# EXAMINING THE THOMAS JEFFERSON PLANNING DISTRICT COMMISSION'S HOME CONSORTIUM


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## Disclaimer

The author conducted this study as part of the program of professional education at the Frank Batten School of Leadership and Public Policy, University of Virginia. This paper is submitted in partial fulfillment of the course requirements for the Master of Public Policy degree. The judgments and conclusions are solely those of the authors, and are not necessarily endorsed by the Batten School, by the University of Virginia, or by any other agency.

## Honor Statement

On my honor as a student, I have neither given nor received unauthorized aid on this assignment.

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Ian Baxter

## Acronyms

AHIP - Albemarle Housing Improvement Program

AMI - Area Median Income

BIPOC - Black, Indigenous, People of Color

CAPER - Consolidated Annual Performance and Evaluation Report

CDBG - Community Development Block Grant

CHDO - Community Housing Development Organization

F/LHF - Fluvanna/Louisa Housing Foundation

HUD - Department of Housing and Urban Development

LIHTC - Low-Income Housing Tax Credit

NCCDF - Nelson County Community Development Foundation

NCSHA - National Council of State Housing Agencies

Skyline CAP - Skyline Community Action Partnership

TJPDC - Thomas Jefferson Planning District Commission

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## Executive Summary

The Thomas Jefferson Planning District Commission's HOME Consortium has the potential to significantly affect the region's housing crisis. Since its inception in 1993, it has functioned as the primary recipient of annual funds from the U.S. Department of Housing and Urban Development. The Consortium has primarily designated funding to the same organizations, who have presented mixed success in terms of housing outcomes (TJPDC, 2018). Clear disparities in terms of housing interventions and outcomes between localities and minority groups exist in the current iteration of the Consortium's dispersal of funding. An evaluation of the current process and two original alternatives was conducted to attempt to produce a more effective and equitable program.

In this report, I provide background about the HOME Investment Partnerships Program, its role in the Charlottesville region, as well as an overview of the region's longstanding housing crisis. A discussion of competitive grantmaking and associated lessons that are useful for organizations dispersing grant money, followed by a survey of other mechanisms that localities across the country dispense HOME funding.

I then propose the following alternatives:

1) Let Present Trends Continue and Reevaluate after 2022
2) Annual Rotating Priority Model
3) Long-Term Funding Maximization Model

I then evaluated each of the above options by four criteria: (1) Political Feasibility, (2) Effectiveness, (3) Ease of Implementation, and (4) Equity. Qualitative estimates and predictions were provided for each alternative according to each criterion according to prior research from literature, current local conditions, and interviews. Based on this analysis, I recommend that the TJPDC and participating localities in the HOME Consortium **adopt Alternative 3, a long-term funding maximization model that would attempt to generate the most possible funding and invest in a long-term housing project.**

## Problem Definition and Statement:

Since its creation in 1996, the process by which organizations and projects are funded by the federal funds received by the HOME consortium has not been amended or reexamined. The funds not set aside for administrative costs (15%) or another program, the Community Housing Development Organization (15%), are split evenly between localities and it is up to each of them to decide on the subgrantees and projects that will be addressed (TJPDC, 2018). The way the money is allocated has very little regional guidance in terms of overarching construction, rehabilitation, or rental goals. Without a competitive process, there is every indication that funds will be used ineffectively or designated to organizations due to precedent rather than a critical analysis of a locality's goals. A critical analysis of how the program is run in other areas, as well as best practices from other arenas, could inform a better process to alleviate the housing burden in the planning district's localities. **An opportunity has emerged to determine whether the process by which the Thomas Jefferson Regional Planning District Commission's HOME Consortium awards funds to address housing for low-income residents is effective.**

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## Background

*HOME Investment Partnerships Program*:

An understanding of the origins, goals, and scope of the HOME Investment Partnerships Program is critical in assessing its importance to addressing affordable housing in the Charlottesville region. The HOME Investment Partnerships Program was established in 1990 with the passing of the Cranston-Gonzalez National Affordable Housing Act. The program serves as a block grant program whose funds are explicitly meant for the provision of affordable housing to low-income families and individuals. Congress appropriates funds which are then split between states and localities by the Department of Housing and Urban Development (Jones, 2014). A formula that considers six factors for every state and locality, mainly the amount of unaffordable or substandard housing, the average age of the housing, and the number of families and individuals that live under the poverty line. Political factors change the exact amount allocated to the program, but generally the program receives between $1.5 and $2 billion dollars each fiscal year, and the median amount received by each locality is around $580,000 (Jones, 2014). The six localities that comprise the TJPDC were most recently awarded $644,742 in HOME funds (TJPDC, 2018).

Localities that receive HOME funds are required to submit a Consolidated Plan, which outlines the region's affordable housing needs and how it will use HOME funds and other federal funds to alleviate these issues. HOME funds are permitted to be used for a variety of activities, but generally fall into four categories: rehabilitation of owner occupied-housing, homebuyer assistance, rehabilitation or construction of rental housing, and rental assistance (Jones, 2014). Participating jurisdictions as well as HOME consortia have the ability to disperse the funds themselves, or it can designate the money to nonprofits, contractors, developers, and a variety of other organizations that have experience constructing or rehabilitating affordable housing. HUD also requires that participating localities provide an annual 25% match of the amount of federal funds received through the HOME program. This matching requirement serves to increase the likelihood of economic activity being leveraged through affordable housing construction, as well as to encourage localities to reserve money permanently for affordable housing construction and rehabilitation (Jones, 2014).

There is research that indicates that HOME funds have played a critical role in the construction of new affordable housing, rental assistance, and the promotion of economic activity. The National Council of State Housing Agencies (NCSHA) estimates that since 1992, around 1.2

million homes have been constructed or preserved, 270,000 families have been kept from falling into homelessness by way of rental assistance, and over $94 billion has been created in local income (NCSHA, 2015). HOME funds meet a market need in addressing and encouraging development in otherwise unprofitable housing stock and neighborhoods, as well as provide an economic lift to the contractors and developers performing the housing construction and rehabilitation, but for the families for whom housing instability represented a significant economic loss. With a clear track record of impact, it is that much more critical for a locality to choose projects that are having the most impact on families in the region, but also able to produce economic development and activity.

*The TJPDC's HOME Consortium*

The Thomas Jefferson Planning District Commission, or Planning District 10, formed in 1972 as a forum of discussion for localities and plan cooperatively for the future, is the administrator of the region's HOME Consortium. The 6 member localities of the TJPDC - the City of Charlottesville, Albemarle County, Nelson County, Greene County, Louisa County, and Fluvanna County- agreed in a 1993 Cooperative Agreement to an equal share basis of HOME funds available to each participating government. The agreement allotted 15% of the total funding from the Department of Housing and Urban Development to be allotted for administration and planning. The remaining 15% is designated to a Community Housing Development Organization (CHDO) which is selected by one of the participating localities and rotates annually (TJPDC, 2018). An example fiscal year funding breakdown can be found below. Although the HOME funding is split evenly between localities, the actual amount of money from federal sources is often extremely lopsided for a variety of reasons. First, Charlottesville City receives all CDBG funding from HUD; only cities of over 50,000 people or counties of over 200,000 are eligible to receive CDBG funding. Further, the rotating CHDO can affect the actual amount of

Figure 1 – Planning District 10 Source: TJPDC

money each locality receives per year. Funds are sometimes consolidated from multiple program years into one project. Finally, funding can roll over to the next year if not used (TJPDC, 2018). These reasons can explain the real-world variation observed in the amount of money each locality is receiving and spending per year.

| Use of Funds | HOME 2018 | Notes |
|---|---:|---:|
| Admin | $62,401.30 | TJPDC |
| City | $78,001.63 | |
| Albemarle | $78,001.63 | |
| Fluvanna | $78,001.63 | |
| Greene | $78,001.63 | |
| Louisa | $78,001.63 | |
| Nelson | $78,001.63 | |
| CHDO set aside | $93,601.95 | Greene |
| HOME Admin | $62,401.30 | |
| **TOTAL** | **$624,013.00** | |

Table 1 – Percentage of HOME Funds per locality. Source: TJPDC

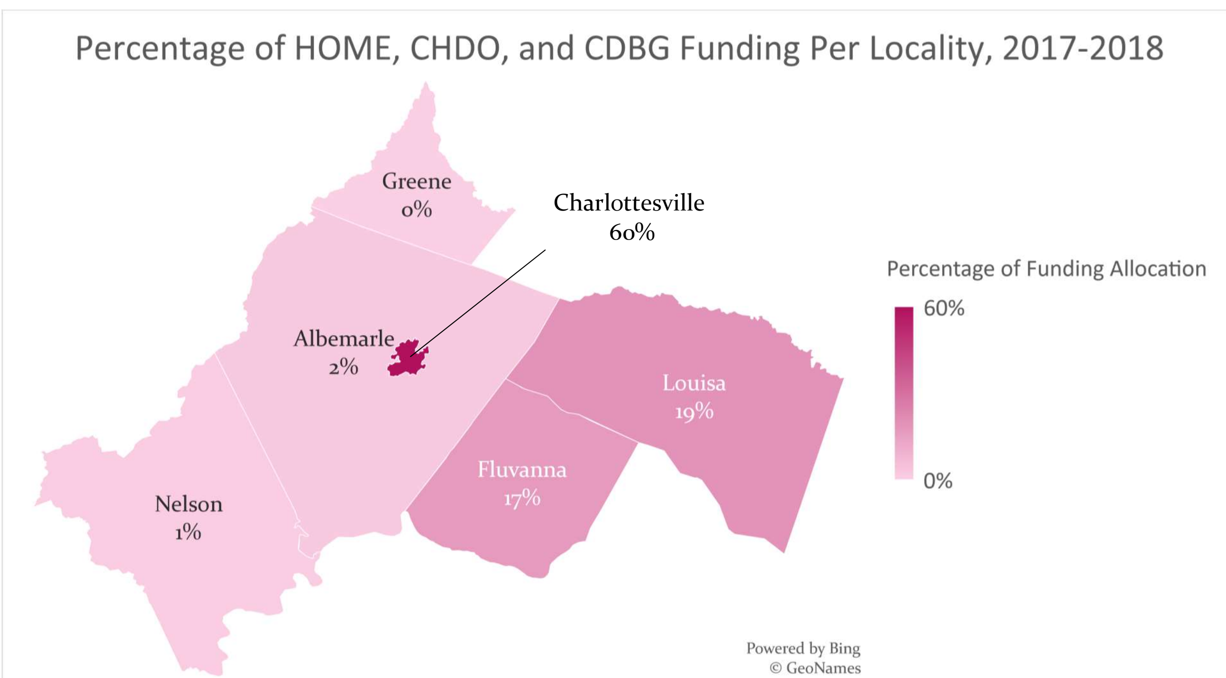


Figure 2 – Percentage of HOME, CHDO, and CDBG Funding Per Locality. Source: TJPDC

*Key Features of HOME Funding Across the United States*

An overview of organizations involved in dispersing HOME funding has demonstrated key features of funding processes from a variety of localities and states: an emphasis on fund matching and leverage, prioritizing projects that fit within political or philosophical goals, and rewarding projects and applications that demonstrate robust community support. The list of features is not meant to be exhaustive, and represents broad themes gleaned from localities' applications and scoring rubrics.

Many localities have built in scoring processes that reward applications that are able to use HOME awards to leverage private funds or use smaller amounts of HOME funds in their project (City of Columbia, 2016). Applicants are actively encouraged to include potential leveraged funds from private donors or other public funding sources to make their application more competitive (Montgomery County, 2020). Because localities that disperse HOME funds are required to make a $.25 contribution to housing projects for every $1.00 of HOME funds spent, they have a clear incentive to minimize the amount of HOME funding necessary for a project to be successful (HUD, 2008). In most cases, applicants who do not present any leveraging or matching within their applications can presume that they will be less competitive.

Application scoring is often centered around quantitative requirements like site location, costs, and apartments constructed. Although the qualitative measures, discussed below, can make a project more likely to be approved, it is critical for localities dispersing HOME funds that not only are the funds going to specific housing interventions, but that they are being adequately tracked and reported. Qualitative measures to help determine funding awards. These include equity, community support, and a demonstration that this project reflects community needs (Clark County, 2020). Localities will prioritize projects they see as reflective of community goals that have either been presented in a HUD-required consolidated plan or reflected by its legislative body or chief executive. Applications with projects reflecting key priorities of a locality will score better and have a much higher likelihood of funding (City of Aurora, 2019). In some cases, this metric has the most available points on a scoring rubric for the funding application (Federal Home Loan Bank of Boston, 2020). Providing a compelling argument about how a project fits into an area's broader affordable housing goals has become a key avenue towards funding success in many localities' HOME applications.

Applications with well-defined and robust community support are usually preferred to those without. "Community", in this case, refers not only to organizations that represent populations that would benefit from HOME funding projects, but also organizations tangentially related to housing, like education, transportation, and job training organizations (Clark County, 2020). This theme, similar to localities preferring projects that reflect current affordable housing goals, illustrates that organizations with the capacity to perform robust community outreach are at great advantage in the process. Applications may require a thorough description of the community outreach process, names and contact information of those supportive of the project, as well as space for a letter of support to be submitted with the application (City of Aurora, 2019). The primary goal of the inclusion of community support is one of sustainability, such that any project awarded HOME funding can fit as seamlessly as possible within a neighborhood or area's affordable housing landscape.

*The Affordable Housing Crisis in Charlottesville*

Affordable housing in the Charlottesville region has been an emerging crisis for decades. One current iteration of the crisis is illustrated in the context of housing availability for individuals making between 0-30% of area median income (AMI). A consensus has emerged that generally dictates any individual or household spending that spends more than 30% of its monthly income on housing can be considered cost-burdened (Jones, 2014). It is estimated that around 3300 households in Charlottesville have unmet housing needs considering accessibility, size, and condition (LIHC, 2019). Furthermore, the costs of both average contract rent as well as average selling price of a single-family home increased by both 18.1% and 17.7%, respectively. Increasing rents and limited housing availability are driving up prices across the region as families and individuals leave Charlottesville in search of affordable housing. The high cost of land and lack of financial incentive to construct and maintain affordable housing introduces the market failure within which the HOME funds operate (TJPDC, 2018).

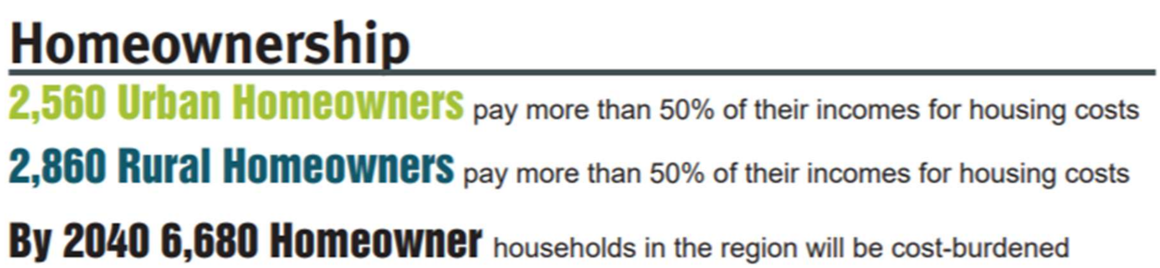


Figure 3 – Cost-Burdened Homeowners in the TJPDC Region. Source: TJPDC

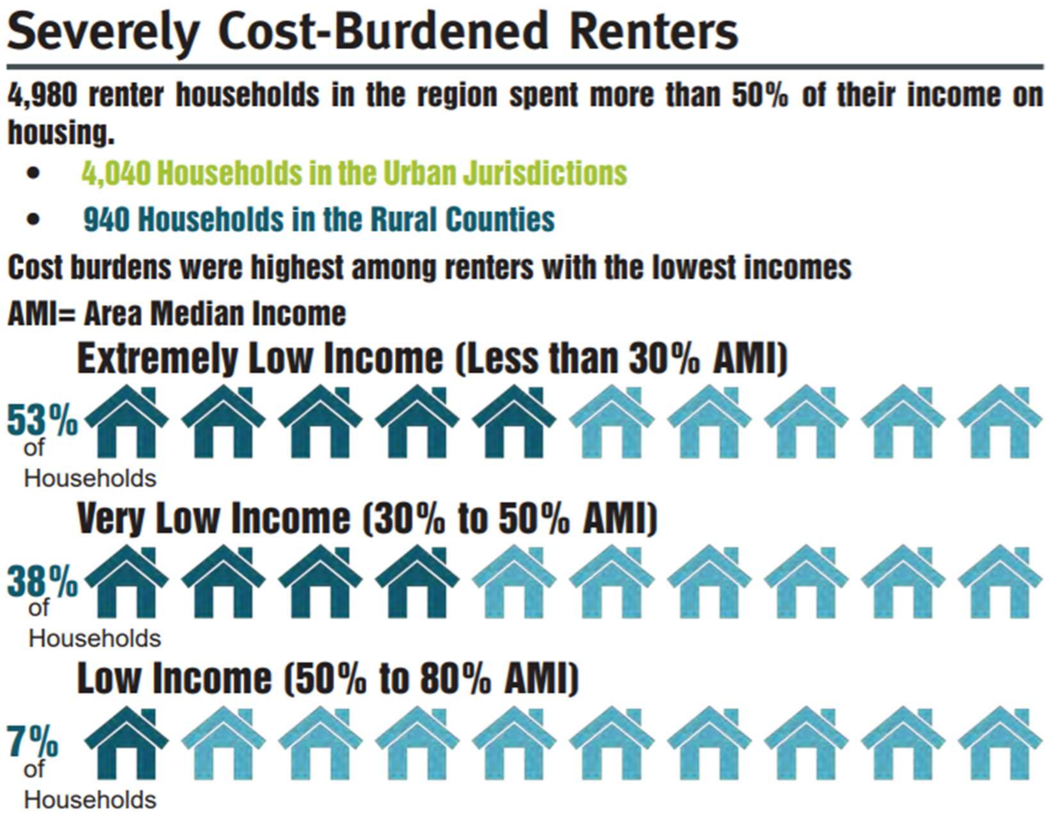


Figure 4 – Cost-Burdened Renters in the TJPDC Region. Source: TJPDC

This high housing cost burden represents the most significant housing problem within the TJPDC. It is exacerbated by a knock-on effect that leads to an inadequate amount of rental and permanent homes to individuals with lower AMI's, particularly those who earn 30% or less of AMI (TJPDC, 2018). This represents a significant challenge that HOME funds could potentially be used to solve. A survey of the housing stock in the region indicated that while there were physically enough rental units for families earning between 30 and 80% AMI, many of these units were occupied by families from higher income brackets. A significant amount of the remaining units available to those earning between 30 and 80% AMI have patterns of sustained vacancy, indicating potential physical problems or unattractive landlords. This same pattern exists for homes that would be able to be owned by families and individuals in lower income brackets; most have been purchased by those in higher income brackets (TJPDC, 2018).

*Racial Equity in the Housing Crisis*

Both Black and Hispanic households were more likely to experience a housing burden if they made 0-50% AMI as compared to white households. Hispanic households are 20% more likely to experience housing problems and Black households are 10% more likely to experience housing problems than white households in the same income range (TJPDC, 2018). In the Charlottesville region, Minority residents were affected by insidious racial covenants that did not allow them to purchase homes in specific neighborhoods. Between 1900 and 1970, 65% of the house deeds of newly constructed housing contained the clause "This lot shall not be sold to any person not of the Caucasian race." (LIHC, 2020). This history, combined with the current conditions faced by minority groups, makes it clear the affordable housing crisis affects minority residents of the city at a much higher magnitude than white residents. It is generally these residents' homes whose valuation is increasing quickly, with the average Charlottesville house rising 5% in value every year since 2012, leaving residents with higher property taxes and better chances of losing their home to gentrification (LIHC, 2020). Considerations of equity are critical in the context of solving the affordable housing crisis in the Charlottesville region. The use of HOME funds should take into account neighborhoods and populations that have historically not received assistance or have been on the receiving end of disastrous urban renewal policies that the city engaged in during the 20th century.

*Costs Associated with Lack of Affordable Housing*

Significant costs that are associated with the lack of affordable housing can be determined by examining negative outcomes that can be a result of living in substandard housing, being homeless, or experiencing economic insecurity due to housing instability. These costs are borne in a less direct manner than the previously mentioned costs and indicate the pervasive nature of a lack of affordable housing in Charlottesville and more broadly across the United States. These costs represent real experiences by individuals for whom affordable and secure housing is fleeting or inaccessible. There are a plethora of negative health outcomes that can be a result of the lack of adequate housing. These include asthma, lung cancer, and lead poisoning (Krieger & Higgins, 2002). The average opportunity cost of an ambulatory visit to a hospital in the United States was $43 per visit annually (Ray et al, 2015). Using the number of households in substandard condition in the region, 28,643, it can be determined that around $1,231,262 of opportunity costs are generated each year due to emergency room visits stemming from health problems caused by substandard housing. The lack of affordable housing in the Charlottesville region has also created a significant number of homeless individuals for whom housing is not available. The most recent count of permanently homeless individuals in the Charlottesville region is 176 (TJPDC, 2018). The average cost to taxpayers for a chronically homeless individual annually, incorporating healthcare and social service costs, is about $40,448 (USICH, 2017). Thus, the opportunity costs borne by society as a result of the number of homeless individuals in the Charlottesville region is $7,118,848 annually.

Finally, there are opportunity costs associated with outcomes of children whose households are not able to find or maintain affordable housing. There is evidence that from research that living in subsidized housing increases potential earnings by up to $500 in annual adult earnings (Andersson et al, 2016). These increased earnings demonstrate opportunity costs in loss of economic productivity and tax revenue as a direct result of a lack of affordable housing in a person's life. The total opportunity cost depends on an individual's future profession and other economic factors, but this figure can be used to create a measurement of revenue the government and economy are losing as a result of this crisis. These costs represent a significant set of costs that burden local governments, hospital systems, and the region's economy. It is critical, however, to consider the emotional and social costs that housing instability imparts on a community. While these are harder to quantify than the previously discussed costs, they significantly affect community members' abilities to lead decent lives and should be considered as dire as any financial outlay associated with the lack of affordable housing.

*Competitive Grantmaking and Associated Implications*

A survey and analysis of the best practices that groups administering grants is critical in a reexamination of the TJPDC's HOME Consortium. The lessons of how major nonprofit and philanthropic organizations administer and evaluate funding decisions is generalizable to the HOME Consortium's mission, and can provide important background and context in the construction of potential policy alternatives. The process of competitive grantmaking, which encompasses the solicitation, analysis, and eventual approval or denial of an application for funding, has gained prominence in the past few decades as a philanthropic strategy (Orfield et al, 2015). This strategy has been used primarily in the nonprofit sector, but much can be from its attitude towards rigorous application review, scoring processes, and performance monitoring (Orfield et al, 2015). The goals and visions of the organizations studied vary greatly, but all are looking to leverage the least amount of investment into the highest possible impact. In this sense they can be compared, and themes can be discerned and analyzed. An understanding of the broader process of competitive grantmaking is critical before assessing the current process at the HOME Consortium.

Many organizations have identified constant reflection and evaluation as critical pieces of effective grantmaking. This consistency involves a replicable and generalizable process that is similar for all applicants, as well as consistency in philosophy and vision (Easterling et al, 2016). Introducing conceptual models to identify how a grant award will affect an organization's overall goal, as well as using past successful or failed grants as informative evidence can help organizations fund more "valuable" organizations or projects (Kessler & Snowdon, 2005). This type of process also has encouraged grantmakers to look more closely at the organizations that are being funded as pieces of a broader mission, rather than simply as recipients of funds (Scherer, 2017). Reflective questions can include "did the work achieve most of its objectives?", "was it the right decision to fund that work?", and "would you fund this organization again?" (Orfield et al, 2015). This shift from grantmaking as a primarily fiduciary relationship to one of broader community building and evaluation is important to consider in the evolution of competitive grantmaking.

Participatory grantmaking is a process that intends to expand access to capital from only established institutions to smaller or newer organizations (Wojcik et al, 2020). Proponents argue that this type of grantmaking leads to better outcomes and legitimacy not only for the funding organization but the projects being funded (Gibson, 2017). Increasing access to grants has major equity implications, with many institutional applicants representing wealthier and whiter populations. Organizations also have begun actively seeking organizations to encourage them to apply, rather than waiting for applications to come in (Council on Foundations, 2008). Other practices that encapsulate this shift include accepting unsolicited letters of intent, or applications, even outside of application cycles in order to accommodate new or emerging organizations (Lumina Foundation, 2020). Creating a more accessible atmosphere for grant applicants attempts to create a more equitable opportunity scenario through which organizations of differing status, age, and expertise can successfully win funding.

*Evidence on Potential Solutions*

A critical aspect of this policy investigation is assigning effectiveness to differing methods of application review in terms of how HOME funds are dispersed. There is a gap in the literature about this precise question; for example, few studies exist that answer the question "Does more community involvement lead in the HOME application process lead to better housing outcomes?". There are, however, answers to other questions that can be extrapolated to help provide clarity on practices that have been associated with better housing outcomes, as well as lessons to be learned about the type of housing and rental assistance interventions that benefit both families and the neighborhoods they live in.

First, looking purely at the effectiveness of block grant programs on housing outcomes can establish HOME funding as a critical tool in addressing affordable housing. There is evidence to indicate that rental housing production that used HOME funds for financing increased housing stock at a pace higher than what otherwise would have been produced (Katz et al, 2003). HOME funds, additionally, are both used almost exclusively by individuals and families earning below 50% area AMI, as well as have a clear effect, when used as vouchers, at diminishing a family's housing burden as compared to families with HOME funded vouchers (Herbert, 2001). Families relying on rental subsidies were also found to experience larger employment and earning gains than families not provided subsidies (Martinez, 2002). HOME-funded mortgage assistance and new homeowner subsidies were associated with positive trends in integrating neighborhoods, as well as increasing average incomes of families using the subsidies as compared to families without them (Walker, 1998). The methodology of the previous studies includes broad surveys of housing and income outcomes across the United States and can thus be treated as applicable to most localities. This evidence thus demonstrates the effectiveness and versatility of HOME funding across the United States. Its role as a program that can provide rental, mortgage, and assistance for new construction means that it can be used by localities to address key needs, rather than having to follow a prescribed process. Establishing the program as an effective tool for local governments to address affordable housing is critical in solving the problem of effective grantmaking within the context of HOME funding.

In the context of funding dispersal, research that illustrates the effectiveness of various types of HOME-funded activities can thus serve as valuable insight in the construction of potential alternatives. The use of a weighting system within the application review process that would benefit projects that address a key need in a region's affordable housing market could be more succinctly tied to better outcomes. For example, there is evidence that demonstrates that homebuyers who were provided mortgage assistance from federal programs were 30% less likely to default or foreclose on mortgages (Hembre and Record, 2020). Building on this evidence, another study found that first-time homebuyers who completed a financial planning module and were matched with a financial coach were also much less likely to default or be delinquent on mortgage payments (Moulton et al, 2015). This evidence represents a clear policy intervention that could potentially help solve a need in a community. If mortgage default rates were a clear barrier to home ownership in a community, a potential alternative could provide a stronger weight to applications that offer mortgage assistance, financial or interpersonal. The breadth of evidence that matches housing outcomes to different block-grant interventions could motivate alternatives that fit the priorities of the Charlottesville region in the funding application review process.

## Evaluative Criteria

The goals the TJPDC has for this project is to attempt to construct a process for the HOME Consortium that is politically feasible, effective in addressing housing issues across the region, simple to implement, and produces equitable outcomes.

**Criteria:**

1) Political Feasibility
2) Effectiveness
3) Ease of Implementation
4) Equity

*Political Feasibility:*

1. Effective buy-in from administrators and policymakers across the region. Because the recommendation will be voluntary, will it be compelling enough for each locality to agree to change their current decision-making process?
2. Ability to withstand changes in professional staff and political leadership.
3. Does it require amending the Consortium's original agreement in any way?

This criterion will be measured in terms of a survey of the key stakeholders and offices across the region, as well as qualitative analysis about how the differing political inclinations, geographic differences, and other factors affect the region's ability to use the model. It will be measured in terms of *low feasibility*, *medium feasibility*, or *high feasibility*.

*Effectiveness:*

1. How well does this address the current housing crises in the TJPDC region?
2. Can this be measured in terms of housing outcomes?

This criterion will be measured by determining the most likely interventions associated with each option and using data and previous research to measure their impact. Further, it will extrapolate the effectiveness of probable interventions on broader regional trends of the housing crisis; for example, how effective is this measure on promoting home ownership, or creating new housing? It will be measured in terms of *low likelihood of effectiveness*, *medium likelihood of effectiveness*, or *high likelihood of effectiveness*.

*Ease of Implementation:*

1. Does this alternative produce administrative difficulties for TJPDC staff, as well as professional staff in housing departments across the region?
2. How straightforward is the process in terms of the amount of initial and follow-up meetings required?

This criterion will be measured by determining how easy or difficult the alternative would be to implement administratively, and in terms of start-up and long-term costs. It will determine how difficult it will be to switch to a different model from the status quo. Finally, it will examine any legal requirements for proposed changes. It will be measured in terms of *low ease of implementation*, *medium ease of implementation*, or *high ease of implementation*.

*Equity:*

1. Does this alternative promote equity across the region in terms of housing outcomes?
2. Are there significant inequities in terms of the location of housing interventions?

This criterion will be measured by determining to what extent the alternative can produce equitable outcomes. It will determine if each alternative is likely to produce housing interventions that target low-income or BIPOC residents of the region. It will be measured in terms of *low equity*, *medium equity*, or *high equity*.

## Policy Alternatives

The two original alternatives presented below attempt to standardize and change the HOME Consortium's application review and grant dispersal process. It also will be important to also consider the current status quo and if it has any capacity to change or be changed, and it will be thus considered.

*Alternative 1 - Let Present Trends Continue and Reevaluate in at End of 2022*

The current process for dispersing HOME funds across the TJPDC region has limited regional collaboration. 25% of the annual funding from HUD is designated towards administrative costs as well as investment in a Community Housing Development Organization (CHDO) in the region, with the remaining 75% split evenly across localities. Each locality subsequently decides what organization and/or projects will be funded for a given fiscal year. Charlottesville City has a 9-member task force that disperses HOME and Community Development Block Grant (CDBG) over the course of 3-5 deliberative meetings. Other counties often work with their designated subgrantees over the course of many years, presumably due to the ease of continuation as well as these organizations' familiarities with each locality. The most prominent organizations receiving HOME funds are Albemarle Housing Improvement Program (AHIP), Nelson County Community Development Foundation (NCCDF), Fluvanna/Louisa Housing Foundation (F/LHF), and Skyline Community Action Partnership (Skyline CAP). Charlottesville City is the only participating locality to have any sort of competitive grantmaking process that is conducted to determine the best use of funds.

The status quo has significant coordination issues, but it also allows each locality to decide independently what it feels is most appropriate in addressing its housing needs. The majority designating money to subgrantees annually creates a convenient and accountable form of continuity; the organizations receiving money are also some of the most prominent housing advocates in the regional nonprofit sphere. There is certainly a chance that any improvement on this current system would represent a more semantic or symbolic victory in the name of regional collaboration, especially if the same projects remain after a different type of coordinated deliberation. It is clear, however, that many localities have no issue issuing a rubber stamp to the same nonprofits each year.

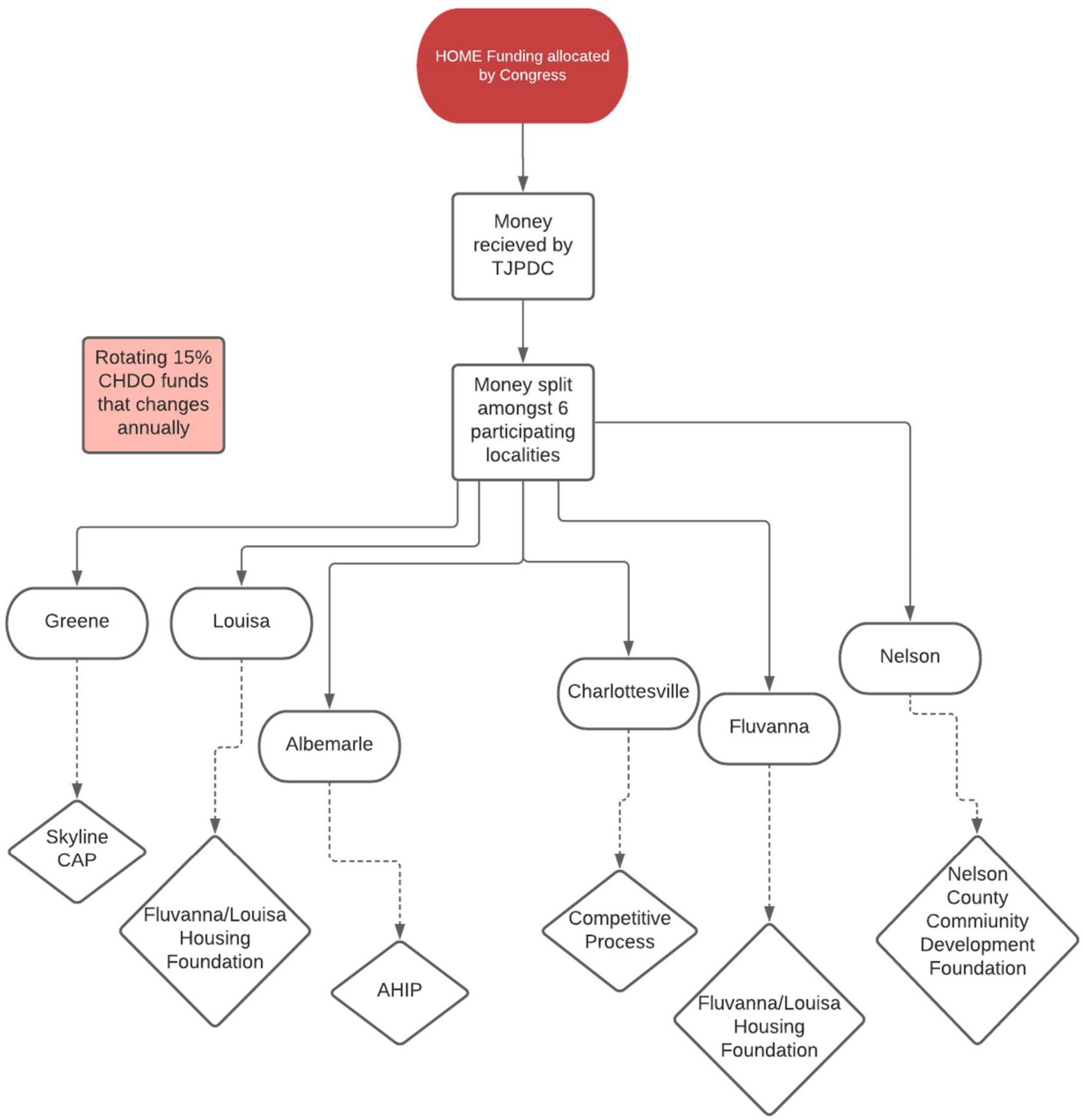


Figure 5 – Current HOME Funding Dispersion

Political Feasibility: *High* - This option would require no changes to the current political and professional landscape of the Consortium. Each participating locality has been using this process since the Consortium's original cooperative agreement was signed in 1993. There is a significant amount of political and professional acquaintance with the manner in which things currently operate.

Effectiveness: *Low* - The status quo has seen mostly poor results. According to the most recently available Consolidated Annual Performance and Evaluation Report (CAPER) from 2017, less than half of the 29 proposed projects across the region were completed within their proposed timeframes (TJPDC, 2018). These shortcomings were attributed to price limitations, borrowing capacity of sub-grantees, construction delays, and lack of available land for construction (TJPDC, 2018). The City of Charlottesville, before passing its 2018-2023 Consolidated Plan, performed a broader analysis using all available CAPER information from the past five years and indicated that its goals to create new rental housing exceeded its stated goals, while activities designed to promote first-time homeownership, down payment assistance, and rehabilitation have all not achieved stated goals (TJPDC, 2018). While HOME funds are being used across the region to attempt to alleviate the current burdens caused by the lack of affordable and standard housing, it is clear that the region is not maximizing the potential of these funds under the current model.

Ease of Implementation: *High* - Similar to political feasibility, this option scores highly on ease of implementation since the processes described are already in use. There would be no changes in the administrative process.

Equity: *Low* - According to the 2017 CAPER, 43% of HOME fund beneficiaries were minorities. More specifically, 29% of these beneficiaries were Black, and 0% were Hispanic. Significant geographic inequity was present as well, with 96% of projects being completed in Charlottesville, Louisa, and Fluvanna, with the remaining 4% being completed in the remaining 3 participating jurisdictions (TJPDC, 2018). Although HOME funds are equally distributed amongst the participating localities, it is clear that significant inequities exist because of the status quo.

| Alternative One Summary Analysis | |
|---|---|
| Pros | Cons |
| High regionwide buy-in | Limited effect on housing crisis |
| No change required to existing agreement/process | Low equity promotion |
| Will withstand political/professional turnover | |

Table 2 – Alternative 1 Summary Analysis

*Alternative 2 - Annual Rotating Priority Model*

This alternative considers the most pressing housing needs that can be addressed by the use of HOME funds and recommends to all participating localities to fund projects that address a specified need. A series of annual meetings would be called with TJPDC staff presenting information about the region's most pressing housing issues, which will be supported with accompanying data. This is a departure from relying solely on the region's Housing Needs Assessment, which provides a broad illustration of the myriad of housing challenges currently present. After the housing priority is identified, each locality would work on individual goals that could be achieved considering their capacity and housing landscape. An annual regionwide goal would be established after input from all participating jurisdictions, which would then provide an evaluative metric for review at the end of the year, and to determine if this priority is appropriate for the HOME Consortium in the future. This could look like "X number of houses rehabilitated" or "Y families or individuals prevented from being evicted". For example, the consequences of the pandemic have left far more people in arrears on rental payments and have thus increased the population of individuals and families who are at risk of eviction. This alternative would allow for an annual pivot of funds to enable both reactionary funding as well as proactive funding (in non-crisis circumstances), without waiting for lengthy multi-year assessments to be completed, presented, and finalized. This alternative introduces the HOME Consortium as a more deliberative and active body rather than a passive bursar of funding. Significant attention would be paid to how quickly funding recipients could begin and complete projects.

There could be implementation headaches with this alternative, however. Localities may disagree on the most pressing need for their respective jurisdiction and refuse a more cooperative and coordinated approach. The structure of the Consortium does allow each locality to disperse funds to whichever subgrantees and projects they feel fit their housing goals best, and thus this alternative would have no possible legal teeth to ensure compliance. An annual process, though much faster and regular than the pace of many of the housing needs assessments, may be too long still if the region faces immediate or changing needs. This seems to be as regular as is realistic in terms of an annual amount of money to spend from the federal government, but it is important to consider that it may produce results that are dated quickly. Further, this process limits application solicitation and relies heavily on the professional staff of the TJPDC to coordinate and recommend shared goals. The administrative capacity of the staff needs to be considered, or else it could quickly become a major burden on other work.

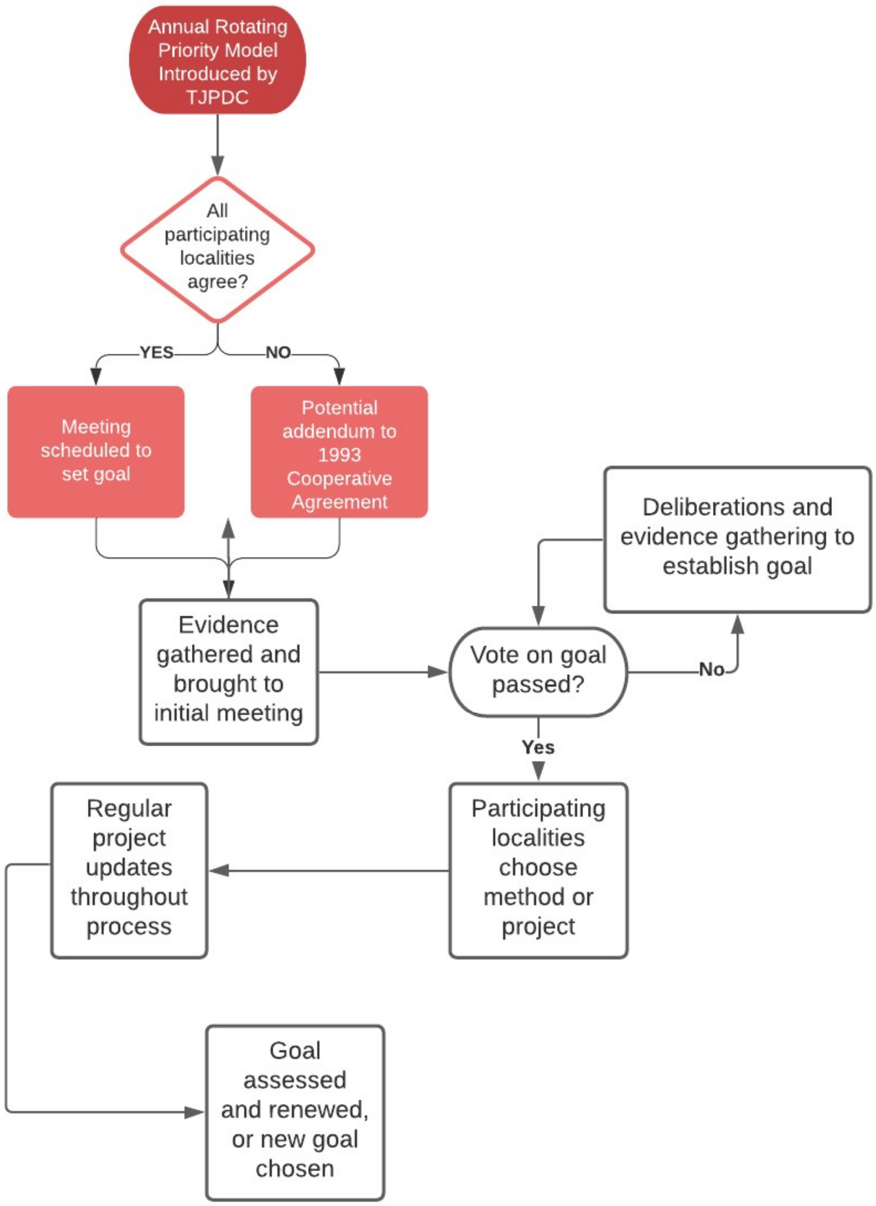


Figure 6 – Rotating Annual Priority Model

Political Feasibility: *Medium* - There would be significant changes to regional cooperation and coordination in this option. Members of the HOME Consortium would have to relinquish a significant amount of autonomy to generate and commit to annual region-wide goals. There is the potential for rejection and potential reevaluation of the Cooperative Agreement if localities decide they want to create their own housing goals. This said, there is a significant appetite for regional collaboration across the region's housing departments (Pethia & Dimock, 2021). The specific annual goal will be a massive determinant in the localities' desire to agree on a region wide goal. There could be implementation headaches with this alternative, however. Localities may disagree on the most pressing need for their respective jurisdiction and refuse a more cooperative and coordinated approach. The structure of the Consortium does allow each locality to disperse funds to whichever subgrantees and projects they feel fit their housing goals best, and thus this alternative would have no possible legal teeth to ensure compliance without amending the Cooperative Agreement.

Effectiveness: *Low* - The HOME Consortium has historically failed to choose and implement housing interventions in the same year, with over half of the planned projects not being completed within that time frame, according to the most recently available statistics (TJPDC, 2018). There is no evidence to indicate that a coordinated region wide effort to establish similar housing interventions would ameliorate the past trend that demonstrates a propensity for projects to take longer than a year to implement and complete. An annual process, though much faster and more regular than the pace of many of the housing needs assessments, may be too long still if the region faces even more immediate needs. It is important to consider that it may produce results that are dated quickly. This option would be able to be measured in housing outcomes, because the rotating priority would be a specific number or impact on outcomes.

Ease of Implementation: *Medium* - There are existing models that the Consortium could use to amend the Cooperative Agreement in order to create an annual priority model. For example, the City of Austin uses a quarterly priority model that has been proven effective in creating positive housing outcomes using HOME funds (City of Austin, 2021). The option would create a considerate amount of administrative work for TJPDC and housing staff in each locality, but it could be informed by a survey of similar application processes. A significant amount of coordination would be required at the beginning of the fiscal year in order to establish the annual priority, as well as midway through in order to gauge progress. An application process that would prioritize organizations and projects that could be completed within a year is another critical component of this option.

Equity: *Medium* - This option could have significant effects on the racial and geographic equity of the region's housing crisis, depending on the chosen priority. For example, Black families in the Charlottesville region are more likely to face challenges with substandard housing or rent challenges (TJPDC). Interventions that prioritize alleviating negative outcomes associated with specific racial groups would produce greater equity. This is true with geographic equity; there are far more individuals experiencing homelessness in Charlottesville City and Albemarle County, but there is generally a similar lack of affordable housing across the region (TJPDC). Equity would be achieved by this alternative through thoughtful consideration and inclusion into the annual priority.

| Alternative Two Summary Analysis | |
|---|---|
| Pros | Cons |
| Potential region-wide buy-in | Neglects all other dimensions of housing crisis for one |
| Potential for better promotion of regionwide equity than status quo | Could produce administrative difficulties |
| | Change to Cooperative Agreement could be required if localities object |

Table 3 – Alternative 2 Summary Analysis

*Alternative 3 - Long-Term Planning and Funding Maximization Model*

This option presents a model that focuses exclusively on long-term planning and funding maximization. It would rely on the Housing Needs Assessment as well as other Comprehensive Plans from the region and participating localities in order to establish future housing outcomes. Because the amount of money received annually by the HOME Consortium is relatively small compared to the amount necessary to address the cascading problems of housing availability, affordability, and price, only projects that provide considerable fund matching would be considered in order to maximize impact. A point system would be established in application review that would consider the organization applying's capacity to complete the proposed intervention, its ability to recruit and certify fund matching, as well as equity implications and the extent of solicitation of community opinion. This model attempts to maximize the relatively small budget of the Consortium into a much more impactful prong of the region's broader affordable housing strategy. The Consortium would have to come to an agreement on a series of guidelines surrounding what "long-term" means, as well as what the minimum amount of fund matching should be for a project to win approval. This would need to be a "locked-in" choice, as it would dictate funding decisions for at least the next several years.

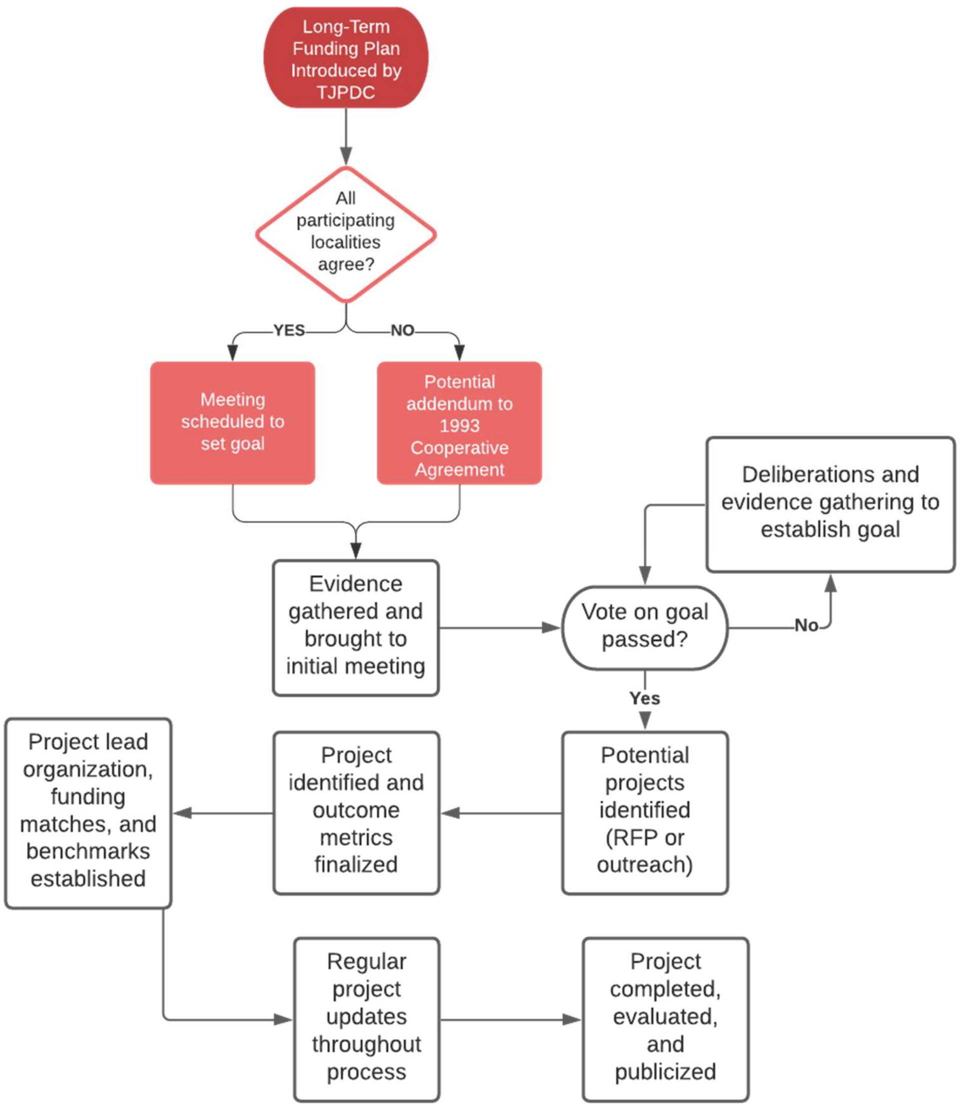


Figure 7 – Long-Term Planning and Funding Maximization Model

Political Feasibility: *Medium* - This alternative could involve formal changes to the Cooperative Agreement in order to ensure compliance by all localities. The structure of the Consortium already promotes regional collaboration, and this type of restructuring is focused entirely on addressing issues across the region. There could be potential pushback from localities for whom the HOME money has been designated already or are uninterested in long-term interventions.

Effectiveness: *High* - This alternative can be extremely effective in addressing affordable housing interventions. The amount of money received each year by the Consortium is, relative to the amount of money required to fully address the region's affordable housing crisis, insufficient. There is a far greater likelihood that long-term, funding leveraged projects would have a positive impact on housing disparities. A HUD-commissioned report found that long-term housing subsidies were twice as effective in reducing housing insecurity for families than short-term interventions (Gubits et al, 2016). Further, there is evidence to indicate that subsidized construction of affordable housing both generates positive community spillover and is often more effective when administered by local government as compared to direct federal interventions (Ellen, 2007). The ability for long-term interventions to positively impact the region's housing crisis as well as a focus on fund matching to maximize federal HOME funding makes this a highly effective alternative.

Ease of Implementation: *High* - There are a variety of community and national resources that can easily inform the Consortium's decision on the most pressing housing need in the region, as well as how to structure an application process that prioritizes fund-matching. The Housing Needs Assessment can be used in order to help determine greatest region wide need, and a survey of other HOME, CDBG, and Low-Income Housing Tax Credit (LIHTC) application processes yield a variety of ways to structure a new funding designation process. There would be work put on the TJPDC staff as well as each locality's representatives to the body, but there would mainly be front-end application review and solicitation with periodic check-ins as determined by the Consortium. There should not be a significant increase in administrative burden because of this alternative.

Equity: *Medium* - Like Alternative 2, choices made about where funding will be designated will affect the equity of this alternative. There are much more significant tradeoffs associated with this alternative, since the goal is to have funding choices be invested into long-term projects. Equity must be a critical consideration in the application process of the Consortium in order to best serve BIPOC communities across the region, as well as ensure that housing interventions will affect all participating localities.

| Alternative Three Summary Analysis | |
|---|---|
| Pros | Cons |
| Potential region-wide buy-in | Ties up funding for a set amount of time from other projects |
| Potential for better promotion of regionwide equity than status quo | Could produce administrative difficulties |
| Potential for much more impact on housing crisis than status quo | Change to Cooperative Agreement could be required if localities object |

Table 4 – Alternative 3 Summary Analysis

## Final Recommendation

**I recommend the HOME Consortium adopt Alternative 3.** It is the most appropriate alternative in terms of its ability to affect change in the region's affordable housing crisis and provide ease of implementation and the ability to easily find best practices. It is the most effective alternative as compared to the other alternatives and should establish the HOME Consortium as a much more useful tool in the region's strategy to address affordable housing.

There are tradeoffs associated with this alternative that are important to consider. Focusing on a long-term goal will preclude the Consortium from being reactive to pressing needs. There will be very little flexibility with the funds received to pivot from one investment to another. Further, there will be significant coordination that will need to occur if this alternative is adopted. A reevaluation of the HOME Consortium as an active investigator of long-term projects, rather than its current iteration as a passive dispenser of funding, will be something to get used to for participating localities and TJPDC staff. The analysis presented above is predicated on assumptions that may change or vary in the real world. The tradeoffs described may create initial difficulties as the organization adjusts accordingly, but they are mostly inevitable in organization transition.

## Implementation Process

*Stakeholders*: A comprehensive list of stakeholders is important in constructing an implementation plan for this option. First, each of the localities and their associated representatives to the HOME

Consortium represent some of the most important and powerful stakeholders considered. Each of the localities have agreed to pool and share their HUD money through this process, and each has the opportunity to leave the body. Their approval and buy-in is critical in implementing this policy option; without them, regional housing collaboration could suffer a significant setback. The TJPDC and its staff are also important stakeholders (TJPDC, 2018). The organization's role as an organization that serves the localities that comprise the district require that it serves its role in a neutral manner. This neutrality is critical to its role in the context of the Consortium; member localities are receptive to reports and analysis from the TJPDC. Thus, its role in implementing this option is to reinforce regional cooperation and ensuring that an organized and balanced process is used to choose the long-term housing goal.

The organizations that have been designated sub-grantee status by each of the participating localities are also major stakeholders. Since most have been in place as funding recipients for significant periods of time, it is to be expected that some organizations will object to change in the manner in which funds are dispersed. They could have a large effect on implementation, depending on each organization's political influence or access to housing offices in localities (TJPDC, 2018). It is important to keep in mind that one or two of these organizations may in fact receive *more* money if they are contracted to lead a long-term project; the uncertainty associated with this opportunity is more likely than not to produce initial discomfort and potential backlash. A final group of stakeholders to consider are current beneficiaries of housing interventions. Although this is not a significant number of individuals, those who have been expecting, for example, housing rehabilitation or rental assistance may suffer negative consequences as a result of this pivot. Ensuring that projects that have been started are completed or funding secured from other entities is critical to a good implementation strategy.

*Implementation Process Description*:

The implementation of this policy option can be separated into distinct phases: (1) an initial process pivot with a focus on organizing support from participating localities, (2) gathering evidence and research in order to establish a potential goal, project(s) that contribute to it, and leveraging funding from other organizations, and (3) regular meetings to evaluate performance and a final determination of success or failure on the long-term goal. It has been depicted graphically in Figure

1. The process described as follows has significant leeway to be changed depending on members' preferences, TJPDC staff capacity, or any other extenuating factor that has not been accounted for.

The first phase of implementation focuses on changing the Consortium's process from the status quo to this model, primarily through ensuring that remaining projects are funded, and garnering support from all participating localities. This can be thought of as the "adoption" phase of implementation. Because membership in the Consortium is voluntary, there is a chance that one or more of the member localities would object to this change of strategy. If that is the case, mediation and a potential reevaluation of the 1993 Cooperation Agreement, which serves as the de facto memorandum of understanding for the entity, may have to be conducted. Assuming there is buy-in from the localities and sufficient capacity from them as well as TJPDC staff, the transition from the status quo to this model should begin.

Phase 2 of implementation determines the long-term goal. Participating jurisdictions should assemble evidence or ask TJPDC staff to identify sample proposals. A series of meetings where these are presented and debated should yield a final vote on the region's long-term priority, with a specific goal being determined, as well as a specific timeframe for it to be achieved. There are a variety of resources that could be used to inform this proposal, one being recent research in California that determined anti-displacement housing strategies. The authors created a summary table that dictates the type of market interventions work best in, the implementation scale at which they are most effective, and the timeframe to the creation of more housing (Chapple and Loukaitou-Sideris, 2021). A similar set of research could be conducted for the Charlottesville region to determine the most effective type of intervention for a particular goal. After this has been established, potential projects are proposed by localities, or via a request for proposal to solicit developers or consultant groups. Further solicitation of fund matching as well as progress benchmarks should be established until a clear schedule of progress has been generated as well as a significant fund matching scenario finalized (specific amounts to be determined by the body, as they are variable depending on the type of project(s)). The final phase consists of regular meetings throughout the project in order to provide oversight and communicate project leadership. A final series of meetings that evaluate the goal in the context of completed projects, as well as work to publicize success are recommended.

*Potential Failures*: There are potential failures that are important to highlight and prepare for. First, opposition from participating localities could push this plan back for a significant amount of time, dulling the region's affordable housing response. There could be the need for a new agreement amongst the localities which would take time to draft and ratify. Related but slightly distinct is the possibility that a locality could withdraw or renege after an agreement was reached. These could be the most impactful potential failures, since the option is predicated on the pooling of funds from all localities. It is thus critical for these failures to be avoided or mitigated. Another potential pitfall is the possibility that fund leveraging does not pan out. This would severely limit the breadth of potential interventions but would not prevent any interventions from occurring. A strategy to attempt to mitigate this failure would be to set nonnegotiable levels of fund matching that would have to be reached before a project was started.

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# Appendix 1: Outcomes Matrix

| Goals | Impact Category | Alternatives | | |
|---|---|---|---|---|
| | | Status Quo | Rotating Priority Model | Long-Term Funding Maximization |
| Political Feasibility | Regionwide Buy-In | *High* | *Medium* | *Medium* |
| | Ability to withstand political/professional turnover | *High* | *Medium* | *Medium* |
| | Cooperative Agreement change | *No change required* | *Medium - change could be required* | *Medium - change could be required* |
| Effectiveness | How well does it address the current housing crisis? | *Low* | *Low* | *High* |
| | Can it be measured in housing outcomes? | *Yes* | *Yes* | *Yes* |
| Ease of Implementation | Does it produce administrative difficulties? | *No* | *Maybe* | *Maybe* |
| | Straightforwardness of process | *High* | *Medium* | *High* |
| Equity | Promotion of region wide equity | *Low* | *Medium* | *Medium* |
| | Promotion of racial equity | *Low* | *Medium* | *Medium* |