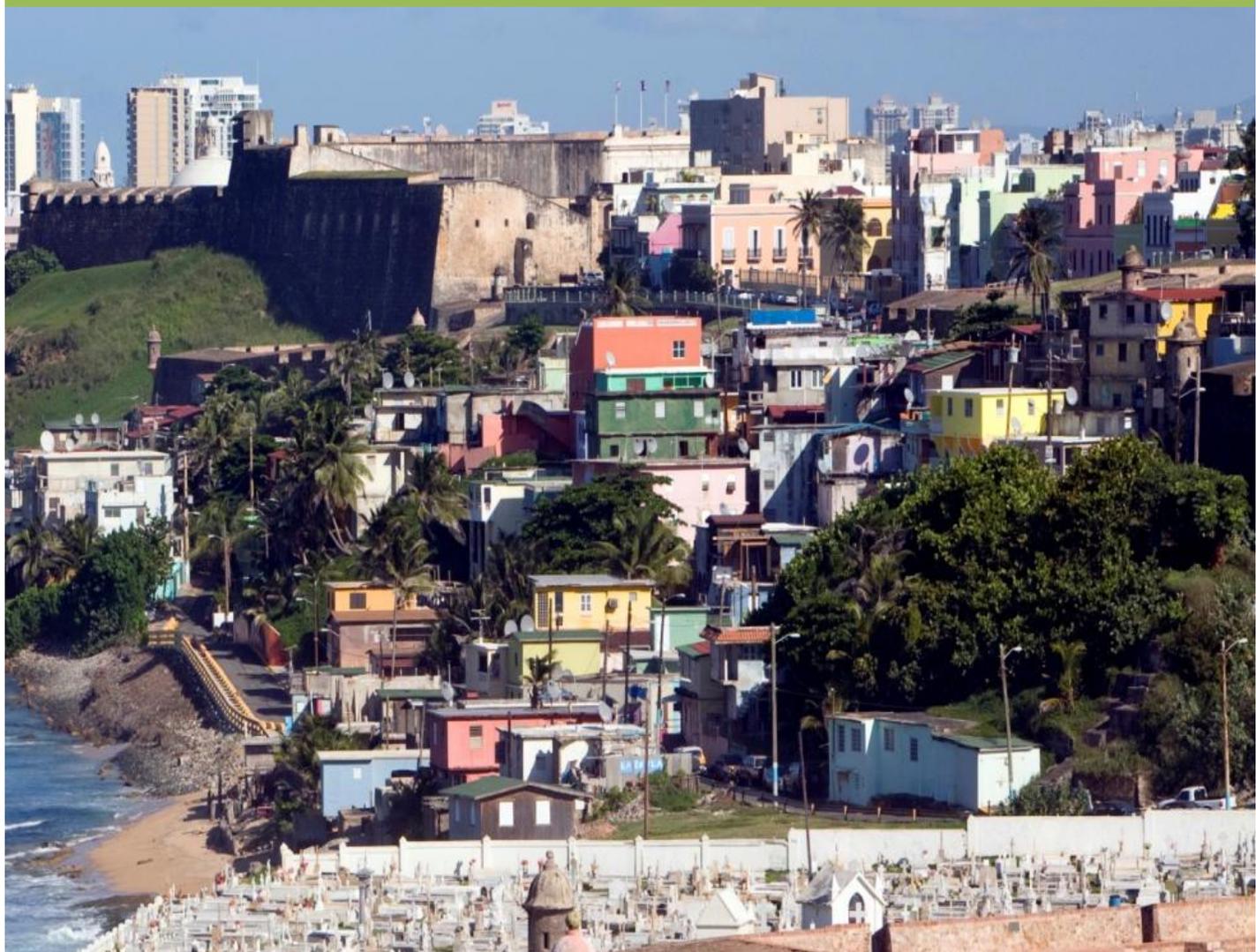


Puerto Rico

State Housing Plan: 2011-2015



*Government of Puerto Rico
September 7, 2011*





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LETTER OF THE GOVERNOR OF PUERTO RICO, HON. LUIS G. FORTUÑO



LETTER FROM THE GOVERNOR OF PUERTO RICO HONORABLE LUIS G. FORTUÑO

I am pleased to present the *State Housing Plan for Puerto Rico: 2011-2015*. The plan fully recognizes the fact that housing cannot be isolated from the social and economic environment and will provide the tools to integrate approaches along a wide range of policy areas to assure that Puerto Rico will meet its housing needs. In October 2010, I established a Housing Task Force and charged them with developing a market-based housing plan. This plan identifies our current and projected housing needs, the challenges we face, and sets out a framework for addressing them.

As you know, Puerto Rico has experienced a very serious recession over the last five years. This has worsened conditions that were accumulating for decades. According to the 2010 Census 45% of our population has incomes below the poverty line. In addition, our population is rapidly aging, which has a major impact on social and, specifically, housing needs.

The State Plan addresses Puerto Rico's housing needs within the described context and assigns priorities for government policy in response to projected needs. Thus, a major priority is addressing the housing needs of the elderly and of other special needs populations. It does so, within a broader social, economic and urban development environment, and makes the appropriate policy recommendations so that policies related to subjects such as local development, urban planning, land use, and permitting support the satisfaction of housing needs.

As we move from planning to implementation, I commend the efforts of the Task Force in developing this strategy. We look forward to working together to make this plan a reality, and incorporating policy reforms for affordable housing development and specifically public housing into the future of housing in Puerto Rico. We appreciate the support that the US Department of Housing and Urban Development has provided for this effort, as well as the commitment shown by government officials and citizens in moving the housing agenda forward.

Sincerely,

Luis G. Fortuño



SECRETARY SHAUN DONOVAN'S LETTER



I am pleased to congratulate Governor Fortuño on the release of Puerto Rico's first comprehensive housing plan. With this plan, the Housing Task Force recognizes that addressing affordable housing is about more than building homes – but also about building safe, healthy neighborhoods of opportunity with jobs and transportation options every family needs to be a part of winning the future.

This plan arrives at an important moment. In October 2009, I asked Assistant Secretary for Community Planning and Development, Mercedes Márquez, to represent HUD on the President's Task Force on Puerto Rico's Status. Since that time, she has worked with Governor Fortuño, Secretary Hernandez, and other stakeholders in Puerto Rico to support the efforts of the Housing Task Force through a Memorandum of Agreement to provide capacity building and technical assistance – efforts lauded in the Task Force report released earlier this year.

These efforts—and this plan—recognize that no matter how large the federal grant or well-crafted the policy, no community can succeed without strong local leadership and institutional capacity. Ensuring every community has the capacity to tackle its toughest challenges requires a different kind of federal partner –

one that recognizes one size doesn't fit all. That is why we are transforming the way we do technical assistance with HUD grantees through our OneCPD initiative, Section 4 Capacity Building program, and the comprehensive planning tools provided by our Office of Sustainable Housing and Communities. As implementation of the Housing Plan begins, we will continue to integrate our investments, including public housing, so that these tools will help us go beyond oversight and program compliance to provide the kind of innovative, cross-cutting technical assistance Puerto Rico needs to improve performance and better respond to needs of local families.

And so, with this Housing Plan, Puerto Rico partnered with HUD to embrace more than just a pilot project – but a new way of doing business, the lessons and results of which will benefit countless communities across the country. As Puerto Rico continues to build and grow its housing and community development strategies and capacity, HUD and the Obama Administration will continue to be a partner, ensuring that taxpayer dollars produce results for families and communities alike.

Sincerely,

A handwritten signature in black ink, appearing to read 'Shaun Donovan', written in a cursive style.

Shaun Donovan
Secretary



EXECUTIVE SUMMARY

The State Five Year Housing Plan (“State Plan” or “Plan”) covers the period 2011-2015. It assumes as its basic foundation the results of the study on *Housing Supply and Demand Factors*, completed in 2011. The State Plan is based on the premise that housing is not just the provision of shelter. Housing is part of an intricate web of relationships that incorporate factors in different areas and require integrated approaches. Thus, housing policies cannot be considered in isolation from economic, social and physical factors.

The State Plan takes into account the socio-economic and fiscal conditions that characterize Puerto Rico and that will most likely prevail in the Plan period. Therefore, an economy that has been in recession for the last five fiscal years and whose growth is projected to be moderate in the next five is included among these conditions.

Puerto Rico is moving toward a demographic condition characterized by having the age cohorts above 40 increasing rapidly and those below that age falling. By 2020, the over 65 population is expected to be 16.4% of the population compared with 11.2% in 2000. This demographic transition will impact the housing market, requiring specific approaches not only for providing shelter, but also for providing the complementary services.

Given the fiscal situation in the U.S. and Puerto Rico and the probable impact of the debt ceiling agreement recently made into Law, it is to be expected that federal funding of discretionary programs, including those related to housing will not grow. What is emphasized in the Plan is the better use of existing funds and budget reallocation to support affordable housing programs. For example, in the case of Puerto Rico, the Government has in place incentives to stimulate the purchase of homes. The recommendation is for these incentives to be used in the future exclusively for affordable housing. Likewise, leveraging available state resources with private and community resources is a key concern.



The State Plan lays out the needs for affordable housing for the working population, for the elderly and for populations with special needs, such as those who are homeless. For the five year period the estimated number of units required is 34,693, of which some 10,919 are new rental units for the elderly and 3,646 are for homeless and the rest, some 24,208, for low, very low and moderate income households. The estimated investment to satisfy these needs is approximately \$2.2 billion for the five year period, of which of \$1.07 billion in resources have been identified. The Housing Policy and Implementation Committee (HPIC) will identify additional resources that are important for the implementation of the Plan.

In addition to outlining specific policies for satisfying each of the needs, the State Plan incorporates policy changes in two key areas: (1) integrating land use and urban development initiatives with the housing programs and (2) assuring that the institutional framework is the required one to advance housing policy objectives.

The Plan emphasizes the need for a strong Housing Policy that integrates social services with specific housing initiatives. Likewise, it brings together the activities of major stakeholders focused on dealing with housing issues, creating the means for coordinating the diverse services required for housing and integrated community development.

Some key steps, among others, are:

- Create a Housing Policy and Implementation Committee (HPIC) that brings together key stakeholders.
- Incorporate municipal governments in the formulation and implementation of housing policies and create Regional Housing Councils.
- Promote neighborhood stabilization and renewal through infill housing and the application of legislation on nuisance properties that can make them available for this purpose.



- Rental housing, beginning to face an affordability problem, should be stimulated and efforts to maintain Section 8 units as such are recommended.
- Promote educational campaigns aimed at improving knowledge of requirements of affordable housing programs in banking staff, CBOs and state and municipal government staffs in order to enhance their effectiveness.
- Introduce new materials and energy efficient technologies in the construction of affordable housing.
- Utilize innovative financing techniques such as the 4.0% Bond Program being developed by the Housing Department.
- The Continuum of Care Model for dealing with the homeless population has to be made more flexible, recognizing that not all homeless need to go through the different stages of the process.
- Focus government incentives exclusively on affordable housing.
- Initiate land banking and establish a Land Trust.
- Coordinate initiatives with the PR Planning Board and other government agencies to make possible location of affordable housing projects in areas in which affordable transportation is easily accessible.
- Establish a banking industry CRA entity charged with overseeing individual bank initiatives and promoting greater effectiveness in housing related CRA programs.

In addition, the State Plan incorporates an Action Plan that assigns responsibilities to the various relevant entities, and establishes metrics for evaluating progress.



INTRODUCTION

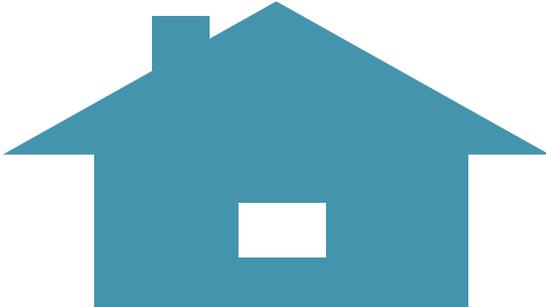
The State Plan covers a five year period, 2011-2015. The information on which the Plan is based was developed in the study on *Housing Supply and Demand Factors*, recently completed, that provides the information on current and projected affordable housing needs for Puerto Rico. Its preparation was the responsibility of the Puerto Rico Housing Task Force (PRHTF), established by Governor Fortuño through and Executive Order to support a Memorandum of Agreement with the federal Department of Housing and Urban Development Department (HUD).

The Plan is structured as follows:

- Letter of the Governor of Puerto Rico, Hon. Luis G. Fortuño
- Letter of HUD Secretary, Shaun Donovan's
- Executive Summary
- Background
- Housing Needs
- Challenges
- Framework for Policy Formulation
- Policies and Action Items
- Five Year Capital and Support Services Plan
- Action Plan

The process of drafting the State Plan involved sessions of the PRHTF in which the different aspects of the Plan were discussed and comments and recommendations received from Task Force members. The PRHTF is chaired by the Secretary of Housing and incorporates key stakeholders. The consulting firm Estudios Técnicos, Inc. provided support in preparing the Plan.

CHAPTER I:



BACKGROUND





CHAPTER I: BACKGROUND

Over the past five years, Puerto Rico has experienced a very serious recession. In addition, the demographic transition has affected the overall economy and the housing market in particular. Further investigation and analysis into these trends has assisted the Housing Task Force in making policy decisions to address housing over the next five years.

KEY ECONOMIC TRENDS

The Island’s economy has experienced a contraction in real Gross National Product (GNP) since 2001 up until 2011, the most serious recession since the forties. This has had a major impact along many dimensions, outlined below. The period 2001-2011 is reflected in Figure 1.

Figure 1. GNP Real Growth – Puerto Rico

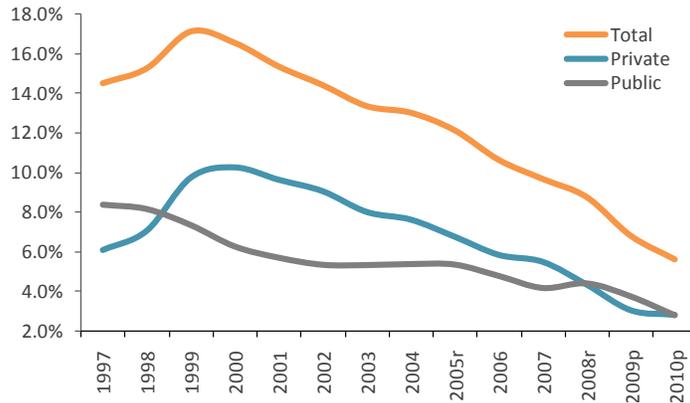


Source: PR Planning Board

The decade’s economic performance has been associated with a steep fall in investment in both the private and public sectors, and particularly in construction related activities. One key indicator that reflects this is the relationship between investment in construction and real GNP. It fell from close to 18% in 2000 to less than 10.0% in 2010. The significance of this is that it has an impact on economic performance going forward (Figure 2).



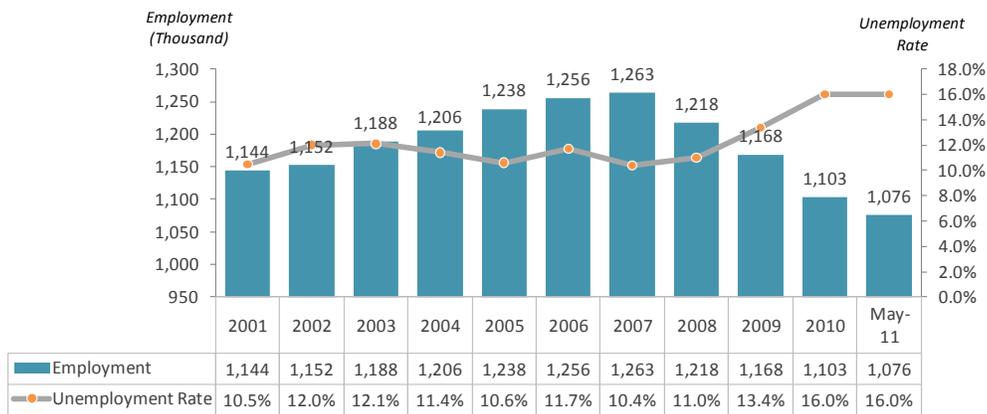
Figure 2. Investment in Construction / GNP



Source: PR Planning Board

The most serious implication of the economic performance in the decade has been the impact it has had on employment. Since 2007 some 160,000 jobs have been lost, mostly in the private sector (Figure 3). The unemployment rate has reached an average annual rate of 16.0% in 2010, although it has recently fallen to around 15.0%. What is perhaps of greater concern than unemployment is the fact that the Labor Force Participation Rate (LFPR) has fallen to as low as 40.2%.

Figure 3. Employment and Unemployment Rate



Source: PR Department of Labor and Human Resources

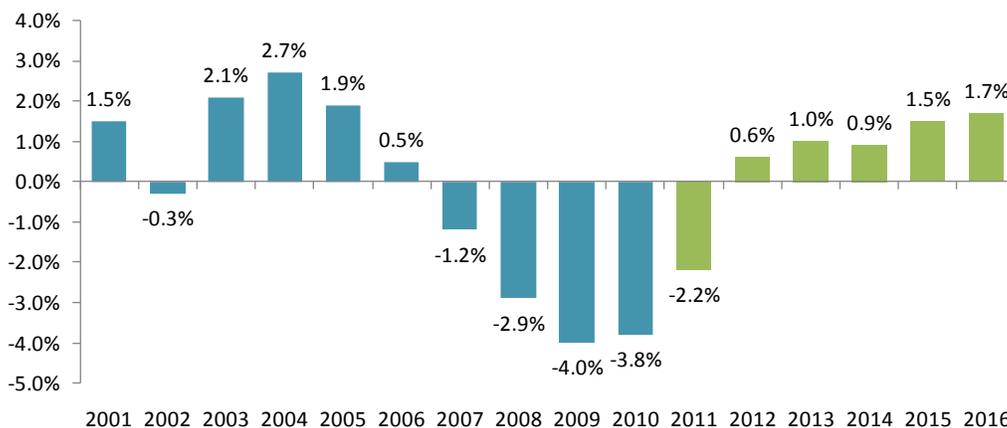
This is one of the lowest anywhere and essentially reflects two conditions: a large underground or unreported economy and the fact that there are a significant number of what are classified



as discouraged individuals that are neither working nor seeking employment. In 2006 the LFPR was 47.9% falling to 42.0% on average in 2010 and 40.2% in May of 2011. What is significant is that the employment situation reflects a very low employment ratio, which at 34.0% is very low. What this means is that only 34.0% of the population between the ages of 16 and 65 is working. In Puerto Rico one employed individual supports 3.5 others in the general population.

Housing Policy issues will be dealt with in a context of little economic growth, which means that the emphasis will be placed on greater efficiency in the use of existing resources and re-allocation of funds to advance housing policy objectives. Figure 4 includes PR Planning Board projections for fiscal 2011 and 2012 and Estudios Técnicos, Inc. projections for the period 2013 through 2016. These projections have both up-side and down-side risks that could change the forecast. These relate to, for example, the price of petroleum to which the Puerto Rico economy is very sensitive, modifications in the long term interest rates and changes in Federal Government programs. Any of these could move real GNP growth in any direction. As of August, 2011, one of these factors, the price of petroleum, is having a positive impact.

Figure 4. GNP Real Growth: Puerto Rico Forecast



Source: PR Planning Board & Estudios Técnicos, Inc.

The importance of these projections for the five year State Plan period is that even if



projections improve somewhat, growth will not be enough to generate a significant improvement in employment. This is not too different from the mainland but, of course, the dimension of the problem is much more severe.

Recent discussions on the debt ceiling that resulted in new legislation that imposes caps on government spending will almost certainly have an impact on the availability of federal resources for certain discretionary programs. Although decisions of one Congress cannot bind subsequent Congresses, it is most likely that in the next few years expenditures will be kept under tight control. It is unlikely that new sources of revenue or public funding will be available for affordable housing.

In Puerto Rico, a very serious fiscal situation reached crisis proportions by January, 2009 and this forced the Government to take very radical measures to bring it under control. Although still very fragile, much was achieved and the structural deficit was brought down from \$3.2 billion in fiscal 2010 to around \$600 million in fiscal 2012. Nevertheless, the fiscal situation remains as an obstacle to increased government spending, as is clearly reflected in the 2012 Budget for the Central Government. The total Budget is \$9.3 billion compared to \$10.8 billion in 2010.

What both situations suggest is that it is unrealistic to expect significant increases in government spending on issues such as housing and other social programs. As indicated, this means that emphasis must be placed on leveraging existing government resources with community and private sector resources and on reallocation of resources to targeted objectives with respect to housing policies.

THE DEMOGRAPHIC TRANSITION

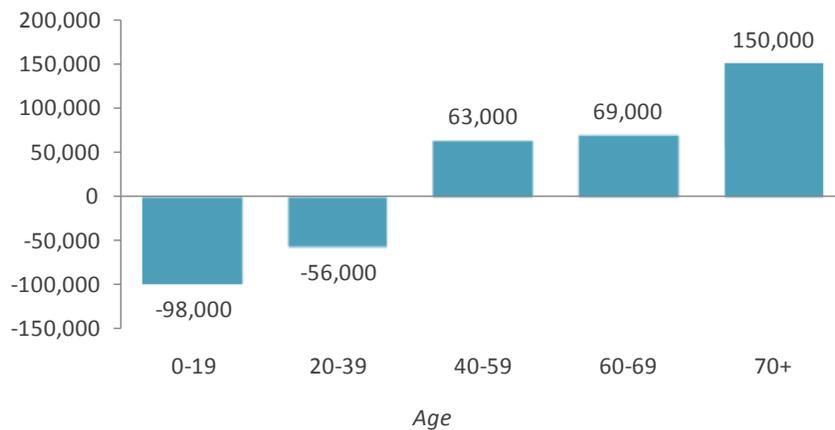
Population in the 2010 Census was 82,821 lower than it was in the 2000 Census. A number of factors came into play to generate this situation including a rapidly aging population as well as



massive out migration during the decade. According to Census figures, 300,000 left the Island in the period and 160,000 entered. There were major differences between both groups. Those that left were younger, had higher educational attainment, and had higher paying occupations than those that entered the Island and the population as a whole.

The situation described with respect to accelerated the aging of the population, as reflected in Figures 5 and 6. The elderly will be a major area of concern in Puerto Rico’s social policies in this decade. Not only will they be a major component of the population, but will also generally be a very low income group.

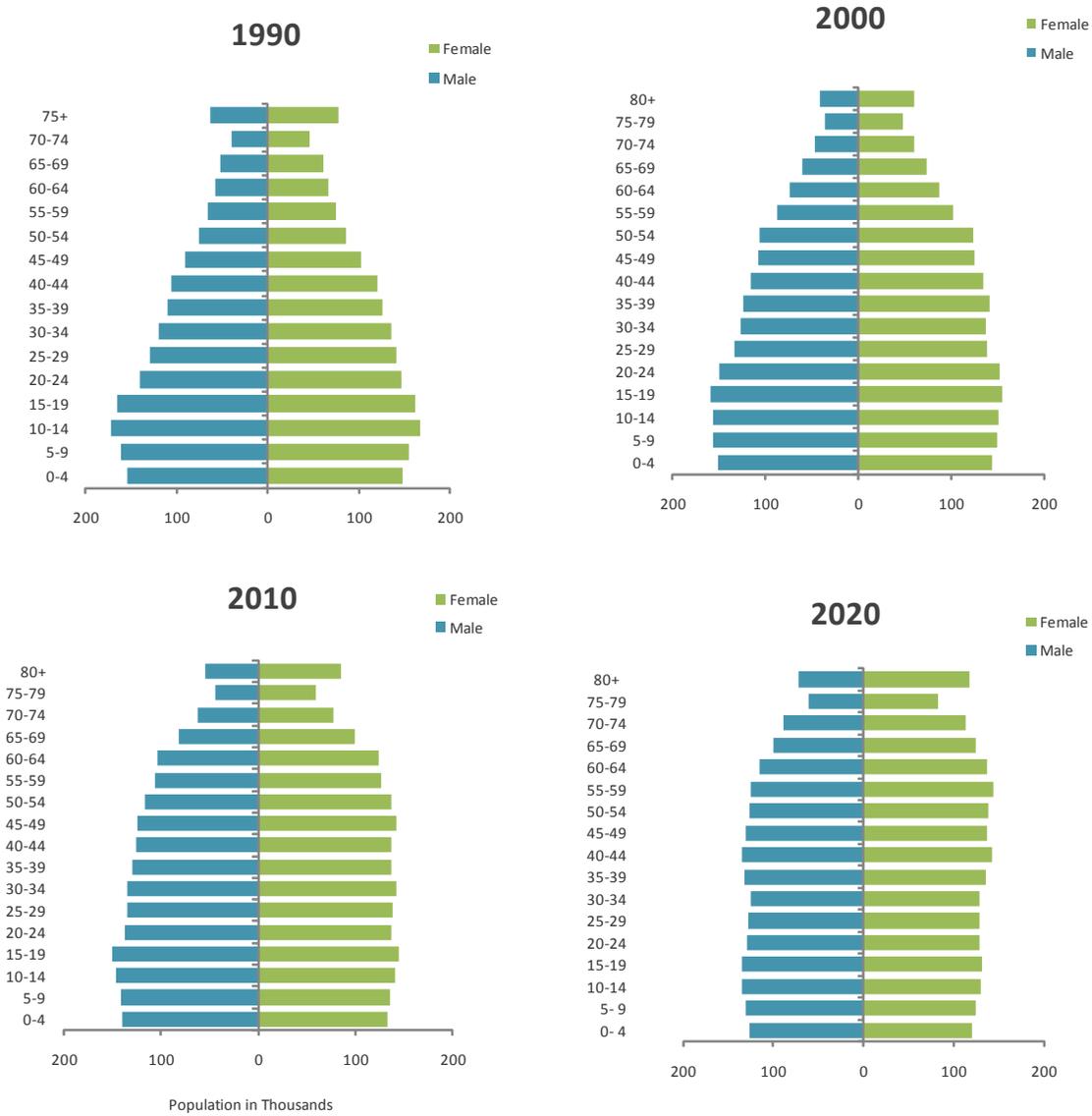
Figure 5. Projected Change in Population by Age Group: 2010-2020



Source: PR Planning Board



Figure 6. Population for Puerto Rico by Age during 1990 to 2020



Population in Thousands.
 Source: Census Bureau 1980, 1990 and 2000; and Puerto Rico Planning Board.

The loss of population is clearly reflected in the following two maps that contrast population change by municipality between the 1990-2000 Census and the 2000 and 2010 Census.



Figure 7. Population Change (Census 2000)



Source: US Census Bureau

MUNICIPAL SOCIAL AND ECONOMIC CONDITIONS

Larger municipalities are considered “entitlements,” as defined by statute, and receive block grant funds for housing and community development directly from HUD (see Figure 8 for a list). Smaller “non-entitlement” municipalities receive sub-granted federal funds for housing and community development through the Government of Puerto Rico.

It is useful to distinguish the entitlement and non-entitlement municipalities, since there are significant differences between them. The former occupy 42.0% of the Island but had 63.8% of the population and 65.0% of the housing stock. Figure 8 shows the distribution between both groups.



When considering unemployment rates, the non-entitlement municipalities in general had much higher rates than the entitlement municipalities. In May, 2011 only two out of twenty-seven of the latter had rates in excess of 20.0%, while in the other group, nineteen municipalities out of 51 had unemployment rates higher than 20.0%. Typically, unemployment rates were higher in the central and southeast regions. Levels of median income varied widely among municipalities as did average salary levels.

Maps generated in the *Housing Supply and Demand Factors* study, as well as a table with unemployment rates by municipality, included as an Appendix to this section of the chapter, clearly reflect the differences among municipalities. What this suggests is that housing policy in Puerto Rico has to differentiate the needs by municipality. Given the large number of municipalities a regional focus is suggested that recognizes differences but permits a more efficient approach to policy design and implementation.

Figure 8. Unemployment Rate by Entitlement and Non-Entitlement Municipalities – May 2011

Municipality	Participation Rate	Municipality	Participation Rate	Municipality	Participation Rate	Municipality	Participation Rate	Municipality	Participation Rate
Entitled		Entitled		Non-Entitled		Non-Entitled		Non-Entitled	
Aguadilla	16.3	Mayaguez	17.6	Anasco	17	Gurabo	15.1	Naranjito	18.7
Arecibo	16.2	Ponce	15.3	Arroyo	24	Hatillo	16.6	Orocovis	20.6
Bayamon	13.8	Rio Grande	17	Barceloneta	18.7	Hormigueros	15.2	Patillas	21.7
Cabo Rojo	12.7	San German	17.2	Barranquitas	18.7	Jayuya	23.1	Penuelas	19.3
Caguas	15.8	San Juan	11.8	Camuy	14.3	Juncos	19.1	Quebradillas	16.3
Canovanas	19.9	San Sebastian	17.6	Catano	19.3	Lajas	17.8	Rincon	16.7
Carolina	12.5	Toa Alta	12.7	Ceiba	18.1	Lares	15.4	Sabana Grande	16.4
Cayey	21	Toa Baja	13.9	Ciales	21.8	Las Marias	17.8	Salinas	25.1
Cidra	18	Trujillo Alto	11.1	Coamo	21.5	Las Piedras	19.5	San Lorenzo	18.3
Fajardo	19.4	Vega Baja	16.2	Comerio	22.2	Loiza	18.6	Santa Isabel	17.3
Guayama	20.8	Yauco	17.4	Corozal	20.3	Luquillo	20.9	Utua	19.2
Guaynabo	10	Non-Entitled		Culebra	11.3	Maricao	24.9	Vega Alta	16.4
Humacao	22.2	Adjuntas	20.2	Dorado	13.1	Maunabo	27.4	Vieques	14.9
Isabela	17	Aguada	17.5	Florida	20.4	Moca	16.7	Villalba	18.3
Juana Diaz	17.3	Aguas Buenas	17	Guanica	21.8	Morovis	20.6	Yabucoa	26.7
Manati	17.4	Aibonito	21.5	Guayanilla	20.3	Naguabo	21.2	Puerto Rico	16.0

Source: PR Department of Labor and Human Resources



Figure 9. Average Unemployment Rate, 2010

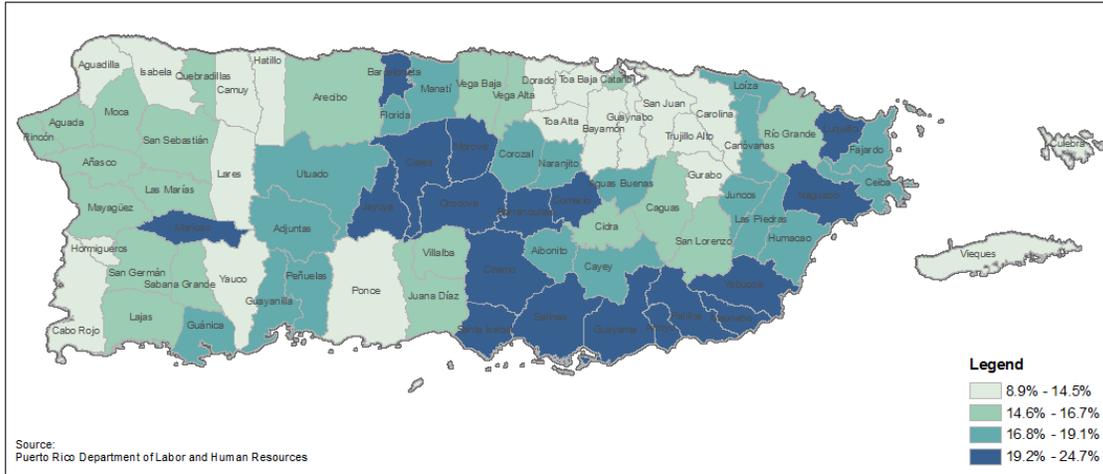


Figure 10. Average Salaries per Worker in All Industries, 2009

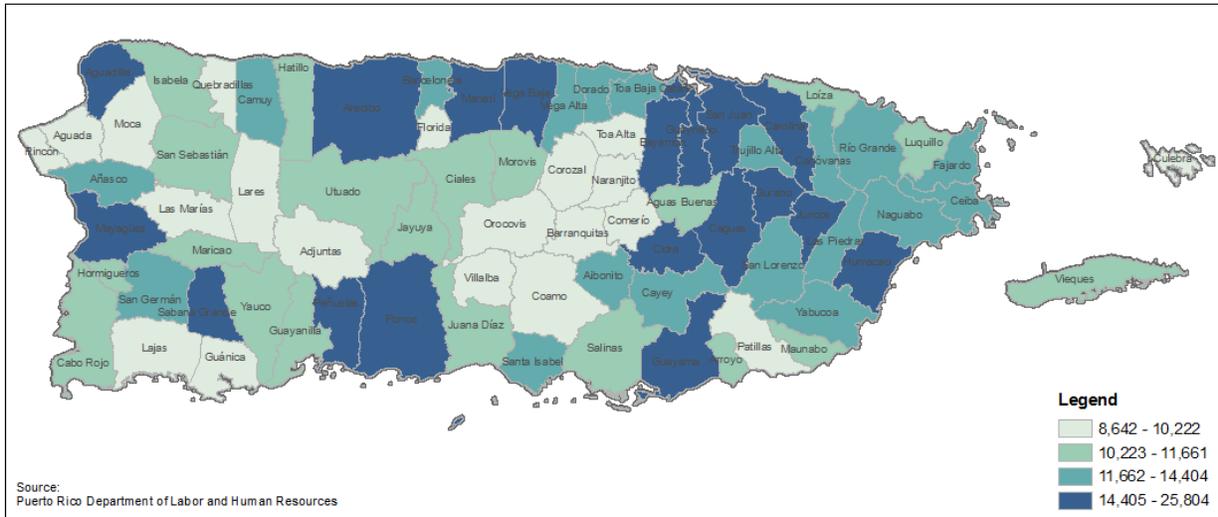




Figure 11. Change in Real Median Household Income, 2000-2009

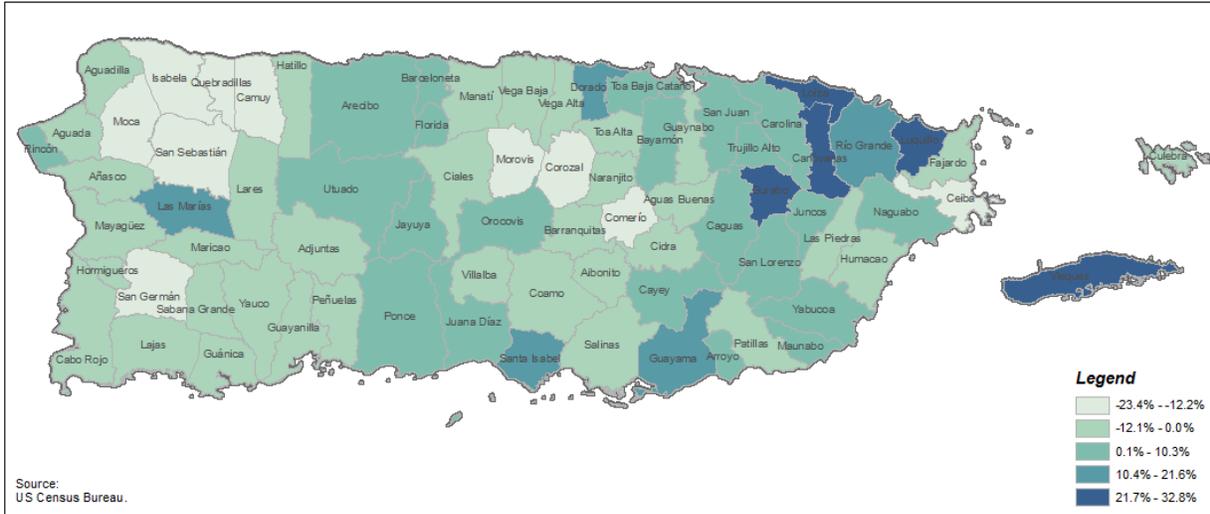


Figure 12. Median Household Income, 2009

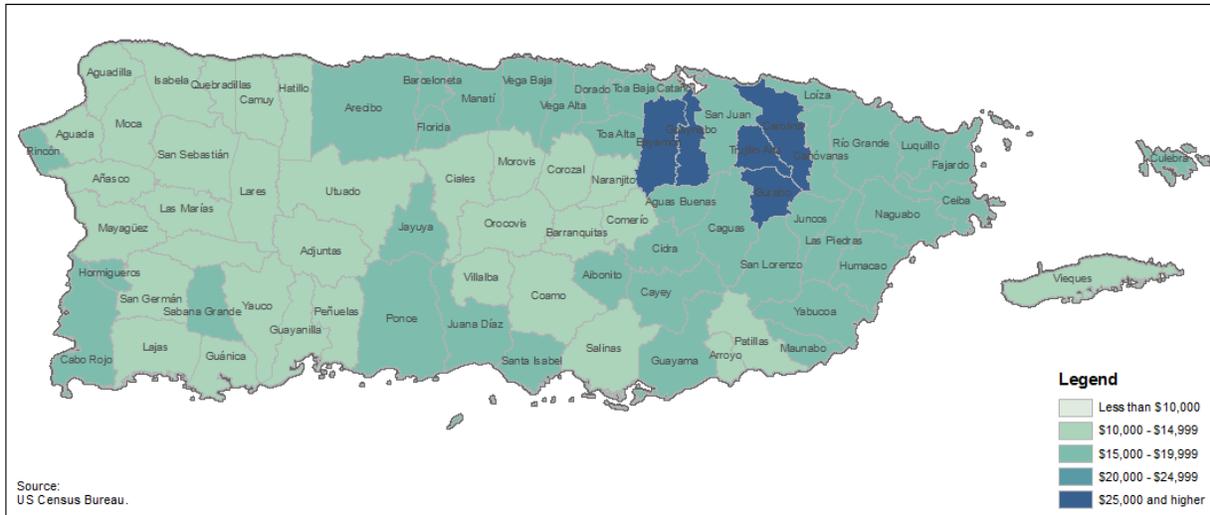
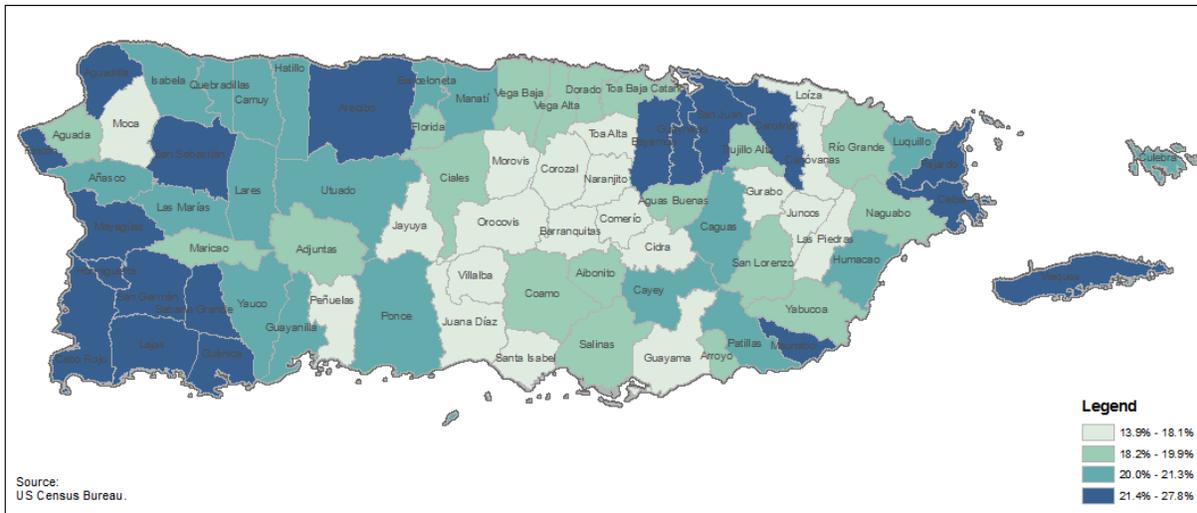




Figure 13. Change in Population, 2000-2010



Figure 14. Percent of Population 60 Years and Older, 2010





POLICY ISSUES

The State Plan addresses a number of policy issues derived from the conditions presented above and the findings of the study on Housing Supply and Demand Factors. These include the following:

- Since housing is a complex, multi-dimensional area, a comprehensive policy framework is needed that will permit coordination among the relevant agencies and programs necessary for success in housing programs.
- The above includes the need for greater coordination among affordable housing lenders to assure uniformity in selection criteria and other components of the process.
- There is also the need to assure that key stakeholders in the process, for-profit developers, banks, non-profits, Community Based Organizations (CBOs), Community Housing Development Organizations (CHDOS) and others are brought into the process of developing and implementing housing policies.
- Given the economic and fiscal picture presented, the most efficient use of federal and state resources is needed. Leveraging of these resources with private sources is also a priority concern. This, in turn, requires that the institutional framework be enhanced to make this possible.
- There are areas such as housing for the working population, the elderly and for populations with special needs that are priority concerns, since all are directly impacted by the socio-economic trends described.
- Housing Policy also needs to recognize the fact that the 78 municipalities differ greatly among themselves, have a great deal of influence in this and other policy issues and need to be part of the process for formulating housing policy.



CHAPTER II:



HOUSING NEEDS





CHAPTER II: HOUSING NEEDS

Between 2000 and 2010, Puerto Rico experienced an increase in housing units, a net gain of 218,470 owner and renter occupied units. Housing sales diminished dramatically towards the end of the decade as a result of a recession that began in fiscal 2007.

Inventories of housing have accumulated in the non-subsidized housing market. It is estimated that over 14,000 are available in the market, of which only a very small percentage have prices below \$100,000, with most of the inventory in units above \$150,000.

However, there is a large gap between the projected need for housing, in particular when housing burdens are taken into account. Gross housing needs among low and moderate income households (up to 125% of the median income) will increase by nearly 17,000 households during the next five years. The housing needs of very low income households, or those with incomes below 30% of the applicable HUD median income limit, will increase the most. Estimates show that 8,914 additional low income households may form during the next five years and, in addition, 9,814 units are needed for those who are on the public housing waiting list. This brings the total gross need for very low income households to nearly 18,000 units. If we take into account the net public housing pipeline of 2,098 units, 16,630 units will be required to serve the increasing needs of very low income persons.

The housing needs of low income households, which are those with incomes between 30% to 50% of the median income, will increase by 3,932 units in the Island as a whole during 2011-2015. However, estimates show that the need may drop by 3,310 units among those households with incomes between 50% to 80% of the median. This trend is may be the result of outmigration these income earners.

To satisfy this growing need there is an estimated supply of 2,418 units financed with private, HOME and tax credit funds in development. Therefore, the net future need during the next five years is well served of upper tier of low income households. Notwithstanding the above, the



accumulated need of housing among these groups is substantial. As much as 250,000 low income households, of which 67,549 were elderly had some sort of housing problem in 2010, including cost burden, overcrowded households and substandard housing. In addition, close to 11,000 elderly households will enter the ranks of those with housing burdens within the next five years. In this context, housing activities must continue to promote the development of new housing stock. However, funds must also be allocated towards rehabilitation activities and rental housing, in particular for the elderly.

Among moderate income households, those with incomes between 80% to 125% of the median, the net housing need is expected to increase by 7,578 households. The main challenge among this income group is the cost of housing in Puerto Rico relative to their income, a gap that leads to an increase in housing burdens among the group. To address this issue, State sponsored homebuyer and rental assistance programs are needed, as well as the adoption of policies, strategies and activities leading to a reduction in the cost of housing in Puerto Rico.

Home ownership is becoming less accessible in Puerto Rico. The cost of housing is rising, household incomes are shrinking and the supply of units priced at less than \$100,000 is disappearing. A key housing issue in the Island is the cost of housing. The average price of housing sold in Puerto Rico during the past five years was \$175,947. A trend that is of concern is the growth in median income households. These units do not qualify for most of the federal housing programs, and many families lack the resources to purchase homes at these prices without a subsidy.

Some 431,793 owner occupied households have earnings of less than \$20,000, of which 37.2% were paying more than 30% of their income toward housing costs. Moreover, although rental housing is more affordable, it is also becoming less affordable in Puerto Rico. Rents are rising while household incomes are shrinking. As a result, more renter households are becoming cost burdened. Resolving the problem will require initiatives to increase jobs and incomes and these need to be accompanied by those directed at reducing the cost of housing construction.



Although, Puerto Rico's housing stock consists primarily of owner-occupied units, additional rental units will be required to serve the needs of households undergoing increasing affordability issues, the elderly, persons with special needs and younger households, with a higher tendency to rent.

From the supply side, an area of concern is the need to build or rehabilitate inadequate and unsafe housing. Across Puerto Rico and particularly in non-entitlement areas, the majority of the owner occupied housing units were built before 1990. According to the 2005-09 Puerto Rico Community Survey (PRCS) estimates, nearly 80% were built between 1960 and 1990. Additionally, 127,634 owner occupied units, or 15%, were built in 1950 or earlier. What this suggests is that given the age of the housing stock, its rehabilitation is an issue that will require attention, and will likely become a more urgent need in the near future.

Policies should also promote the redevelopment of urban areas, in particular to serve the needs of an aging population. Nearly 82% of all housing units in Puerto Rico were single-family attached and detached structures in 2010, with very few multi-unit structures. In non-entitlement areas, multi-family housing is limited to 8.0% of all housing. Multifamily projects are much more common in San Juan.

A considerable number of affordable housing units are also at risk of conversion during the next five years. Strategies and incentives must be developed to address the issue. A total of 141 multifamily projects with 13,053 units have contracts expiring within the next five years. Although the economic situation may not motivate developers to withdraw these units from the subsidized affordable housing inventory, State and other local jurisdictions should take steps that help preserve these units under the existing programs.

In general, during the next five years more than 22,000 housing units must be developed for very low, low and moderate income households to keep pace with demographic projections.



SPECIAL NEEDS

ELDERLY

The elderly population will be the fastest growing population cohort in Puerto Rico. This group is characterized for having an income 20% below the median for Puerto Rico. The most urgent need for this population is housing in areas suitable to satisfy their recreational, health and social needs. Access to complementary services will be a major challenge given the growing number of elderly persons who will be living in rural areas, in suburban communities and places lacking adequate transportation.

The 2010 Census shows that over 67,000 elderly households had some kind of housing burden. During the next five years, this amount may increase to 78,000 elderly households.

HOMELESS

Puerto Rico conducted its most recent Point in Time Survey on January 26th, 2011. A total of 3,445 persons were identified as homeless, many of which were identified in main cities and urban areas. Of those persons identified as homeless:



- 78.5% are men
- 85.4% are born in Puerto Rico
- Median Age is 44 years
- 58.3% have children, although in the majority of the cases their children are not currently with them.
- 14.4% have been victims of domestic violence
- 5% has served in the armed forces.

When comparing data from previous counts, it is observed that the main reasons for homelessness have remained the same through the years. These are: drug addiction problems, family related problems, and problems associated with the economic situation.



To serve the needs of this population, there are 3,799 units, which may suggest that the needs are well served. However, the community serving these populations has expressed the need for transitional and permanent housing for women with children, and emergency shelters for those subjected to domestic violence. In addition, the Homelessness Prevention and Rapid Re-Housing Program (HPRP) program recently identified over 10,000 families in Puerto Rico that were found to be at risk for becoming homeless, which suggests many families may be living in precarious situations.

Between 1990 and 2000, the number of incidents of domestic violence reported in Puerto Rico gradually increased, a trend that continued between 2000 and 2006. Although the number decreased in 2007, it increased again in 2008. For 2009, preliminary data from the Police Department of Puerto Rico, points to a slight reduction in reported incidents compared to 2008. According to the available data, 8 out of 10 victims of domestic violence are women. Since 1990, the percent of domestic violence committed by men against women has consistently exceeded 85%.

There is also a gap in terms of complementary services for homeless and other special needs populations.

The estimated needs among this population are the following:

- Emergency Shelter: 638 beds
- Transitional housing: 1,506 beds
- Safe Haven: 87 beds
- Permanent supportive housing: 1,415 beds

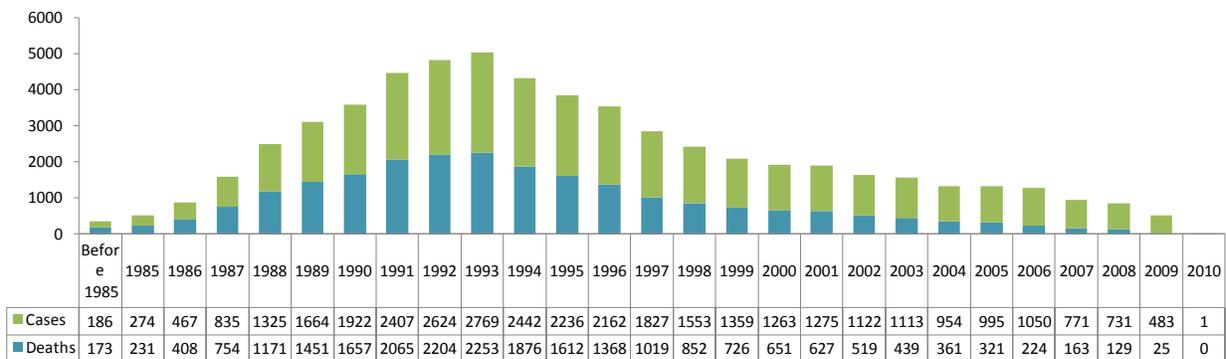
PERSONS WITH HIV/AIDS

A total of 34,096 AIDS cases have been reported in the Island as of March 2010. Out of these cases, 22,285 persons died, representing a fatality rate of 65%. With respect to persons affected by HIV, not AIDS, 7,917 persons were registered with the Department of Health as of



2010. Almost four out of every ten HIV/AIDS cases are residents of the San Juan Metropolitan Statistical Area, which comprises forty one (41) municipalities. The high risk populations for HIV infection in Puerto Rico differ from the high risk populations in most states and territories. Injection drug use (IDU) has been the predominant mode of exposure since the beginning of the epidemic, followed by Heterosexual Contact and men who have sex with men (MSM), including MSM-IDU. Although there has been an increasing proportion of cases attributed to heterosexual contact in Puerto Rico, it is the IDU and MSM populations that present the greatest challenge for HIV prevention efforts.

Figure 15. Cumulative HIV/AIDS Cases diagnosed as of February 28, 2011



Source: PR Department of Health; OCASET.

The important issue relating to HIV is linkage to care and interagency coordination for the provision of prevention and treatment services. This was a key finding of the enhanced comprehensive HIV Prevention Plan a demo project sponsored by the CDC.

CHAPTER III:



CHALLENGES





CHAPTER III: CHALLENGES

Implementing affordable housing programs is confronted with a number of challenges that need to be addressed. These include the following:

CONSTRUCTION COSTS

In Puerto Rico, construction costs have escalated due to the increased cost of materials, particularly copper, re-bars, and aggregates. High energy costs also present a significant burden for low and moderate income families and the operations of affordable housing projects. Industry data reflects increases on the order of 20% for materials over the last four years. Since these are mostly imported, there is very little that can be done to mitigate the impact of increasing material costs.

Part of the problem with construction costs has been the absence of innovation with respect to materials used, at present concrete and concrete blocks exclusively, and the type of development constructed, detached single family units. The Puerto Rico Housing Finance Authority (PRHFA) is fully aware of this and has expressed an interest in exploring alternative technologies so as to lower construction costs.

LAND

Another major obstacle to affordable housing programs is the availability and cost of land. What this has meant over the years is a movement toward the periphery of urban areas for affordable housing programs. The result being that low and moderate income families have to incur high transportation costs, since there is no mass transit system to





provide them with affordable transportation services. In addition, the resulting urban sprawl has generated very high social costs in terms of pollution, high energy consumption and the loss of green areas and productive agricultural lands.

There have been attempts over the years to deal with the land issue, including the creation of the Land Administration in the sixties as the agency charged with the responsibility of managing the government's land properties. Recently merged with the Land Authority, mostly responsible for rural and agricultural holdings, the new entity has the capacity to identify excess land in government possession, dispose of it for socially beneficial uses and, in short, act as manager of the land resource in such a way as to assure its optimal use.

To the extent that affordable housing programs adopt the low density, detached single family approach the land constraint becomes even more powerful. Recent projects sponsored by the Housing Department have begun to modify this. A development planned for the site of the Las Gladiolas project in Hato Rey uses the row house format to achieve higher densities. High rise projects with very high densities have proven to be unsuccessful and, as in the mainland, some have had to be demolished, as is the case with Las Gladiolas.

PERMITTING

For decades permitting has been a major obstacle for housing and the inefficiency and the length of time it takes to have a project approved was so extensive that costs for developers were prohibitive. A major part of the permitting problem is due to the absence of land use plans. This meant that site approvals, known in Spanish as “consultas de ubicación”, were handled on a case by case basis with the end result that there was no coherence in urban growth.

Two initiatives have changed this situation. One is the approval in 2010 of a new Permitting Law that will, for the first time, introduce a major transformation in the process. It calls for simplified procedures but also greater transparency. The other initiative is the Planning Board's



completion of the Islandwide Land Use Plan by the end of this year. This Plan will necessarily have to incorporate municipal land use plans where they exist, but will introduce new concepts and objectives aimed at generating better allocation of the scarce land resource. The parameters used by the Board include more compact urban areas, transit oriented developments and other such concepts.

MUNICIPAL ISSUES

The 1991 Municipal Autonomy Law changed the manner in which Puerto Rico is governed by providing municipalities with the wherewithal to assume greater control over a number of policy areas. One such area relates to the fact that municipalities are free to impose a construction tax at the level they consider adequate. The result has been a wide variety of tax rates that introduces uncertainty in addition to higher costs. One major difficulty with the construction tax is that it is an up-front tax, paid before construction begins and therefore imposes a serious initial cost on developers. Municipalities also impose property taxes on both real estate and non-real estate assets.

In order to obtain autonomy, municipalities must prepare a land use plan (“Plan Territorial”, in Spanish). The larger municipalities have already done so, but most of the smaller ones have not. Coherence with statewide guidelines is protected because the Planning Board must approve these plans. Conflicts have arisen, however, in areas such as the zoning classifications used.

Another area in which municipal conditions have impacted affordable housing programs relate to the fact that municipalities tend to look askance at affordable housing projects. The reason is that these projects typically do not generate tax income for the municipality, given the fact that there is an exemption on property taxes up to \$15,000 of the appraised value, and they generate additional expenses in road maintenance, security and garbage collection. Appraisal values have not been updated in close to six decades which means that low cost housing is almost automatically exempt.

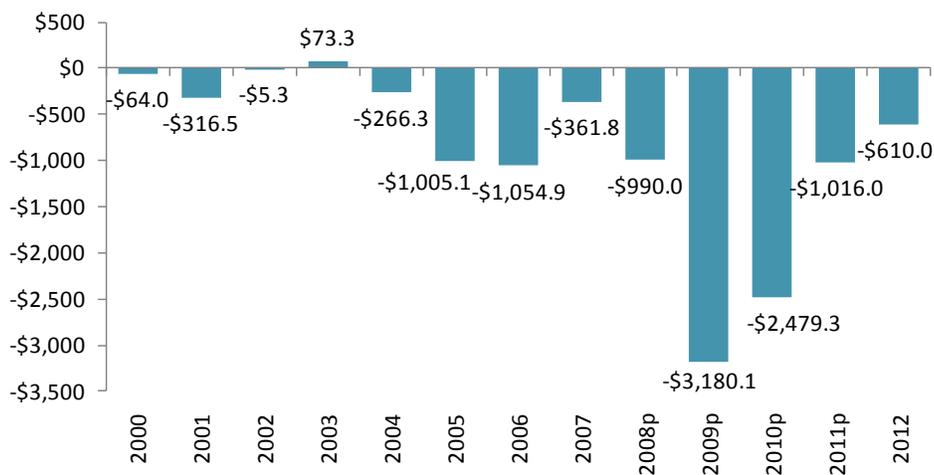


Proper administration of housing programs with Federal and local funds requires well-trained staff, both at the state and municipal level, who understand program rules, financial management, and project underwriting. The Government of Puerto Rico and Municipalities need a means to establish and maintain that capacity.

FISCAL LIMITS

As mentioned in the initial chapter, Puerto Rico’s fiscal situation has been improved since January 2009, but remains very fragile. The Central Government Budget is close to 12% smaller than it was in fiscal 2010 and government has made the reduction of government expenses a priority in order to improve the fiscal situation. However, it is very clear that increases in expenditures for housing and other government programs cannot be expected in the five year Plan period.

Figure 16. Budget Deficit



Sources: PR Department of Treasury; PR Development Bank; PR Office of Management and Budget

What the government has done is to emphasize tax credits for new activity since these do not involve cash outlays and only come into play when an activity which otherwise would not have taken place occurs.



The implication of the tight fiscal situation is that the State Plan focuses on better use of existing resources and reallocation of these to areas of priority concern rather than recommending the assignment of additional resources.

CHAPTER IV:



FRAMEWORK FOR POLICY FORMULATION





CHAPTER IV: FRAMEWORK FOR POLICY FORMULATION

The State Plan is based on the premise that housing is not just the provision of shelter. Housing is part of an intricate web of relationships that incorporate factors in different areas and require integrated approaches. Thus, housing policies cannot be considered in isolation from economic, social and physical factors.

Housing programs need to be integrated with land use and urban planning policies. In the case of Puerto Rico, the absence of this integration through the decades lead to a very negative urban sprawl situation on the one hand and, on the other, to siting of affordable housing projects away from urban centers and job locations. What this did is generate the need for persons to use the automobile for transportation since there is no easily accessible mass transportation system. The consequence was increased costs for low and moderate income families in terms of commuting and shopping trips.

Part of the problem mentioned is also related to construction regulations and financing requirements that stimulated construction of single family detached units that require large tracts of land that could only be found in the periphery of urban areas. The tax, financing and regulatory environment acted against higher densities and urban center development of affordable housing.

Developing more effective housing policies will require changes in land use planning, in urban development policies and in the regulatory environment, including tax issues and the financing criteria of private banks.

Neighborhood deterioration has accelerated in the last decade due to the recession that has affected the Island, out migration and the very large number of foreclosures that have characterized Puerto Rico in the last three years. This is a problem that cuts across neighborhoods with different housing prices, but is clearly a more serious problem in low and



moderate income ones.

In these cases, housing policies can be instrumental in stopping further deterioration by promoting rehabilitation of abandoned properties, supporting families at risk of losing their homes, and providing support for maintenance and rehabilitation of deteriorated properties. By promoting initiatives that stimulate infill housing through tax and regulatory changes, housing policies can be key factors in preventing neighborhood deterioration.

Although much has been made of the need to deal with central city decay, the fact is that the process is also taking place in the first ring of suburban development. In the case of Puerto Rico the first such developments took place in the fifties (Puerto Nuevo, for example) and sixties (initial developments in Carolina and Bayamón). Some of these initial developments are now entering a phase in which two trends have manifested themselves: families moving to higher income neighborhoods, families simply abandoning the houses either because of inability to pay, because they have migrated, or simply because they couldn't sell or rent the unit and they had to move.

The potential of these suburbs for rehabilitation and use for affordable housing is significant. Construction costs are lower than in the central city, access to newer infrastructure is better and, in general, access to transportation is likewise better. There are, of course, difficulties in that land consolidations are difficult because of the individual ownership of units. This means that rehab efforts must concentrate on infill housing projects, rather than larger developments involving a large number of units.

Community economic development is closely tied to housing policies in many ways. One is, of course, the fact that housing is a type of economic activity that opens up possibilities for job creation at the local level. This suggests the need for integrating housing programs with training activities that permit community groups to carry out construction activities. There have been examples of such links between housing and the generation of local economic activity



throughout the years.

One major factor influencing housing policy going forward is the significant housing inventory and the collapse of the housing market in the last three years. In August, 2011 the estimate of unsold completely constructed units is of some 14,000 units, not counting foreclosed units that re-enter the market. The Office of the Commissioner of Financial Institutions estimates the number of foreclosed units at 3,000 last year and some 16,000 units in some phase of the foreclosure process. Obviously, not all will end up being foreclosed.

The bulk of the inventory is of units with prices in excess of \$210,000 with a small number below that price. What the situation provides is an opportunity to convert part of the existing inventory into affordable housing. This is particularly true in projects in which no units have been sold. On the other hand, until the inventory is disposed of and banks clear them from their books, the ability of banks to finance affordable housing projects is severely hampered. In July, 2011 the delinquency rate of construction loans, mostly to developers, was in excess of 65%.

A significant number of projects have lost value after being abandoned for months and these are now available at very low prices. The government does not have the financial capacity to purchase these projects outright but incentives could be provided to developers for conversion to affordable housing. For example, profit tax exemption can be granted if pre-established conditions are met with respect to prices.

The discussion in the previous paragraphs supports the need for a strong housing policy that ties the issues discussed into a coherent statement of purpose that goes beyond individual agency concerns.

CHAPTER V:



POLICIES AND ACTION ITEMS





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POLICIES AND ACTION ITEMS

The Puerto Rico Department of Housing has defined its priorities as providing affordable housing for the working population (Policy 1), for the elderly (Policy 2) and for populations with special needs such as the homeless, persons with HIV/AIDS and others (Policy 3). The following list of policy statements and action items is based on these priorities and, in addition, incorporates policies on urban and land use planning (Policy 4) and on institutional arrangements (Policy 5). Although treated separately it must be understood that successful implementation of programs in the priority areas depends on the integration of many of these action items. Many of the items included in Policy 1, apply to Policy areas 2 and 3, and recommendations regarding the other two policy areas (4 and 5) apply to all three.

Given the present economic conditions in the U.S. and Puerto Rico and the serious fiscal constraints that exist at the moment, those action items that require additional investment of federal or local government funds are minimized. What is emphasized is the better use of existing funds and budget reallocation to support affordable housing programs. For example, in the case of Puerto Rico, the Government has in place incentives to stimulate the purchase of homes. These incentives should be used exclusively for affordable housing. Likewise, a number of action items relate to the need to leverage available state resources with private and community resources.

Each major Policy area incorporates a number of action items. The study on *Housing Supply and Demand Factors* incorporates a number of specific recommendations. Priorities and responsibilities for implementing policies are incorporated in the Action Plan Chapter.



POLICY #1. AFFORDABLE HOUSING FOR THE WORKING POPULATION

Policy

Fill the gap between the need for housing at affordable prices and available supply, while minimizing sprawl, as well as travel costs and energy costs, both of which impose a heavy burden on moderate and low income families.



Action Items

- Any new government initiatives with respect to providing incentives for housing should focus exclusively on affordable housing.
- Tax credits that can be sold in the open market are a potentially strong stimulus for affordable housing construction and should be used to stimulate specific programs for increasing the supply of affordable housing, as well as housing for the elderly and for those with special needs.
- Inclusionary zoning and the use of density bonuses and other such instruments require a fairly active market for market rate units, and this is not the case in Puerto Rico and will not be for at least three years. Nevertheless, specific legislation should be prepared that will permit the use of these instruments when market conditions permit.
- In order for affordable housing to be centrally located or near mass transportation facilities, identifying suitable locations, excess land held by different agencies (Dept, of Education, PR Industrial Development Co., the Land Administration and the Department of Transportation and Public Works, among other agencies) and integrating the space in the perimeter of the urban train stations for affordable housing programs, is essential. This will require collaboration between the Housing Department, The Planning Board and the agencies mentioned above.



- Dealing with the cultural preference for owner occupied single family, low density developments will be dealt with through better design of higher density developments and an educational campaign. This will require formulating collaborative programs with CHDOS and CBOs.
- To increase the inventory of affordable rental housing the plan will focus on the use of federal and competitive funding. It is important to maintain in the rental housing pool the approximately 13,000 Section 8 units that have contracts that end soon, and to target those units near transit and job centers and those in need of substantial rehabilitation. It must be recognized that operating rental housing for very low income households often requires operating subsidies, particularly in supportive housing and in housing for the elderly (Section 8; SHP can be used for this too).
- Resistance to rental housing is an obstacle that has to be dealt with through an aggressive multi-media informational/educational campaign recognizing that for decades home ownership has been the principal component of housing policies.
- A more flexible nuisance property legislation should be approved that considers the existing legal framework, and that will make it possible for abandoned and/or vandalized properties to be acquired by either the central government or municipal governments, and turned over to potential developers of affordable housing, be they for-profit or non-profit. In 2009, a Bill was submitted in the Legislature and is pending approval. It assigns responsibility to the Housing Department for implementing of the measure.
- Infill housing policies will be established to stimulate inner city and development of first ring suburbs through incentives of various types, including the turning over of expropriated nuisance properties to potential private developers, CBOs and other entities.



- Measures should be put in place so that when the private market revives, a mixed income policy can be implemented. Mixed income developments that depend on market rate units to subsidize affordable housing ones are not viable in Puerto Rico at the moment.
- Dealing with the Not In My Back Yard (NIMBY) factor through educational programs will be required not only for affordable housing projects, but particularly for those aimed at populations with special needs and subsidized rental projects. Municipal guidelines have been developed in a number of places for this purpose. A particularly interesting approach is contained in the Canadian *Housing in My Backyard: A Municipal Guide for Responding to NIMBY*.
- Make full use of available federal government programs, not only in HUD, but also in areas such as health, education and infrastructure. These include, but are not limited to HUD programs that are currently underutilized such as Sections 108, 202, and 811. Section 108 can play a key role in lowering infrastructure costs, although repayment by municipalities may be an issue due to municipal fiscal conditions.
- Innovative financing schemes will be implemented, including the 4.0% Bond Program being developed by the PR Department of Housing. Multiple funding sources will be explored, including Tax Increment Financing that will require legislation, the creation of trust funds financed from property or special taxes as well as others, for example, substituting construction taxes with a more housing friendly source of income for municipalities.
- Municipal governments can also facilitate new affordable residential construction by making land available. There have been a number of precedents, notably Caguas. By eliminating land cost or reducing it, loan to value for the rest of the financing would look much better and private financing made easier.



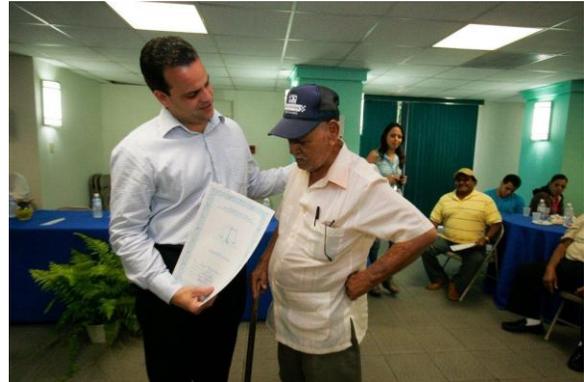
- The State can use available housing funds to stimulate private for-profit developers to partner with nonprofits and CHDOS to accomplish affordable housing goals. These initiatives can include revolving loan funds for construction loan financing.
- Consider establishing minimum income levels for households to participate in federal or State homeownership programs, at no less than 65% of median income. This would help to qualify more buyers for private first mortgages. Banks should be encouraged to create specialized mortgage products aimed at moderate income households with 65%/80% of median income.
- Work with the banking industry to educate their employees on affordable housing programs and transactions, both rental and sales, so they are better informed and able to participate at a higher level in various housing programs. Design specialized annual trainings and workshops for bank employees that treat specific topics and issues related to affordable housing. These trainings and workshops should be required if banks wish to participate in housing programs for households up to 120% of median income.
- Establish new construction design standards to reduce construction costs and utility expenses while maintaining the strength of structures. Collaborate with developers, architects, engineers, and contractors to establish and promote energy efficiency and design standards that are appropriate for the Island's climate and to utilize new building technologies and materials. Create and implement energy efficient or green projects. The PRHFA is already considering projects utilizing wood.
- The absence of predevelopment capital available to non-profits and CHDOS to finance architectural/engineering design, environmental testing, financial feasibility studies and other soft costs, can be compensated with a tax credit program that will stimulate professional firms to provide these services at below market rates and earmark available federal and local funds for these uses.



POLICY # 2. HOMES FOR THE ELDERLY

Policy

Recognizing the increasing challenge of housing a rapidly growing and low income elderly population, put in place integrated approaches that respond to the specific needs of this population. In addition to the recommendations included in Policy # 1, specific action items to address housing for the elderly include:



Action Items

- Identify the specific needs of the population with respect to the type of unit needed and the services required to accompany the housing provided, including health, transportation and quality of life. Integrate the agencies that provide these services into the planning of elderly housing programs.
- Site selection for elderly homes must take into account ease of access to health and other services. Best practices exist that can provide guidelines for the production of housing for the elderly
- A program aimed at providing funding for repairs to existing housing occupied by elderly persons is essential.
- Easing of restrictions on developing accessory dwelling units in older urban neighborhoods with large elderly populations will provide rental housing while providing complementary income to older residents that no longer need as much space.



POLICY # 3. HOMES FOR THE HOMELESS AND POPULATIONS WITH SPECIAL NEEDS

Policy

Increase the provision of permanent housing, together with the provision of needed supporting services, by integrating agencies that provide these services and coordinate actions among them and the Housing Department. In addition to the recommendations included under Policy #1, specific action items to address housing for homeless persons and those with special needs include:

Action Items

- The complex issues arising from the needs of these populations will require inter-agency collaboration and the provision of public financing using both local and federal sources. A precise evaluation of needs and available social services is needed for the homeless population and for others with special needs. This could provide the foundations for a referral system that would make access to such services simpler and faster. A key institution in this respect would be the “Concilio Multisectorial en Apoyo a la Población de Personas Sin Hogar”, part of the Department of Family, an entity commissioned to develop policy for serving the homeless.
- The preservation and development of new low rent units is essential in satisfying the needs of these populations. Given actual market conditions, the initiatives will have to be public sector driven. Efforts to maintain current Section 8 units as rental units will be put in place, including support to owners for rehabilitation of units.
- HPRP identified some 10,000 households at risk of losing their houses. Efforts to support these families need to be strengthened given the expected increases in foreclosures.
- The policy with respect to homelessness has to be flexible enough to differentiate among the causes of homelessness and the potential in each case for a permanent



housing solution. Although transitional housing is an important step in the continuum of care model it is not necessary in some instances. The Point in Time Survey of 2011 reflected a growing number of homeless with children. In most cases these families do not need to go through the different stages of the Continuum of Care model. Emergency shelters for these populations (victims of domestic violence and their children, or families that have lost their homes due to the economic crisis) may be required until a permanent solution is found.

POLICY # 4. LAND USE AND URBAN PLANNING ISSUES

Policy

Achieve the flexibility necessary in planning and land use regulations to facilitate the construction and rehabilitation of affordable housing.

Action Items

- Make certain that the new land use plans incorporate measures that will set aside the space required for affordable housing and housing for populations with special needs. Inclusionary zoning should be integrated into land use plans so that when the market recovers it can be utilized. A precedent exists in the joint development planning projects around urban train stations.
- Addressing the problems presented by the deterioration of the older first ring of suburbs presents an opportunity for the development of affordable housing since infrastructure and access are generally better than in the older town centers. Revisiting the joint development projects associated with the Urban Train and revising them in order to stimulate development of affordable housing could be a major opportunity.





- A neighborhood based approach should be adopted by municipalities, the PR Planning Board and the Department of Housing to preserve, rehabilitate and improve neighborhoods, particularly those that can be characterized as “anchor neighborhoods” that provide stability to urban areas.
- The PR Planning Board and the Land Administration should be responsible for managing land banking initiatives that will provide space for affordable housing projects at a reasonable cost. The PR Conservation Trust provides a model for handling a land banking initiative through a Land Trust.

POLICY # 5. INSTITUTIONAL ISSUES

Policy

Solving the housing problem is a long term proposition and measures have to be put in place to assure that adopted policies and priorities have continuity and are not abandoned with changes in administration or in agency staffing.

Action Items

- Creating a State Housing Policy and Implementation Committee (HPIC) with participation of key stakeholder groups, municipalities and the central government will strengthen the continuity of efforts and assure, through periodic meetings that implementation of the State’s policies is proceeding as established.
- Adopt an omnibus bill that takes into account all of the suggested housing policy recommendations in a coherent and meaningful manner. This would include policy recommendations for land use, taxes, legislation referring to specific programs, and other pertinent items.
- A regional focus will be used that recognizes differences in income levels and other conditions among the Island’s regions. The PR Planning Board’s proposed regionalization



scheme will be a key component of the approach recommended.

- Municipalities will be encouraged to create Regional Housing Councils. Municipal agencies and coalitions of non-profit service providers grouped in these Councils will have an important role in advancing affordable housing programs. The larger municipalities will act as hubs, providing technical and support services to the smaller ones. Strengthening the technical staffs at the municipal level should be part of the process.
- A Housing Policy requires integrated approaches that recognize that it is much more than shelter. In the government, this requires creating an entity that will incorporate the social services and infrastructure dimensions. A management structure for the housing system will be established to assure coordination of the diverse services required for housing and integrated community development.
- Breaking down bureaucratic silos through carefully crafted agreements and or policy statements is essential. Metrics for measuring department performance should move away from single purpose measures and recognize the importance of inter-agency collaborative efforts.
- Establish a training program and minimum capacity standards for housing agencies and municipalities. Federal agencies such as HUD have offered to partner in the creation of such a program with funding and expertise. This would help determine the proper level of capacity to administer housing programs and types of positions that should be maintained across political administrations. After demonstrating success, this could be expanded to include professional training for other sectors.
- Promote broad participation of CBOs, private sector organizations and individual firms in dealing with housing issues.



- Improve existing and introduce new programs that will strengthen CBOs in terms of their knowledge of housing, permitting, compliance with HUD regulations, construction and community development programs. A certification procedure should be instituted that identifies specific entities as those most adept at implementing housing related programs.
- CHDOS should likewise be evaluated to determine their capacity to meet HOME program requirements. The goal is to develop experienced and capable CHDOS on a regional basis to implement housing programs. Spanish language materials must be developed to facilitate this process for CHDOS and other CBOs.
- An aggressive information and educational process on HUD and other programs will be put in place to assure that they are well known in the community.
- Efforts will be made to eliminate differing tax regimes in different municipalities, related to construction taxes and impact fees.
- Municipalities have to be convinced that affordable housing can be a positive factor in order to change present attitudes. Municipalities should be brought into the process early on. Municipalities must play a key role in selecting sites for potential affordable housing developments in their municipalities.
- Municipal assistance for home repairs can be leveraged by self help programs that have proven to be very successful in some municipalities. The municipality provides materials and the homeowner seeks the voluntary work of neighbors and, of course, him or herself. Guidelines for these initiatives need to be drafted.
- Integrating the banking sector is essential and a specific collaborative mechanism needs to be established that will permit programs for first time homebuyer mortgages, credit repair and counseling to ease the process for low and moderate income households.



- The banking sector needs to strengthen its CRA activities with respect to affordable housing. Banks can create an industry entity responsible for managing CRA activities related to housing. It could, for example, act as the sector's planning and information gathering unit with respect to affordable housing needs and programs, put together a system in which each bank would finance a predetermined number of units, but the identification of projects, assigning priorities, improving information flows and identifying needs would be done at the industry level. The idea is to have a more coherent approach to affordable housing on the part of the banks, lower costs and reduce risks for individual banks. There exists an industry CRA Committee, with a limited charter, which is a first step in the proposed direction.

CHAPTER VI:



FIVE YEAR CAPITAL AND SUPPORT SERVICES PLAN





CHAPTER VI: FIVE YEAR CAPITAL AND SUPPORT SERVICES PLAN

POLICIES AND SUBSIDIZED HOUSING

Summary of Housing Needs	Future Demand/Need		Supply		Net Increase in Housing Need	Percent Supplied by Government Programs	Development Objective (Units)	Required Resources			
	5 year growth	Waiting List	Prospective Home and PH Inventory	Loss of inventory				Cost per unit or over a five year period	Total Cost (Millions)	Average per year (Millions)	
Rental and for ownership											
Very Low Income Persons (=<30%)	8,914	9,814	3,240	1,142	16,630	100%	16,630	\$ 100,000	\$ 1,663.0	\$ 332.60	
Low Income					-						
(30.1% - 50%)	3,932	-	1,209		2,723	100%	2,723	\$ 32,500	\$ 88.5	\$ 17.70	
(50.1% - 80%)	(3,310)	-	1,209		(4,519)	0%					
sub total	622		2,418	-	(1,796)	0%					
Moderate Income					-						
(80.1% - 125%)	7,578	-	-	-	7,578	100%	7,578	10,000	\$ 75.8	\$ 15.16	
	17,114	9,814	5,658	1,142	22,412		24,208	\$ 75,482	\$ 1,827	\$ 365	
Special Populations											
Elderly Housing	10,919				10,919	100%	10,919.00	\$ 25,000	\$ 273.0	\$ 54.60	
Homeless/ Beds and related services											
	Beds				Beds						
Emergency Shelter	638				638	100%	638.00	25,000	\$ 16.0	\$ 3.19	
Transitional housing	1,506				1,506	100%	1,506	32,500	\$ 48.9	\$ 9.79	
Safe Haven	87				87	100%	87	29,000	\$ 2.5	\$ 0.50	
Permanent supportive housing	1,415				1,415	100%	1,415	40,000	\$ 56.6	\$ 11.32	
Total homeless	3,646	-	-	-	3,646		3,646	\$	\$ 124.0	\$ 24.80	

The Government of Puerto Rico will need \$2.2 billion dollars over a five year period just to meet future needs for housing. The funding is to support the development of over 24,208 units for very low, low and moderate income households, 10,919 new rental units for the elderly and various homeless facilities offering close to 3,646 beds. Capital needs were estimated based on these future needs by income level and type of population and on a reasonable cost estimate per unit. In addition, \$800 million in funding is required for public housing capital expenditures to demolish, repair or modernize units already in inventory.

There are a number of federal housing related programs that may provide funding to support additional housing needs. These include those incorporated in the table below. They can provide, based on actual program balances and future allocations of \$1.07 billion. What this



implies is the need to carefully identify priorities and incorporate Government of Puerto Rico and municipal contributions in the form of financial support, land and infrastructure. In addition, emphasis on measures to reduce the cost of construction and related services. Leveraging available resources through collaborative efforts with CBOs, CHDOS and other non-profit entities, as well as with other federally and locally funded programs that serve the same populations. Additional efforts will be conducted by the Housing Task Force to identify other resources that may play a critical role the implementation of the Plan.

5 Year Capital Plan: Puerto Rico Affordable Housing Program Funds			
Puerto Rico Housing Fund		2011 total	5-Year Total
Homeowner, rental, rehabilitation and other housing activities			
HOME		\$ 107,134,000	\$ 246,470,000
Rental (24%)		\$ 25,605,194	\$ 58,906,715
Homebuyer (70%)		\$ 74,785,505	\$ 172,049,802
Rehabilitation (6%)		\$ 6,743,301	\$ 15,513,483
CDBG Housing Activities (18% of CDBG funds)		\$ 26,636,771	\$ 106,414,930
NSP		\$ 40,964,000	\$ 40,964,000
Low income tax credit		\$ 8,000,000	\$ 40,000,000
Law 173		\$ 5,000,000	\$ 5,000,000
PH Development Capital Fund		\$ 113,177,513	\$ 565,887,565
		\$ 300,912,284	\$ 1,004,736,495
Homeless and HIV			
ESG		\$ 3,818,000	\$ 23,110,000
HOPWA		\$ 7,551,000	\$ 40,571,000
		\$ 11,369,000	\$ 63,681,000
Total Funding		\$ 312,281,284	\$ 1,068,417,495

CHAPTER VII:



ACTION PLAN





CHAPTER VII: ACTION PLAN

The implementation of the State Plan recommendations will depend on the institutional framework developed in Puerto Rico for this purpose. The action items described below focus on creating this framework in terms of organizations, procedures and legislative measures.



ITEM # 1: CREATING A HOUSING POLICY AND IMPLEMENTATION COMMITTEE

The first item in the implementation agenda is the creation of the Housing Policy and Implementation Committee (HPIC), charged with formulating an overall housing policy and implementing the State Plan framework.

This Committee will be made up of the following:

- Secretary of Housing – Chairman
- Executive Director of the PRHFA
- HUD Puerto Rico Office Director
- The Governor’s Advisor on Housing
- Director of the OGPe (Office of Permits Management)
- Chairperson of the Puerto Rico Planning Board
- Chair of the Mayors’ Association
- Chair of the Mayors’ Federation
- A representative of the Municipality of San Juan

The HPIC will be created by an Executive Order of the Governor that spells out its composition and duties, the most important of which is to assure that the State Plan is implemented. Among



the tasks assigned to it, the HPIC will establish working groups to deal with specific problem areas such as those related to the population with special needs and the elderly. Likewise it will create working groups to deal with issues such as infrastructure needs for densification of urban centers and infill housing. It is through these working groups that specialized agencies will be brought into the process.

ITEM # 2: ESTABLISHING REGIONAL HOUSING COUNCILS

Steps to be taken to incorporate municipalities in the implementation of the State Plan include the formation of Regional Housing Councils that bring together larger municipalities, with the capacity to implement housing programs, with smaller municipalities so that certain services can be shared and efforts coordinated. The HPIC should incorporate this task as an early one in its agenda. It has to be implemented with the collaboration of the Mayors' Association and the Mayors' Federation.

ITEM # 3: HOUSING POLICY BILL

The HPIC should begin the process of preparing an Omnibus Housing Bill that takes into account all of the suggested housing policy recommendations in a coherent and meaningful manner and ties together the many dimensions required for a successful housing policy and its implementation. These include policy recommendations for the institutional framework, land use, taxes, and other pertinent items such as Tax Increment Financing, the expropriation of nuisance properties and their use for affordable housing, inclusionary zoning, and others. The Omnibus Bill should mandate the creation of the Land Trust through specific legislation for this purpose.

ITEM # 4: MAINTAINING CAPACITY

Assuring continuity was frequently mentioned as a priority by those stakeholders interviewed in the process of preparing the State Plan. Although the HPIC is an instrument to secure such



continuity, others means are recommended. These include the professionalization of staff dealing with housing issues in the private and public sectors. The HPIC will immediately establish the processes and content, to commence educational campaigns aimed at improving knowledge of housing issues, federal and local programs and procedures.

ITEM # 5: COMMUNITY REVITALIZATION ACT

Banks are particularly critical in solving housing problems and must become more proactive with their Community Reinvestment Act (CRA) obligations. The HPIC will immediately begin discussions with the Puerto Rico Bankers Association (PRBA) to create an entity charged with handling CRA requirements at the industry level. This type of program would work through a quota system in which each bank would be assigned a predetermined number of affordable housing units to be financed. The identification of projects, assigning housing priorities, and the types of projects to be financed would be done at the industry level. The program will lower costs for the consumers and reduce risks for individual banks.

ITEM #6: LOCATION OF AFFORDABLE HOUSING

The HPIC will create a working group to identify suitable locations for affordable housing and housing for population with special needs. Included in a Task Force for this purpose are agencies such as the Dept, of Education, the PR Industrial Development Co., the Land Administration and the Department of Transportation and Public Works, all of which have extensive land holdings. The Planning Board will chair the working group.

ITEM #7: CONSTRUCTION DESIGN STANDARDS

The PRHFA will lead a working group to explore alternative materials and energy efficient construction technologies, specific to affordable housing, in order to lower construction costs. The working group should develop modified construction design standards in collaboration with developers, architects, engineers, and general contractors. Efforts already made in this



direction by the CHDO organization should be incorporated in the working group's evaluation of these alternative approaches.

ITEM #8: INCREASING CAPACITY OF STAKEHOLDERS

Broad participation of CBOs, CHDOS private sector organizations and individual firms in dealing with housing issues is an important element. However, making CBO and CHDOS participation more effective will require that the HPIC begins programs that will strengthen CBOs in terms of their knowledge of housing, permitting, compliance with HUD regulations, construction and community development programs. HPIC will work with HUD to provide capacity building and training to strengthen local nonprofit and CHDO housing developers to ensure they can develop affordable housing units in accordance with this Plan. A certification procedure will be instituted by the HPIC that identifies specific entities as those most adept at implementing housing related programs. CHDOS should likewise be evaluated to determine their capacity to meet HOME program requirements. The goal is to develop experienced and capable CHDOS on a regional basis to implement housing programs. Spanish language materials will be developed by the HPIC to facilitate this process for CHDOS and other CBOs.

The HPIC will work with HUD and its Technical Assistance providers to deliver training and capacity building that enables Municipalities, CHDOS, and CBOs to implement the housing policy articulated in the State Plan.

ITEM #9: MONITORING PROGRESS

The HPIC will monitor progress in achieving State Plan goals and objectives. In order to do so, the appropriate metrics will be developed for each component. The monitoring plan to be adopted by the HPIC will incorporate benchmark and the appropriate metrics. The following metrics are illustrative of those that will be used in monitoring progress:

- Number of units built for each of the three priority groups



- Number of homeless moved to permanent housing
- Nuisance properties devoted to affordable housing
- Reduction in waiting lists for public housing
- Reduction in the number of cost burdened households
- Cost per unit of the different types of housing
- Units built using “green technologies”, including energy efficient designs and materials
- Projects initiated by CBOs and CHDOS
- Projects resulting from public-private alliances
- Jobs generated in communities as a result of Plan implementation

CONCLUDING REMARKS

It is the aim of the Government of Puerto Rico to become a model of effective action in solving the housing problems of our lower income groups, the elderly, the homeless and other population groups with special needs. This Plan lays out the blueprint for implementing effective initiatives that will stand out as innovative approaches to the housing problem. We are confident that in implementing the Plan, the quality of life of all residents of Puerto Rico will improve. The Government is committed to implementing the Plan and making it a participatory initiative in which the federal government, the government of Puerto Rico, municipalities, the private sector and community based organizations can work together to achieve a better future for all.

Puerto Rico Housing Task Force