and communities and take on housing challenges that the private market would not address on its own, but they follow common business practices to access private capital. HPN's members are organized as nonprofits, but there are some for-profit housing developers that also do mission-driven work. Tax status is less important than the hybrid public-private nature of these enterprises. What these entities all have in common is a fundamental focus on social purpose and a commitment to reinvesting any financial return into their work. They are innovative, entrepreneurial, accountable, and excel in serving people with a broad range of housing, service and community needs. Our affordable housing delivery system would benefit from letting them increase their scale and scope of work.

For over ten years, HPN has facilitated regular peer exchange among leaders in mission-oriented housing organizations in the U.K., U.S., Canada and Australia through our International Housing Partnerships program.

The model of affordable housing delivery in the United Kingdom offers an example of a broad-scale expansion in the role of social enterprises. HPN is uniquely positioned to reflect on the lessons of the U.K. model for U.S. housing providers. For over ten years, HPN has facilitated regular peer exchange among leaders in mission-oriented housing organizations in the U.K., U.S., Canada and Australia through our International Housing Partnership (IHP) program. Our first report on IHP described a series of insightful moments, in which housing leaders realized that they could learn a great deal from the way their peers in other countries dealt with the common challenges of housing affordability.[2] This report expands on those initial reflections, suggesting ways that the U.S. policy response to our mounting housing challenges could benefit from the social enterprise experience.

2 Bledsoe, Thomas and Paul Weech. March 2011. "International Housing Partnership Exchange". Community Development Investment Review, Federal Reserve Bank of San Francisco. http://www.frbsf.org/community-development/files/Bledsoe_Weech.pdf

PART I:

Background on the modern U.K. affordable housing system

Throughout the United Kingdom's modern history, British philanthropy and the British government have supported housing for the poor and for working class families, though the shape of that support has changed over time.

The early decades of the twentieth century witnessed the emergence and expansion of the modern **council housing** system in the U.K., with subsidized housing owned and operated by local housing authorities known as councils. Like public housing in the U.S., council housing was intended to revitalize poor neighborhoods dominated by slum housing; it gained even greater scale as the country began rebuilding after the destruction of World War II. Up until the early 1970's, the expansion of council housing was also driven by the growth of the post-war British welfare state, including broad-scale capital grants to fund the development and acquisition of subsidized housing.

While the post-war era was marked by significant government involvement in affordable housing in Britain, avenues also opened for private and nonprofit actors in the subsidized housing sector. The focus of council housing shifted from workforce housing immediately after the war to urban renewal in the 1950s and '60s. During this period, councils were increasingly perceived as developers of lower-quality, high-density housing in less desirable neighborhoods and **nonprofit housing associations** began gaining preference. The U.K. also introduced its most critical housing program a universal **housing benefit** for low- and moderate-income individuals and families in the form of rent subsidies that were paid directly to landlords. This housing benefit is being phased out and replaced with a "universal credit", one component of which is a housing benefit paid directly to tenants.


Photo: © Derek Key/Flickr

The election of Margaret Thatcher's Conservative government in 1979 marked the beginning of a systemic shift in U.K. housing policy, introducing policies and reforms that would drive permanent changes in how social housing was run, delivered and funded. Thatcher's first major reform, **Right to Buy**, gave council tenants the option to purchase their units at deep discounts, up to fifty percent of market prices in some cases. The policy is credited with driving a jump in the rate of homeownership in Britain, and contributing to an increase in tenure mix in some neighborhoods that had previously been majority social housing.[3] The policy was also controversial, however,

3 Kleinhaus, Reinout and Van Haam, Maarten. Lessons Learned from the Largest Tenure-Mix Operation in the World: Right to Buy in the United Kingdom. Published in Cityscape: A Journal of Policy Development and Research, 15:2 2013. http://www.huduser.org/portal/periodicals/cityscpe/vol15num2/ch7.pdf

with some arguing that Right to Buy led to the loss of some of the highest-quality units from council stock, including large, detached dwellings in high-quality neighborhoods, leaving a larger concentration of apartment-style council units in poorer neighborhoods. Over 2.2 million council housing units have been purchased by tenants since the start of Right to Buy.[4]

Even today, Right to Buy continues to make headlines in the U.K. A housing proposal announced in the spring of 2015 as a campaign plank by the Conservative Party expanded Right to Buy to housing association tenants for the first time.[5] This move was met with considerable opposition from housing associations, who argued that the policy could create new financial risk for housing associations and budget risk for the government, while also hindering access to critical affordable rental housing for future generations.[6] A compromise on expansion of Right to Buy was reached between the government and the housing associations resulting in a pilot which will be evaluated before any future expansion.

A second Thatcher-era housing policy was the **Large Scale Voluntary Transfer (LSVT).** The program, initiated by Conservatives in 1988 but expanded under subsequent Labour governments, aimed to address the growing capital needs of the aging council housing stock by transferring council housing to nonprofit housing associations. The policy was premised on the idea that nonprofit owners would be able to access private capital and reduce demands on public funds, which would help to recapitalize the housing stock and fund ongoing maintenance and management. A similar challenge has motivated policies like the Rental Assistance Demonstration (RAD) in the U.S.

The first large stock transfer happened in 1988, though the vast majority of all transfers have taken place since 1997 under Labour governments. The modern transfer process involves several phases of planning and approval. First, a local authority must vote in favor of transfer; then, usually, a new housing association is formed with a board consisting of tenants, individuals nominated by councils and independent members. Once created, the housing association is tasked with drafting a thirty-year business plan for the council properties, lining up private funds and arranging a ballot of council tenants, who must vote over fifty percent in favor of the transfer.[7] Since 1988, over 1.3 million units have transferred ownership from local authorities to housing associations.[8]

4 Heywood, Andrew. 2013. Investing in Social housing. http://www.thfcorp.com/investing/investing-in-social-housing.pdf

5 U.K. Department of Communities and Local Government. 26 May 2015. “Over a Million More People Given the Chance to Own Their Home.” https://www.gov.uk/government/news/over-a-million-more-people-given-the-chance-to-own-their-own-home

6 National Housing Federation. 26 May 2015. “Response to Announcement of Extension of Right to Buy to Housing Associations”. http://www.housing.org.uk/press/press-releases/response-to-announcement-of-an-extension-to-the-right-to-buy-to-housing-ass/

7 Joseph Rowntree Foundation. 2009. The Impacts of Housing Stock Transfers in Urban Britain. https://www.jrf.org.uk/report/impacts-housing-stock-transfers-urban-britain

8 Heywood, Andrew. 2013. Investing in Social housing. http://www.thfcorp.com/investing/investing-in-social-housing.pdf

Housing continues to be a hot political topic in the U.K. Like the U.S., it is seeing increased strain on a shrinking social safety net, along with a mounting housing affordability crisis for young people, working families, and seniors. These similar conditions make it relevant to examine which policies are successful in both countries. The clear historical and political parallels between the U.S. and U.K. experiences in affordable housing provide an opportunity for each country to learn from the other's system.

HPN's International Housing Partnership Exchange

In April 2003, HPN, with support from the MacArthur Foundation, expanded its peer exchange network by organizing a visit by 15 HPN leaders to social housing organizations in the Netherlands and England. The trip culminated in a day-long forum at the Rowntree Foundation in London attended by housing leaders from the three countries. Discussions, chiefly with British colleagues, ensued over the next three years, until a summit meeting in April 2007 in Washington, D.C., that effectively launched the International Housing Partnership (IHP). Since the 2007 summit, IHP has held annual meetings and formed an ongoing partnership among housing leaders in the United States, Great Britain, Canada and Australia. It is through this partnership that we have gained insight into the strengths and challenges facing our peers abroad. These insights are the foundation of HPN's policy proposals, which is premised on the core principle that high-performing, mission-driven actors can be effective stewards of affordable housing.

PART II:

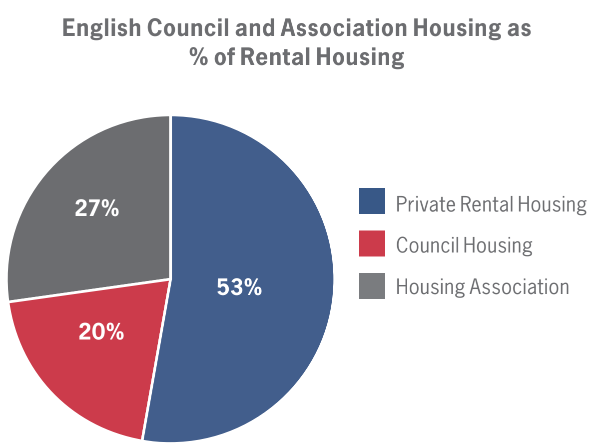
A comparison of public-private partnerships in the U.K. and the U.S.

HPN's ten years of hosting peer exchanges between domestic and global industry leaders has helped us understand how the growth of social enterprises that develop housing in both countries has strengthened both systems. One fundamental observation is that transferring council housing to nonprofit housing associations expanded the role of mission-oriented private housing providers in the U.K. social housing system. Housing associations grew in scale and prominence, facilitated by a strong regulator with broad oversight power, entity-level capital grants for development, and a universal housing benefit for low-income tenants. We believe that there is much to be learned from the social enterprise approach in both the U.S. and the U.K. This section outlines and compares key characteristics of the U.K. and U.S. housing systems as they currently stand, setting the stage for our policy recommendations in Part III.

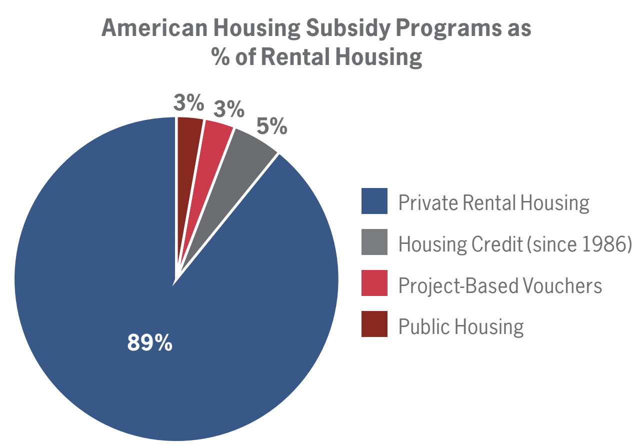
British affordable housing associations: Scale driven by policy, governance, and key subsidies

In England in particular, the Large Scale Voluntary Transfer drove a broad shift in responsibility for affordable housing management away from public sector councils and toward nonprofit housing associations. This shift caused housing associations to grow in scale and prominence within the British housing system. Today, housing associations manage more than half of England's social housing stock and more than a quarter of its total rental stock, with the largest associations managing more than 100,000 units. Housing associations have adopted sophisticated property and asset management operations to manage this scale, including asset management systems that allow the pooling of

Figure 2. *Comparison of English and the American rental housing markets*



Source: HPN Tabulations of Department for Communities and Local Government, English Housing Survey



Source: Joint Center for Housing Studies, America's Rental Housing revenues and costs across a portfolio of properties. This structure strengthens housing associations' balance sheets, which helps leverage private capital that can be used to finance development or recapitalize existing properties.

Unlike the U.S. system which has a wide range of regulatory entities at the state and national level that focus mainly on the real estate assets, the U.K. system regulates the housing enterprises themselves.

The relative prominence of nonprofit housing associations in the social housing sector is also evidenced by England's regulatory regime, which includes much more direct and comprehensive regulatory oversight of private and nonprofit operators of affordable housing than exists in the U.S. The English social housing regulator, the Homes and Communities Agency (HCA), gives close scrutiny to association performance across a set of economic and consumer-oriented standards, including governance, financial viability, and organizational effectiveness at providing affordable housing.[9] HCA has overseen and facilitated mergers between housing associations, both to facilitate economies of scale and to help stronger associations absorb lower-performing portfolios. Unlike the American system, which has a wide range of regulatory entities at the state and national level that focus mainly on the real estate assets, the British system regulates the housing enterprises themselves.

British housing associations benefit from a subsidy and operating regime that is different from the one we have in the U.S. One significant advantage was the universal housing benefit, which has represented as much as seventy percent of some housing associations' rental income. However, recent welfare reforms in the U.K. have included provisions that will change the scale and nature of the benefit in the years to come.[10] Direct housing benefit payments to housing associations are being phased out. Housing associations also received four-year development grants, with funding allocated for specific development projects from the HCA but the funding stayed on the balance sheet of the nonprofit, as did the housing asset itself. Finally, as mentioned above, associations have considerable freedom in how they operate their properties and portfolios, including the ability to cross-subsidize revenues from strong properties to support weaker-performing ones. This freedom is also a departure from the U.S. context. Although the housing grant has sharply declined over the years, the equity built up on the housing association balance sheet over this period has strongly positioned them today to raise debt from the private capital markets.

U.S. affordable housing providers: Skilled at partnerships, adapted to a complex policy environment

Social enterprises in the U.S. represent a smaller proportion of the country's total rental housing stock, but are still critical to preserving and developing affordable housing. As capital subsidies to develop new public housing were cut off in the 1980s, for-profit and nonprofit housing developers filled the gap using the Low-Income Housing Tax Credit (Housing Credit). The Housing Credit gives investors a credit on their taxes for investments in affordable housing; today it is responsible for nearly all new affordable housing development in the U.S.

9 National Housing Federation: New Regulatory Framework, Federation Briefing. 13 May 2012. http://www.housing.org.uk/publications/browse/new-regulatory-framework-federation-briefing/

10 U.K. Department for Work and Pensions. "Policy Paper: 2010-2015 Government Policy—Welfare Reform": https://www.gov.uk/government/publications/2010-to-2015-government-policy-welfare-reform/2010-to-2015-government-policy-welfare-reform

The Housing Credit also spurred the growth of the social enterprise sector in the U.S. because it required business discipline and expertise to attract investors, but it was aligned with the social purpose of creating affordable housing. The growth of social enterprises like HPN members in the U.S. has been helpful in the drive to preserve affordable housing for the future. Social enterprises leverage public funds to access private and philanthropic capital in order to finance housing and key services for residents using private-sector approaches to increase the impact of each dollar of subsidy. The scale and reach of U.S. social enterprises is limited somewhat, however, by the absence of a broad-based housing benefit like that which existed in the U.K., where housing providers have been able to rely on government-funded rental assistance for their residents to pay for building maintenance. U.S. housing nonprofits have to be creative and structure affordable housing developments to be sustainable over time, even without rental assistance.

The growth of social enterprises like HPN members in the U.S. has been helpful in the drive to preserve affordable housing for the future.

During the IHP exchange process, HPN and our members began looking to the British system for ideas that could help strengthen our own policies, programs, and resources to help us become more effective and efficient stewards of affordable housing. We saw potential to build on our existing capacity through programs that created access to entity-level capital and provided greater regulatory flexibility to manage resources across a portfolio of properties, particularly to facilitate deals that preserve legacy senior housing and Housing Credit properties reaching the end of their fifteen-year affordability contracts. We were particularly interested in the Large Scale Voluntary Transfer as a way to recapitalize and preserve the aging affordable housing stock and the British system's emphasis on well-capitalized, mission-oriented housing providers as central to its housing strategy.

Reductions in government funding for their system are spurring British housing associations to become more entrepreneurial and commercially engaged in the private markets and to consider the worthy features of the U.S. system such as the Housing Credit, which raises capital from the private sector. There are profound differences between the two systems in terms of the extent of the government role, but there are also growing convergences. U.K. housing practices cannot be adopted wholesale in the U.S. but there are ways that British practices that bolster the social enterprise model could be adapted to the American context. In the following section, we outline HPN's policy priorities that evolved from our consideration of the British affordable housing model and its applications to U.S. programs, policies and resources.

PART III:

Policy recommendations

The policy agenda of this paper spotlights five policy priority areas that have the potential to expand the role of social enterprises in the U.S. system and broaden the impact of their critical work serving families, vulnerable populations and their communities through the efficient creation of more affordable housing. Our recommendations all build on features of the U.S. system that are working well now and are illustrated with examples of HPN members' work.

Five policy recommendations that aim to expand the role of social enterprises in the U.S. affordable housing system

1 Expand the Capital Magnet Fund

The Capital Magnet Fund (CMF) has proven to be one of the most effective ways to use public funds to attract private investments in housing for low-income families and underserved communities. Through the Capital Magnet Fund, the U.S. Treasury's Community Development Financial Institutions (CDFI) Fund provides competitively awarded grants to nonprofit lenders (known as Community Development Financial Institutions) and qualified nonprofit housing organizations. CMF awards may finance affordable housing activities, as well as related economic development activities and community service facilities. Unlike traditional housing programs, which fund individual projects and developments, CMF grants are awarded directly to the CDFI or nonprofit and each awardee must commit to leveraging other private and public funds with grant dollars at a ratio of at least 10:1. Even after just one funding round, it is clear that Capital Magnet Fund grants are spurring innovation and production among nonprofit housing providers. The average leverage ratio for the first round of awards in 2010 was 12:1, substantially higher than the mandated 10:1 leverage ratio. In order to maximize leverage, CDFIs and housing providers have adapted innovative tools like revolving loan funds. The success of the Capital Magnet Fund, even after a relatively limited $80 million grant round, is a demonstration of the effectiveness of entity-level investments in high-capacity, mission-driven nonprofits. The funding for the Capital Magnet Fund should be increased to at least $500 million annually to improve the scale and efficiency of mission-driven housing providers.

The success of the Capital Magnet Fund, even after a relatively limited $80 million grant round, is a demonstration of the effectiveness of entity-level investments in high-capacity, mission-driven nonprofits.

CASE STUDY | CAPITAL MAGNET FUND

The Community Builders, Inc. invests in neighborhood success through affordable housing and community amenities in Chicago, IL

The Community Builders, Inc. (TCB) is a leading national nonprofit real estate developer based in Boston with a mission to build and sustain strong communities where people of all incomes can achieve their full potential. TCB realizes its mission by developing, financing and operating high-quality housing and implementing neighborhood-based models that drive economic opportunity for residents. TCB was an awardee from the first Capital Magnet Fund grant round in 2010. TCB received a $5 million grant, which it leveraged to produce innovative new housing developments across the country.

Photo credit: TCB

One TCB development cited in the Treasury Department report on the Capital Magnet Fund[11] was Shops and Lofts at 47 in Chicago's historic Bronzeville neighborhood, a community of largely African American-owned businesses and civic life that had suffered from several decades of economic decline. The $46.5 million complex, developed in partnership with Skilken and Troy Enterprises, is the first commercial and residential development in the area in more than 50 years, housing 96 mixed-income rental apartments along with a total of 55,000 square feet of ground floor retail, anchored by a full service grocery store and pharmacy. TCB used $282,000 of its Capital Magnet Fund award as a guarantee to bridge an investment source that was secured after closing. The $282,000 CMF award was then reinvested in other projects. TCB's successful investment in the Bronzeville neighborhood, enabled by CMF funds, has provided residents with much greater access to needed affordable housing, fresh groceries, a pharmacy and jobs; it also serves as a catalyst for further economic development.

CASE STUDY | CAPITAL MAGNET FUND

The Low Income Investment Fund leverages public funds for targeted investments in California

The Low Income Investment Fund (LIIF) is a CDFI with a mission to invest capital in low-income people and communities. Since its founding in 1984, LIIF has invested $1.7 billion in projects serving highly distressed neighborhoods, and served over 1.7 million people through financing and technical assistance. LIIF was awarded $6 million in funds from the 2010 Capital Magnet Fund grant round, which it intended to leverage into over $180 million in investments to community-based affordable housing developers, helping to share risk and allowing developers to scale their work.

Photo credit: LIIF

One way that LIIF used its Capital Magnet Fund grant was to provide critical early-stage financing for affordable housing developments. One example, cited in the Treasury Department's report on the CMF program[12], was a $12.5 million acquisition loan to an affordable housing developer for the purchase of Eucalyptus Park Apartments in Inglewood, California, preserving 93 units of affordable apartments for seniors. LIIF's financing allowed the developer to extend existing subsidies on the property for 20 years in order to preserve the long-term affordability of the property. Eucalyptus Park is located in close proximity to Inglewood's downtown district with ready access to public transportation and commercial services, critical for the property's senior residents to access their community.

11 CDFI Fund. 2014. Capital Magnet Fund: Interim Impact Assessment Report. http://www.cdfifund.gov/docs/2014/CMF/CMF_Impact_Assessment.pdf

12 IBID

2 Prioritize preservation and stock transfer to high capacity nonprofits

Preserving the existing stock of subsidized housing is a necessary component of a forward-looking national affordable housing strategy. In the U.S., over three million units of critical affordable housing are subsidized for low-income people. This stock is threatened by an overwhelming backlog of deferred maintenance and capital needs, with no prospect of additional funding to address them. In recent years, we've seen successes with nonprofit social enterprises that acquire, rehabilitate and recapitalize HUD-assisted housing stock, much of which was either nearing the end of contracted affordability periods or at risk of obsolescence.

CASE STUDY **PRESERVATION**

National Housing Trust makes a targeted investment in Washington, DC with Galen Terrace

HPN member National Housing Trust (NHT) works with local governments and community-based organizations that are making concerted efforts to invest public funds in communities that have experienced disinvestment and neglect. Often, this work takes place in areas of concentrated poverty. In all cases, NHT works with residents and tenant leaders to help them stay in their homes if that is their choice. NHT firmly believes that these targeted investments are a critical tool to improve housing options and quality of life for families and individuals who have chosen to remain in and improve their communities.

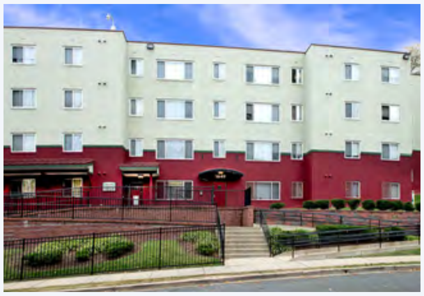


Photo credit: NHT

NHT rescued and restored Galen Terrace, a property with 84 affordable homes located in Anacostia, a racially concentrated area of Washington, D.C. Galen Terrace is primarily occupied by African American families and was in a downward spiral from poor management, increasing criminal activity, and physical deterioration. NHT helped the tenant association purchase the property while making substantial renovations. The Galen Terrace residents held a barbecue to support efforts to preserve their existing housing. Later, the property's financing included a loan from the Washington D.C. Department of Housing and Community Development, which was supported in part by federal Community Development Block Grant funding. Property improvements included significant security enhancements and the integration of energy efficiency systems. These renovations, coupled with new management and resident services, have turned Galen Terrace from a trouble spot into a neighborhood asset.

Social enterprises are uniquely qualified to do this rehabilitation work because they have the business skills to structure complex preservation transactions, but social mission keeps them focused on preserving affordability for the long term.

Preservation is also a key challenge with public housing properties. Years of deferred maintenance have put thousands of public housing units at risk of demolition or sale into the private market; since 1990, more than 200,000 units of public housing have been lost from the affordable housing stock.[13] HUD's **Rental Assistance Demonstration** (RAD) permits public housing authorities to convert public housing and a small number of legacy

13 CBPP. November 2014. "Expanding Rental Assistance Demonstration Would Help Low-Income Families, Seniors, and People with Disabilities".

HUD project-based subsidy programs to long-term project-based subsidy contracts. In some cases, this process essentially transfers property operations and even ownership to social enterprises, which can leverage private capital and other public funds to rehabilitate and recapitalize the properties.

RAD has some elements in common with the U.K.'s LSVT, particularly the motivating principle of raising private capital for affordable housing preservation. The housing authority retains ownership or oversight interest in the partnerships managing the housing stock after conversion to project-based Section 8. In the U.K., though the council maintains its role in local housing strategy, monitoring, and can fund services for residents, the LSVT in many cases involves the full transfer of title and ownership to the housing association. The complex RAD ownership and transfer structures are intended as a safeguard for tenant protections, but it remains to be seen whether restrictions could limit the program's utility for broad-scale preservation of the public housing stock. HPN supports lifting the current cap on the number of units that can be transformed under RAD and suggests that after RAD has been evaluated, a more comprehensive program of stock transfer should be considered.

CASE STUDY — RENTAL ASSISTANCE DEMONSTRATION

Community Housing Partners revitalizing public housing in Baltimore, MD

Photo credit: CHP

Virginia-based Community Housing Partners (CHP) has decades of experience partnering with local governments to preserve subsidized housing in Mid-Atlantic communities. This experience made CHP a natural partner for the Housing Authority of Baltimore City (HABC) as it attempted to use a new tool—RAD—to preserve over 4000 units of housing in 22 properties. These units, representing over one third of HABC's total housing stock, were reaching critical levels of distress from decades of underfunding of the public housing capital fund. RAD represented a way to bring private resources like the Housing Credit into preservation transactions for public housing properties, along with new partnerships with private and nonprofit housing providers that had experience with those transactions.

CHP was selected as a RAD partner by HABC along with several other nonprofit and for-profit developers and was allotted two properties for preservation in two phases: first, Primrose Apartments, a high-rise with 125 units of mixed-population housing; and second, the J. Van Story Branch Senior Apartments, with 357 units of mixed-population housing. The Primrose transaction is scheduled for closing in January 2016, with financing from 4% Housing Credits, tax-exempt bonds and gap funding from the Maryland state housing trust fund. HABC will participate in a Housing Credit general partnership for the property, and has consultation rights for major development and property operations decisions. CHP plans to deliver resident services programming through partnerships with local service providers.

3 Use a portfolio model for multifamily housing preservation

The Rental Assistance Demonstration aims to preserve public housing and some legacy project-based subsidy programs, but this still leaves thousands of aging subsidized properties in need of preservation, lest they fall out of the affordable housing stock. In particular, older HUD Section 202 housing for the elderly and Housing Credit properties approaching the end of their fifteen-year contracted affordability periods are at significant risk.

A key difference between the U.K. and U.S. systems is that the system of private sector capital invested in affordable housing in the U.S. through the Housing Credit requires properties to be managed separately, which means U.S. property owners manage their assets at the property level, rather than with a view to their entire portfolio of assets and their balance sheet. We do not propose changing the compliance structure for the 9% Housing Credit for new development, but HPN has long advocated for reforms to legacy HUD multifamily programs and the 4% Housing Credit that could create opportunities for portfolio acquisition and management models.

CASE STUDY — **PORTFOLIO TRANSACTION**

HDC MidAtlantic preserves affordable housing in Lancaster, PA


Photo credit: HDC

In early 2010, HDC MidAtlantic and the Redevelopment Authority of the County of Lancaster (RACL) began discussions about how to preserve the county's aging stock of Housing Credit properties, many of which were beyond their 15-year compliance period and ran the risk of losing their affordability, displacing hundreds of families. HDC identified seven properties—housing nearly 400 households in three counties near Lancaster—that it hoped to acquire and preserve for long-term affordability. To avoid the cost and complexity of acquiring each property in separate preservation transactions, HDC proposed exploring options that would allow the properties to be acquired in one combined transaction, called the HDC MidAtlantic Bond Portfolio.

After many negotiations and the formation of a broad set of cross-sector partnerships, HDC was able to offer a solution that would maintain affordability in the seven developments and allow for the substantial rehabilitation of each building. The HDC MidAtlantic Bond Portfolio was a first-of-its-kind transaction in the Commonwealth of Pennsylvania: it used tax-exempt bonds and 4% Housing Credits to fund the acquisition and $8.5 million in rehabilitation expenditures across all seven tax credit properties. The Pennsylvania Housing Finance Agency allocated Housing Credit volume cap for the transaction and RACL issued tax-exempt bonds, which were accompanied by 4% Housing Credits. Fulton Bank, a private partner, ultimately purchased the bonds through a private placement and provided additional financing for the transaction.

Deals like the HDC MidAtlantic Bond Portfolio are paving the way for preservation deals that use scale to maximize the impact of limited preservation resources in communities that need them. Additional savings were realized by using a local issuer for the tax exempt bonds and effecting a private placement of the bonds.

U.K. housing associations have demonstrated the potential for portfolio asset management models to unlock new revenue sources, streamline operations and compliance and drive scale and performance for nonprofit housing providers. In the U.S., at the end of the initial investment period of fifteen years for Housing Credit developments, there would be efficiencies in allowing this housing to be managed as a portfolio, as in the U.K. Similarly, aging HUD-funded housing would be more efficiently maintained as part of larger portfolios.

A shift in orientation from project-level finance to enterprise-level finance for aging properties would empower social enterprises to more flexibly manage their housing portfolios, increasing their efficiency and lowering the cost of deals to acquire and preserve multiple affordable housing properties. A portfolio approach also would allow these organizations to take better advantage of economies of scale, facilitate new approaches to managing stock to strengthen property performance, and help grow their capacity to acquire and preserve more affordable housing.

Several HPN members have successfully used portfolio deal structures to acquire and preserve properties at risk of falling out of the affordable housing stock.

CASE STUDY **PORTFOLIO TRANSACTION**

Eden Housing innovates new model for preserving affordable senior housing in California

California-based affordable housing developer Eden Housing has long been an industry trailblazer, using new techniques to develop and preserve critical affordable housing in the state and to expand its portfolio of affordable multifamily properties. In March 2013, Eden closed on a transaction that was the first of its kind, a refinancing deal involving four HUD 202/811 and two HUD 202 housing properties for seniors and people with disabilities in three East Bay Area cities. Each of these properties presented particular complications that would be barriers to refinancing and attracting tax credit investors, including small size, high operating costs due to residents' intensive care needs and existing mortgages that required prepayment.

Photo credit: Douglas Sterling

Eden proposed combining the six properties into a single refinance transaction, a new technique for HUD that required rent adjustments, mortgage prepayments, and long-term affordability guarantees that would allow the properties to cross-subsidize each other for refinancing and rehabilitation. Eden also secured unique 4% Housing Credit and bond deals for each property, under the umbrella of a single Eden-controlled entity[14]. This structure allowed Eden to control the six properties while maximizing access to tax credit equity for each property. Now that the rehabilitation process is complete, residents of the six properties will be assured access to updated facilities and affordable homes for years to come. Moreover, this transaction has paved the way for other organizations to take steps to preserve critical housing for future generations of seniors and persons with disabilities.

14 California Housing Partnership Corporation. "Eden Housing Pioneers a New Model for Recapitalizing Aging HUD 202 Properties." *Housing Preservation News* September 2013. http://www.chpc.net/dnld/HPN_Sept2013_EdenSix.pdf

4 Make housing a platform for improving communities and building assets for residents

High-performing housing nonprofits are well suited to link affordable housing development to broader programs of community and individual improvement. These organizations can advance opportunity for low-income people because they combine their skill in housing development with extensive networks of relationships with social service providers. Policies connecting housing with opportunity can help to expand housing providers' capacity to do the critical work of linking affordable housing with residents' economic well-being.

The Family Self-Sufficiency Program (FSS) is one example of a policy that, at scale and with effective management, could help residents of subsidized housing access economic opportunity and reduce their reliance on public programs. FSS combines an innovative savings program with financial coaching and counseling, with the goal

CASE STUDY **FAMILY SELF-SUFFICIENCY PROGRAM**

The Caleb Group help residents save for the future in Massachusetts

Photo credit: The Caleb Group

In the United States, affordable housing residents face multiple barriers to successfully transitioning out of affordable housing to market rate housing or home ownership. Damaged credit, weak money management skills and an income-based rent system combine to make building financial assets extremely difficult. Solutions to these problems are being sought by housing providers and service organizations around the country. The Caleb Group, a Massachusetts-based nonprofit affordable housing organization, provides resources and opportunities through property-based resident services programs. In a first-of-its-kind model, the organization has partnered with Compass Working Capital to offer an FSS-like program to residents.

Compass Working Capital is a nonprofit financial coaching firm that offers incentive-based programs to help housing authority residents build financial assets by repairing their credit rating, developing strong financial habits and saving money. A significant component of this program is that rent increases the participants experience as their income increases are escrowed. The escrowed increases are matched (to varying upper limits) when the residents achieve their goals and complete the program. The Federal FSS program funds the services and the escrow match. Compass has seen significant success (a 70% completion rate) in the ten years they have been running the program in Cambridge, Lynn and Boston, Massachusetts.

The Caleb Group saw the potential for implementing Compass programs and proposed the partnership, which represents the first time a private organization has offered an opportunity of this sort to residents. Caleb is privately funding the pilot in Gloucester, Massachusetts with Cape Ann Savings Bank and in Willimantic, Connecticut with Willimantic Bank. Participants must open and utilize bank accounts and the pilot program includes incentives for saving and an escrowed rent match of up to $5,000. The Caleb Group's work is already paving the way for other partnerships and has been critical in the effort to expand access to FSS programs to include residents of private affordable housing properties with Section 8 residents.

of helping residents of public and project-based Section 8 housing accumulate savings over time. The best FSS programs help residents build assets and achieve financial goals. HPN members have been among the first private owners of properties with project-based subsidies to use FSS, and have adopted innovative methods and partnerships to maximize the program's effectiveness for residents.

In addition to the FSS examples, many HPN members are expanding their reach beyond housing to improve the distressed communities where their residents live. Holistic community development initiatives through programs like Promise Neighborhoods and Choice Neighborhoods make it possible to address the problems facing neighborhoods of concentrated poverty. These efforts help residents who choose to remain in their communities avoid displacement due to disinvestment or gentrification. HPN members are able to do this difficult community transformation work because they combine the business acumen necessary to do affordable housing redevelopment with a focus on resident needs. They can address job training, education, transportation and other needs directly or through partnerships.

CASE STUDY | **CHOICE NEIGHBORHOODS**

Preservation of Affordable Housing (POAH) revitalizes downtown community in Chicago, IL

Photo credit: POAH

In 2011, with the help of a coalition of community-based organizations and stakeholders including the City of Chicago, POAH received a HUD Choice Neighborhoods Initiative implementation grant in the amount of $30.5 million to transform Grove Parc, a 504-unit 100% Section 8 development in Chicago's Woodlawn neighborhood into a new mixed-income community called Woodlawn Park. The residents of Grove Parc initially reached out to POAH in 2007 when they faced the threat of having their homes closed down and losing their Section 8 contract. POAH took over management and, eventually, ownership of the development in 2008, and began the process of redeveloping Grove Parc's three-block-long, 26-building footprint.

After receiving the Choice Neighborhoods grant, POAH's work in Woodlawn took on an additional dimension, with a broad focus on improving the education, crime, and health outcomes of the community's residents. It also allowed the entire project to move more quickly. POAH is leveraging its Choice Neighborhoods grant into $300 million in total investment into the new Woodlawn Park, which includes a new Woodlawn Resource Center, which opened in June of 2012 and provides job placement, education and career training resources and more traditional family assistance services to Woodlawn Park tenants. When all is said and done, the Woodlawn Park effort will encompass more than 900 mixed-income housing units and 100,000-plus square feet of new commercial space.

At the Woodlawn Resource Center, case managers, employment specialists and financial literacy coaches are available to residents to assist them with job training and money management skills. The center also features a new education initiative called the Woodlawn Children's Promise Community, a comprehensive education program designed to improve outcomes for community children from early childhood up to college. The community is piloting new approaches to community safety and gang violence prevention, including intensive community policing, neighborhood watch work, and perhaps most importantly, a wider network of active blocks clubs. Overall, POAH's work in Woodlawn represents an approach to comprehensive community development that promises to help residents access opportunities from within their community.

5 Improve access to affordable homeownership

The aftermath of the Great Recession has driven the U.S. homeownership rate down. Young people and families still strive for the goal of homeownership, but many do not have the savings, income, or credit history to access a mortgage. A dramatic increase in the stock of single-family renters reflects a broad shift to renting across household types, even among households that would typically be homeowners.[15]

A similar phenomenon has been taking place in the U.K. , where homeownership rates have dropped steeply in the past several years. Young people in particular are feeling the impact of lower ownership rates, to the extent that people under thirty-five years old are referred to as “generation rent”. The key issue in the U.K. is a steep rise in homeownership costs, coupled with—and often driven by—a dearth of housing supply. The British system has developed some variations of homeownership that somewhat mitigate the problem. These include shared ownership models, in which a household owns a portion of the home on which they pay a mortgage, and pay rent to the housing association that owns the balance. As a household’s income increases, it can purchase a larger share of the home’s value. U.K. affordable housing providers also have managed to scale single-family rental models as a viable alternative to homeownership, using highly effective property management systems.

These innovative homeownership models are a better starting point than Right to Buy for a discussion on policy options to facilitate access to homeownership in the U.S. Right to Buy was at least partly intended to boost access to homeownership among middle-income council housing tenants, though it did so at the expense of the loss of millions of affordable rental units in the U.K. This critical tradeoff would not be an appropriate policy response in the U.S.

On the other hand, American social enterprises are pioneering innovative homeownership programs aimed at new homebuyers and underserved communities that have much in common with the innovative shared ownership and single-family rental models adopted in the U.K. These programs often combine homebuyer education, affordable credit products or down-payment assistance with access to an ongoing relationship with a housing counselor. Homeownership can also be part of a strategy to revitalize communities hit hard by the economic downturn, acquiring and rehabilitating vacant or abandoned properties. After renovation, housing providers help first-time homebuyers purchase these properties with affordable credit products or through rent-to-own programs that help families transition to homeownership over time.

These approaches have helped families own a home, often for the first time, while also helping struggling communities turn a corner toward economic revitalization. The ‘new normal’ of reduced access to credit means these innovative programs and tools are more important than ever. Federal policymakers can contribute to this critical work by continuing to support the products and programs that make it possible, including the HOME Investment Partnerships program, HUD Housing Counseling, and the Housing Credit. Furthermore, policymakers should support products and programs focused on innovation and scale, such as government-backed credit products that incorporate high-quality homebuyer education and counseling, and comprehensive neighborhood revitalization programs that emphasize homeownership as a tool for spurring community investment.

15 Joint Center for Housing Studies. 2015. “State of the Nation’s Housing 2015”. http://www.jchs.harvard.edu/research/state_nations_housing

CASE STUDY LEASE-PURCHASE

Cleveland Housing Network helps families access homeownership in Cleveland, OH

In 1987 the Cleveland Housing Network (CHN), a nonprofit housing provider based in Cleveland, was the first nonprofit to link the Housing Credit with a lease-to-purchase option, making it the longest-running program of its kind in the nation. The significant equity provided by the Housing Credit enabled CHN to take its flagship lease-purchase homeownership program to a scale benefiting families who would not otherwise achieve homeownership. The program uses the Housing Credit to redevelop single-family properties in neighborhoods targeted for revitalization, then leases the properties to participating households for 15 years. After the 15-year period, program participants are eligible to purchase the properties, at a discount and with monthly payments they can afford. Participating households are also required to complete financial coaching and a homebuyer education course.

CHN's program has succeeded in creating a sustainable, long-lasting lease-purchase program scaled to local need, covering nearly 2,400 properties in Cleveland. The equity generated by the Housing Credit leverages public investment, which keeps construction costs low, producing new or fully renovated homes that are affordable to low income families. CHN counsels residents for up to five years prior to the sale of the home, preparing them for homeownership through financial coaching and housing counseling. Following the 15 years of rental required by the Housing Credit, the home is sold for the small amount of outstanding debt, thereby granting the equity to the homeowner. 85% of program participants are able to make the jump from renting to homeownership through the program, and the rate of foreclosure is very low—with only one home lost to foreclosure out of the 488 homes sold in the past five years.

CASE STUDY AFFORDABLE HOMEOWNERSHIP

Homewise creates scalable model for affordable homeownership in Santa Fe, NM

Homewise is a nonprofit lender and affordable housing developer based in Santa Fe. Over the course of nearly 30 years of operation, it has developed a scalable model for affordable homeownership that has the potential to extend the benefits of owning a home to under-served communities. Homewise has managed to create and expand access to affordable homeownership in northern New Mexico through a two-prong model. The first prong is an affordable mortgage product: a down payment as low as 2% and a Homewise second mortgage that eliminates mortgage insurance. The second prong is a vertically-integrated business operation that covers each step of the homeownership process, from intake through to post-purchase services and includes comprehensive homebuyer education, which Homewise believes is an important factor in sustaining homeownership over the long term. Homewise's fee-generating business helps support its counseling and education services, and sales of conforming mortgages to Fannie Mae help Homewise and its clients access low-cost lending capital. The model also increases the likelihood of a successful mortgage for consumers.

Homewise has helped over 3,000 families access homeownership since 1986. Growth in its servicing portfolio and fee-generating businesses allows it to reinvest in overhead and infrastructure and continue the expansion of its services in New Mexico. Through a newly created broker partnership program, Homewise is expanding beyond its home state as well, bringing its scalable lending model to new communities and homebuyers.

Conclusion

Ten years of hosting international housing peer exchange gives HPN a unique vantage point to reflect on housing policy and reforms in partner countries like the United Kingdom, and on how those policies might have relevant applications for the U.S. system for affordable housing. These reflections come at a critical moment in U.S. housing policy, as affordable housing providers face growing pressure to combat a mounting affordable housing crisis with unprecedentedly low funding and resources. The example set by the growth of British housing associations due to Large Scale Voluntary Transfer should be used to expand the role of social enterprises in the U.S. and create innovative, effective solutions to housing challenges facing society's most vulnerable people and communities. Taking advantage of the combination of social purpose and business discipline will help the U.S. system for affordable housing stay resilient, sustainable, and dynamic for years to come.

Images from the 2015 International Housing Partnership Leadership Exchange held in Chicago from October 5th-9th, 2015. This gathering marked the tenth exchange of leading affordable housing and community development organizations from Australia, Canada, the United Kingdom and the United States. Representatives from more than sixty premier organizations were in attendance.

Photo credit: Bonnie Robinson.

Glossary

Low-Income Housing Tax Credit (Housing Credit): A U.S. program that gives investors in affordable housing a credit on their taxes. The amount of Housing Credit equity that a development is eligible to receive is determined in part by the Housing Credit rate. There are two types of Housing Credits: one that covers 70% present value (PV) of eligible costs for new construction and substantial rehabilitation, and one that covers 30% PV of the costs of acquiring existing properties or developing properties using tax-exempt bonds. Congress originally set the rates for these credits at 9% and 4% respectively. Since then, a formula tied to federal borrowing rates has been used to calculate credit rates that yield 70% or 30% PV over the ten-year credit period. These are known as “floating rates” because they are recalculated each month. In 2008, Congress established a temporary minimum 9% rate, which expired but was permanently reinstated in 2015. For the 4% credits, floating rates are again in effect, making it more difficult to finance affordable housing.

Right to Buy: A U.K. housing policy passed as part of the Housing Act of 1980 giving council housing tenants the opportunity to purchase their unit, discounted by up to fifty percent of market value based on the length of the resident’s tenure. Right to Buy has led to the sale of over 2.2 million council units to tenants, though opponents of the policy contend that the policy contributed to an increase in the concentration of poverty and lower-quality homes in the social housing stock.

Large Scale Voluntary Transfer: A U.K. housing policy initiated in 1988 under a Conservative government but expanded under subsequent Labour governments, aimed at addressing the growing capital needs of the country’s aging council housing stock by transferring council housing to nonprofit housing associations. The modern transfer process typically involves several phases of planning and approval depending on local circumstances. First, a local authority must vote in favor of transfer; then, usually, a new housing association is formed, with a board consisting of tenants, individuals nominated by councils, and independent members. Often, the board will consist of 1/3 tenants, 1/3 council representatives, and 1/3 indpendent directors. Once created, the housing association is tasked with drafting a thirty-year business plan for the council properties, lining up private funds and arranging a ballot of council tenants, who must vote over fifty percent in favor of the transfer. In some cases, the council monitors the housing association’s performance over time. Since 1988, over 1.3 million units have transferred ownership to housing associations.

U.K. Housing Benefit: A means-tested social welfare program in the U.K. that supported low-income individuals and families with rent payments. The amount of the benefit varied depending on a tenant’s income and residence, and the way the benefit was paid depended on whether a tenant was renting from a social or private landlord.

Universal Credit: Starting in 2013 a new universal credit was introduced which combined six different welfare benefits, including the housing benefit, into one payment directly to the welfare recipient. This affected the housing benefit by requiring recipients to pay rent directly to housing associations. It also introduced a cap of £26,000 pounds on all benefits. If the cap is met then the housing benefit will be reduced to make sure that a recipient doesn’t exceed the cap. The universal credit is being phased in and will fully implemented in all of the U.K. during 2016.