

# HOUSING AND ECONOMIC OPPORTUNITIES, INC.

Community Development Case Study

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"HEO is dedicated to helping low and moderate income families and or individuals find affordable housing and appropriate employment. It is our belief that affordable housing development and economic development go hand in hand. We believe that helping someone find a place to live, while very important, by itself is not enough. We must help that person find employment that will allow them to support themselves and their families, maintain their homes, and live with dignity" (Housing and Economic Opportunities, Inc.)

## **"ON CAMDEN'S SUPPLIES, THE WORLD RELIES"<sup>1</sup>**

Housing and Economic Opportunities, Inc. (HEO) was created in response to the lack of affordable housing in Camden County's suburbs. However, to fully understand HEO's decision to serve the county and not simply the city, it is necessary to provide a brief overview of both Camden City and Camden County.

When Camden County separated itself from Gloucester County in 1844, there were roughly 25,000 people living within the newly defined county boundaries. By the turn of the 20<sup>th</sup> century, the County's population had reached over 107,000 people and by 1960, the population had nearly quadrupled in size (University of Virginia Library, 2007). Today, the population is almost 518,000, a 1.76% increase since the 2000 Census (U.S. Census Bureau, 2010). For years, Camden County, and particularly Camden City, has struggled with providing adequate affordable housing. The severe shortage of affordable housing in New Jersey has been a controversial issue for decades, particularly since the creation of the Council on Affordable Housing (COAH), the affordable housing agency created in response to the Fair Housing Act of 1985. In June 2010, New Jersey State Senators Raymond Lesniak and Jeffrey Van Drew introduced a bill that would abolish COAH and establish new affordable housing requirements. Senator Van Drew explained the impetus for this bill, stating, "For years, New Jersey's efforts to provide affordable housing for its residents have been a dismal failure. As a result, we have a serious affordable housing shortage, and people simply cannot afford to live where they work" (Drew, 2010). In a county where the median household income for owner-occupied units and renter-occupied units pales in comparison to the state's median incomes<sup>2</sup>, it is vital that affordable housing development is focused in this area of the state.

Camden County has attempted to maintain detailed historical records of its development, particularly since the arrival of the first European settlers, the Quakers. Fortunately, the establishment of the Camden County Historical Society (CCHS) in 1899 has facilitated preservation efforts for much of South Jersey's history; in early 2009, they published the Camden County Deeds Database, a list of 2,500 local housing deeds, which date from 1701 to 1934. Jocelyn Koehler, CCHS library director, notes that not only is this important for current homeowners, but "looking at the deeds database as a whole lets you see immigration patterns into different areas of Camden County. The last names of buyers can sometimes show how different areas developed along different ethnic and cultural lines" (Camden County Historical Society, 2009). Moving forward, this data might also inform the trends that had led to ethnic enclaves and concentrated poverty in Camden County.

In the late 19<sup>th</sup> century, Camden City became a leading industrial and commercial port city along the Delaware River. Furthermore, the influx of immigrants seeking employment in the early 1900's helped to bolster the City's economy. However, the major cause for the County's expansion was due to infrastructure development in the early 20<sup>th</sup> century, including bridges and public transportation. The construction of the Delaware River Bridge in 1926 allowed people to work in Philadelphia, but live in the suburbs of Camden County. Additionally, the construction of the Walt Whitman Bridge in 1957 and the Betsy Ross Bridge in 1976 provided additional access to the suburbs for commuters working in Philadelphia (Camden County, 2010). In later years, a rail system linking Philadelphia and Camden would further increase the County's population. Furthermore, the County was able to offer many public services, including higher education centers, hospital facilities, as well as a robust employment industry (Camden County, 2010). These amenities encouraged people to move further east and populate the suburbs of Camden County.

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<sup>1</sup> According to the Camden County Historical Society, this was a popular catchphrase during the industrial boom of the late 19<sup>th</sup> and early 20<sup>th</sup> centuries (Camden County Historical Society, 2009).

<sup>2</sup> Camden County median income is \$78,048 for owner-occupied units and \$32,106 for renter-occupied units. New Jersey median income is \$88,343 for owner-occupied units and \$38,918 for renter-occupied units.

## AFFORDABLE HOUSING FOR THE SUBURBS<sup>3</sup>

Everyone, we think, is familiar with housing and the related problems that are facing our large cities, but few people are really responding to the emerging and expanding problems that are now reaching into our suburbs. In the rural areas of South Jersey, there are pockets of poverty situated between upscale new development housing. Abandoned and boarded up homes are dotting the suburban and rural landscapes, and are becoming more and more commonplace (Gilmartin, 1996).<sup>4</sup>

As one of the most disinvested and distressed cities in the country, Camden City, the seat of Camden County, continues to garner mass attention when compared with the rest of Camden County. While funds for projects, including affordable housing, are greatly needed for the City, there is also a need for affordable housing in the more affluent suburbs that surround it.

In an effort to fill the affordable housing void in Camden County, HEO was founded in 1992 by Peter Gilmartin. Sadly, he passed away in 2004, but his legacy as a pioneer in the community development field has not been forgotten. On behalf of HEO he advocated for more rigorous Community Reinvestment Act (CRA) requirements and testified in front of the New Jersey State Assembly on housing bills. He was also one of the founding members of the Housing and Community Development Network of New Jersey (HCDNNJ) and was part of the team responsible for hiring current Executive Director, Diane Stern.

Gilmartin, previously employed as the Executive Director of St. Joseph's Carpenter Society in Camden City (the City), was encouraged by people in the community development field to start a non-profit that would serve the same income population as St. Joseph's, but outside of the urban area. Gilmartin began his work in East Camden and a year later, Shelia Robinson, Gilmartin's former colleague at St. Joseph's, joined HEO as the Director of Housing Programs. The founders of HEO realized there were many people living outside of Camden City who were income-eligible, but needed assistance with purchasing a home. Unfortunately, affordable housing was only offered in the City and many residents seeking affordable housing in suburban and rural neighborhoods were instead being directed into the City based on their low income. "It didn't seem fair. Kind of like discrimination," says Robinson. Thus, HEO decided to target their efforts on residents living outside of the City; while Gilmartin worked on developing affordable housing and fundraising, Shelia launched the one-on-one homebuyer education program, now called the Mortgage Readiness Initiative (MRI) program.

HEO's primary source of funding is from the Camden County Department of Community Development, which enables the organization to develop affordable housing units for sale. HEO has completed scattered site rehabs of houses throughout the County, particularly in Pennsauken, as well as new construction projects. Their first rental units were designed for senior citizens in the townships of Sicklerville, Gloucester, and Merchantville and these projects continue to function well. They have also completed projects in

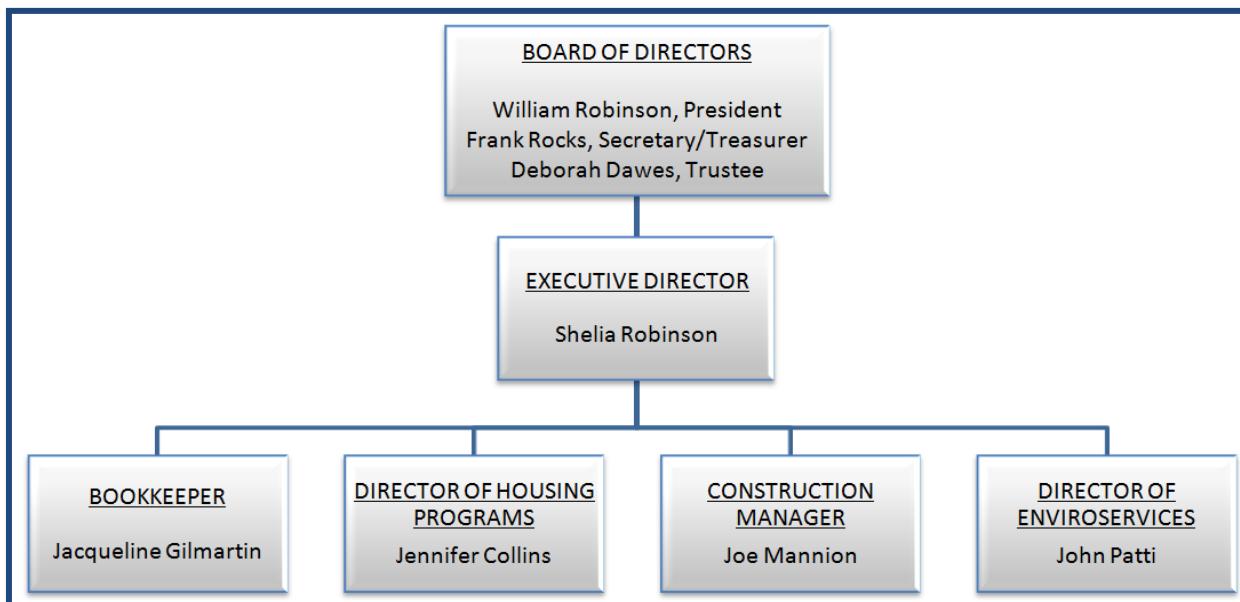
*"Affordable housing was only offered in the urban areas and not everyone wants to live there. It didn't seem fair. Kind of like discrimination."*

Shelia Robinson, Executive Director of Housing and Economic Opportunities, Inc.

<sup>3</sup> The majority of information for this profile was obtained through an interview with the Executive Director of Housing and Economic Opportunities, Inc., Shelia Robinson. Unless otherwise noted, this remains the main source of information; quotes have been sourced accordingly.

<sup>4</sup> Testimony before the Assembly Housing Committee on Assembly Bill 1442, "Jobs from Housing and Economic Development Implementation Act" and Bill 1443 that "authorizes creation of \$290 million in debt to foster development of affordable housing and growth of small businesses."

Runnemede, Lawnside, Somerdale, Pine Hill, and most notably Cherry Hill, a major accomplishment, as it is one of the most affluent communities in Camden County. HEO hopes to expand to other counties in South Jersey, but a lack of funding means that for now, this will remain a future goal. Although HEO's catchment area is Camden County, there is one main restriction to their construction: they



cannot construct scattered site projects in the cities of Camden or Gloucester, but can develop multi-unit properties as long as they are not utilizing county funds. These two cities are in receipt of funding through the federal HOME Program, thus the County will not duplicate funding by providing additional monies to HEO.

HEO retains a small, but dedicated, staff that continues to pursue the mission that Gilmartin and others envisioned for the organization. After Gilmartin's passing in 2004, Robinson assumed the role of Executive Director, the position which she currently holds. Other staff members include Jennifer Collins, the full-time Director of Housing Programs; Jacqueline Gilmartin, the part-time bookkeeper; Joe Mannion, the part-time Construction Manager; and John Patti, the part-time Director of EnviroServices. HEO also has a small Board of Directors, as described in the organizational chart below.

In order to facilitate the MRI program (explained in detail later), HEO has between four and eight facilitators who assist with classroom exercises. The facilitator must be a former graduate of the program, even if they have not yet purchased a home. The volunteer must be using what they were taught during the program and have the ability to act as a professional facilitator in the classroom. In addition, facilitators can share their own experiences, which prove helpful in assisting current clients to overcome challenges they are facing.

## HEO's PROGRAMS

Although construction has slowed for HEO in the past couple of years, they continue to offer several comprehensive programs. Their main programs for first-time homebuyers often work in conjunction with each other. They are designed to educate homebuyers, while also offering them the ability to purchase an affordable home through HEO and receive assistance with closing costs. In addition, HEO offers a Senior Rental Program and Environmental Testing Services.

### First-Time Buyers Program

Through this program, HEO purchases and rehabilitates houses in order to sell them as affordable housing units to low- and moderate-income buyers. Many of the properties they have purchased in 2010 have been foreclosures, as the County has seen an increase of these on the open market (Housing and Economic Opportunities, Inc., 2010). This model for supplying affordable housing will be valuable over the next several years as the number of foreclosures remains high. There is a great advantage to home buyers for utilizing this program, as HEO is versed in legalities regarding foreclosed/short sale properties. This not only protects the future home buyers, but also reduces any unnecessary stress associated with a first-time home purchase.

## Mortgage Readiness Initiative (MRI) – A Program for First-Time Home Buyers

The first-time home buy education program, called the MRI program, has received very positive feedback from both clients and lenders. In its nascent stages, the program was one-on-one; however, once HEO began receiving positive publicity for the program, the staff decided to improve the execution of the program. Thus, the program was changed to a two-month, four-session program, which included information night, registration night, one-on-one counseling and a group session. The program was in place for a number of years until HEO realized there was a great need for financial literacy. They found financial guru Gordon Ramsey's program, entitled "Financial Peace," which is designed to assist people with gaining control over their finances. This requires more sessions than HEO was currently offering and they decided to augment it with "Financial Peace." Clients still attended the two-month program, but if a client truly needed extra assistance, Robinson would refer them to the "Financial Peace."

Despite the addition of this new financial literacy program, HEO staff soon realized that although a large number of people were completing the program, they were declining to choose the "Financial Peace" and ultimately did not purchase any homes. Robinson believes this was due to "a lack of education." Although clients were provided with their credit report and received assistance with the evaluation of their finances, they simply were not taking the right steps in order to become mortgageable. As a result, HEO saw the opportunity for a great solution – the combination of both their program and Ramsey's "Financial Peace." Despite some initial hesitancy, this current version of the program, implemented in 2002, has proven to be a vital and successful tool for future homebuyers.

Despite a client's financial state or literacy, they are still able to benefit from the program. It is designed to provide a solid foundation for understanding a variety of financial subjects, such as life insurance, investments, and planning for a child's college and one's own retirement.

HEO begins a new class each month, except for December since they cannot compete with the holidays. Classes range in size from eight to twenty-five, are held Monday through Thursday, and consist of video, class discussion, and quizzes. At certain times there might be up to four classes happening simultaneously, in different stages of the Program. In the past year, HEO has seen a decrease in the number of clients attending their program, which Robinson believes is due to the high unemployment rate. "[M]any people aren't looking for homeownership because they're unsure of their ability to do that...so we need to create a strategy to boost that" (Robinson, 2010).

Robinson is confident that when potential homeowners graduate from HEO's Homebuyer Education Program, called the Mortgage Readiness Initiative, they are well-prepared and on their way to owning their own home. She notes that some realtors are concerned with their clients/buyers; Shelia believes this is due to the stringency of lending institutions in the current economic environment and not the lack of preparedness on the part of HEO's clients. That being said, HEO ensures clients take the necessary steps to improve their credit score and amass their savings once they have graduated from the Program and before they purchase a home. A majority of HEO's clients require anywhere between three and six months and some need several years to improve their credit and save money. "The timing isn't important with us. We just want them to accomplish it and we try to encourage them...it doesn't matter what your obstacles are; given enough time and enough effort you can overcome them...but you have to be patient and you have to do that one step at a time" (Robinson, 2010).

## First Time Home Buyer Down Payment/Closing Cost Assistance Program

HEO administers Camden County's First Time Buyer Program for the down payment and closing cost assistance, up to a \$10,000 matching no-interest loan. This program is provided in conjunction with the MRI program and available to MRI graduates who purchase within Camden County (Housing and Economic Opportunities, Inc., 2010). The Down Payment Program began as a pilot program in 1996 when HEO approached the County because of the number of potential homeowners they saw in need of financial assistance with closing costs. The County granted HEO \$60,000 to create the program. Because the interest rates and housing prices were low at the time, HEO offered up to \$3,000 as a gap no-interest loan to potential homeowners. Soon after, with the implementation of Individual Development Accounts (IDAs), HEO increased their loan to \$5,000 and began their own IDA program to match IDAs from the First Home Club of the Federal Home Loan Bank of NY. Now, HEO was able to offer a \$5,000 matching savings. The American Dream Down Payment Initiative came into existence in 2003 and again, HEO increased their loan. It is now a 6:1 match, meaning for every dollar a person saves, they are given a six-dollar match. By January 2009, the program had assisted 178 Camden County residents (Greco and Cappelli, 2009).

*"The program 'is wonderful.' Its graduates 'have had extensive counseling, helping them to be credit-wise and preparing them for budgeting and the responsibilities of homeownership."*

Cheryl Suess, Community Reinvestment Act Mortgage Loan Officer at Susquehanna Bank in Camden County

## Affordable Housing Repair Program

In order to bolster HEO's housing production, Robinson created an affordable housing repair program. Through this program, HEO has the opportunity to purchase a home for a potential homeowner in order to make necessary repairs, which the seller might refuse. In this way, the client does not lose their potential home and are able to live in the community they desire. Currently, HEO performs up to \$20,000 in repairs. Particularly for situations in which the potential homebuyer locates a foreclosed property, the Affordable Housing Repair Program can significantly reduce their costs and ensure the house is meeting minimum standards.

## Environmental Testing Services

EnviroServices, managed by John Patti, was HEO's "first economic development project that created one new job" (Housing and Economic Opportunities, Inc., 2010). Currently, Patti works part-time and is responsible for lead based paint testing and Phase 1 environmental reviews, as well as other environmental services. Services are not only offered to individuals, but also to public, private, and non-profit agencies. Although the lack of funding has limited the growth of the economic development, the combination of economic development and affordable housing were part of Gilmartin's mission when he founded HEO; Robinson hopes they will be able to expand their offers of employment in the future.

## CHALLENGES AND OPPORTUNITIES

HEO has undergone a number of challenges over the past decade, the most significant being the passing of Gilmartin. "That was a real shock," says Robinson of her former colleague's passing. However, HEO continues to provide the services for which Gilmartin endeavored and the staff is working diligently through a difficult economic downturn.

A more recent and pressing challenge HEO is facing is a lack of capital. Funding is limited, meaning construction is stalled – the last construction/rehab HEO completed was in August 2009. Moreover, many of the houses HEO has purchased in the past three years have been foreclosures and most of those are real estate owned (REO) properties. (As a general rule of thumb, HEO does not advise their clients to purchase foreclosures due to the seller's financial inability to invest in needed repairs.) As a small organization, Robinson says they do not accomplish as much as they would like. Currently, HEO is working with local lenders to secure funds in order to purchase properties.

Since Camden County's population is concentrated in Camden City; there are not many people in the suburbs, "and that's another challenge, too. The fact that the public is more likely to assist an organization helping people in a city or urban community because you can show a family who is poverty-stricken, you can plead that case," Robinson says. She observes that people, foundations, and businesses are more inclined to "open their hearts and wallets" to organizations serving the inner-city population. In the suburbs, HEO's impact is often low-key because they are rehabilitating or building one home at a time, instead of repairing an entire blighted block.

Another challenge HEO faced was the loss of their office within Wachovia Bank (formerly First Union). About three years ago, the site where HEO retained free office space reconfigured their structure, and HEO was given six months to find suitable office space. "That was a challenge because it meant we had to move and now we had to pay...rent. [It] is a serious issue for us" (Robinson, 2010).

Despite these setbacks, HEO's programs continue to thrive. Their reputation for homebuyer education is very positive and clients remain in contact with staff for many years. Unfortunately, deliverables are measured based on the number of affordable housing units developed, not the number of clients benefitting from their programs. "It's a good service for the community and it's a needed service and the County loves it, but it is not recognized as producing affordable housing even though we're serving the same income population."

Although HEO does not work with other non-profits or businesses in the area, the relationship with the County has been quite strong. Robinson's contact at the Department of Community Development was also new to the Home Program, so "we kind of grew up together and learned the process together. We have a good relationship and it feels more like a partnership, as opposed to 'they're the funder and we're recipient'" states Robinson (Robinson, 2010). The County is supportive and pleased with the success of the Down Payment/Closing Cost Program because it disburses funds throughout the County. HEO also has a number of partners through local banks. Although the loss of Commerce Bank two years ago was a difficult change for both HEO and the community, other banks such as PNC, TD Bank, and Susquehanna offer suitable mortgage products for HEO's clients.

## THE MEANING OF SUCCESS IS CONSTANTLY IN FLUX

As the U.S. crawls its way out of a dire economic situation, HEO struggles to find funding, yet continues to provide services to Camden County residents. Today, their biggest challenge is also their biggest success: keeping the doors open.

Towards the end of the interview, Robinson takes a moment to reflect on some of HEO's most successful projects. To date, the Gloucester senior housing project was the most successful construction project "because there was such a combination of different sources and the fact that the Carpenters Union still has a space there" (Robinson, 2010). However, despite the impressive projects HEO has constructed or rehabilitated since its inception almost two decades ago, Robinson is most proud of their comprehensive MRI program. This program has blossomed from a small one-to-one program to one that comprises up to 25 clients at a time. It is responsible for vetting potential borrowers for financial institutions, preparing individuals and families for the challenges of homeownership, and their preparation is so comprehensive that virtually no clients have defaulted or foreclosed. Furthermore, the simple fact that clients continually return to discuss their successes and seek further advice is evidence that HEO provides much needed support for the county.

"Today success is keeping the doors open." In the long term, it would mean "increasing the production." Robinson notes they are very proud of Gilmartin's work, particularly with the senior housing created in 2003 and 2004. However, there is a need for more senior housing and affordable family housing. Looking forward, Robinson would like to develop a real estate office, "so that we could actually take our clients to the next step and preferably be a buyer's agency. I think that's the natural next step for what we do" (Robinson, 2010).

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