To The Graduate School:

I am submitting herewith a thesis written by T. Anne Kroboth entitled "Mechanisms for the Development of Rural Low- to Moderate-Income Owner-Occupied Single-Family Housing: A Description of the Clarfield and Jellico Experience." I have examined the final copy of this thesis for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Master of Science, with a major in Planning.

Ken Kenney, Major Professor

We have read this thesis
and recommend its acceptance:

Accepted for the Council:

Vice Provost
and Dean of The Graduate School

# MECHANISMS FOR THE DEVELOPMENT OF RURAL LOW- TO MODERATE-INCOME OWNER-OCCUPIED SINGLE-FAMILY HOUSING: A DESCRIPTION OF THE CLAIRFIELD AND JELLICO EXPERIENCE

A Thesis

Presented for the

Master of Science

Degree

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T. Anne Kroboth

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To Agnes Vinson Dupree

# ACKNOWLEDGEMENTS

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Finally, heart felt thanks is extended to my spouse Robert H. Kroboth.

## ABSTRACT

As the cost of homeownership continues to rise, housing affordability and availability remain key obstacles for low- to moderate-income rural Americans.

The need for additional homeownership opportunities for the rural people of Central Appalachia in this income bracket has attracted growing attention. Perhaps in no other region of the country is there more desire for homeownership but less opportunity.

Through field investigations, personal interviews, and a review of the literature this thesis examines the mechanisms by which two rural Central Appalachian communities, Clairfield and Jellico, Tennessee, have provided homeownership opportunities for some of their low- to moderate-income residents.

In the Clairfield area, residents organized a Community Land Trust (CLT), a relatively new concept in land development, wherein land is acquired by a trust organization and held for community use. The CLT retains title to the land, but leases the land for a fee.

Through grants and low interest loans the Woodland Community Land Trust in Roses Creek Hollow, Clairfield, Tennessee has built homes on trust property. Funds from the grants and loans are helping some low- to moderate-income families become homebuyers.

In Jellico, the first subdivision designed primarily for homeownership by persons of low or moderate-income is under development. Known as the Crouches Creek Subdivision, twenty-eight single-family homes will be constructed. This development was made possible by an Urban Development Action Grant (UDAG) from the Department of Housing and Urban Development.

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# CHAPTER I

## INTRODUCTION

In 1949 Congress passed the National Housing Act, the goal of which was to provide a "decent home and suitable living environment for every American family."

This goal continues to be repeated in writings and speeches on this subject. However, the housing needs of people in the lowest income levels in rural and semi-rural areas remains unmet.[1] More than three-fifths of the substandard housing in America is in rural areas.[2]

On March 9, 1964 President Lyndon Johnson signed a 1.1 billion dollar aid package for Appalachia designed to stem poverty and catapult the region into parity with the rest of the nation.[3] Yet despite such governmental initiatives, many regions of Appalachia fall "below American norms in education, housing, employment, health care, and per capita income, . . ."[4] Central Appalachia is one of those regions. This subregion of Appalachia has traditionally had "the smallest and least urbanized population, lowest levels

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[1]Judy Berry, "More Than Just a Roof: Low-and Moderate Income Housing in Appalachia," Appalachia, September 1975, p. 10.

[2]Suzanne Lindamood and Sherman D. Hanna, Housing Society and Consumers (St. Paul: West Publishing Company, 1979, p. 16.

[3]"Appalachia: Land of Pain and Poverty," Knoxville News-Sentinel, 10 January 1985, Sec. A, p. 1.

[4]Ibid., p. 4.

of income and educational attainment, the poorest housing and by most social and economical measurement is far behind regional and national averages."[5]

Rural housing needs have traditionally taken a back seat to their urban counterparts. Chester Hartmen, a well known author and professor in the field of housing policy maintains that:

> Despite the fact that housing conditions in rural areas are generally worse than in urban areas, comparatively little attention is paid to nonurban housing problems. In large part they may be explainable by the absence of concentration of rural housing problems: such areas lack even the minimal behavior that exist among the poor and nonwhites in urban areas. . . .Rural housing needs are greater not only because current housing conditions are worse, but also because incomes are generally lower, credit scarcer, and homebuilding capacity smaller. . . .[6]

## A. Problem Statement

Rural housing practitioners, planners, government officials and residents of rural areas share a common concern in addressing and reversing the rural housing decline.

The continuing decline and deterioration of the housing stock in many Central Appalachian communities is widespread,

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[5]Appalachia Regional Commission, Appalachia: A Reference Book, (Washington, D. C.: Appalachian Regional Commission, 1977), p. 24.

[6]Chester W. Hartmen, Housing and Society (New Jersey: Prentice-Hall, Inc., 1975), p. 153.

and is inextricably linked to the economic malaise of the region. Richard Cuoto, an authority on Appalachia and director of the Center for Health Services at Vanderbilt University is of the opinion that:

> This region in general offers a stark appearance of low incomes, low labor force participation, high unemployment, a series of severe human needs, and a depleting of human services.[7]

Improving and increasing the opportunities for homeownership in this region of Appalachia would do much to help to ameliorate housing decline. The advantages and benefits of homeownership add credibility to this assertion.

Data from numerous studies and research projects confirm that homeownership instills a greater sense of pride in one's property, neighborhood, and community, promotes a sense of belonging and accomplishment as well as the obvious economic benefits of equity accumulation and income tax deductions. These advantages are not available to renters.

It is widely accepted that homeownership is the preferred choice of tenure despite one's economic status. Financing mechanisms provide homeownership opportunity. The lack of appropriate financing mechanisms is the primary reason poor and low- to moderate-income households are unable to become homebuyers.

Alternatives to the homeownership dilemma for poor and low- to moderate-income rural people of Central Appalachia

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[7]"Appalachia: Land of Pain and Poverty," Knoxville News-Sentinel, 10 January 1985, Sec. A, p. 5.

appears to lie in the development of partnerships between financial institutions, government housing agencies, rural housing professionals, and the residents of the region.

## B. Purpose of the Study

This thesis focuses on the mechanisms utilized by two rural Central Appalachian communities, Clairfield and Jellico, Tennessee to provide homeownership opportunities for some of their low- to moderate-income residents. Additionally, the thesis examines the issues and barriers people in this region and income bracket tend to encounter in their attempt to become homebuyers, and the resources utilized to help overcome their disadvantages.

It is not the purpose of this study to provide definitive answers concerning how to develop low or moderate-income single-family housing for rural America, Central Appalachia, Clairfield or Jellico, Tennessee. This thesis is not a case study. Instead the thesis helps the reader develop an understanding as to what has occurred in these two communities and how their experiences may assist other rural communities.

## C. Methodology

In determining the mechanisms by which each community has provided homeownership opportunities for some of their

low- to moderate-income residents, information has been gathered through a literature search, field investigations, and personal interviews.

Interviews supplied valuable information concerning each community's approach to the provision of "subsidized" single-family housing. Interviews were obtained from community organizers, community residents, housing officials, and planners closely associated with each community.

The literature search was undertaken to explore the general status of rural low- to moderate-income people, focusing on the residents of Central Appalachia, the Clairfield area, and Jellico, to identify and discuss the Community Land Trust, a relatively new trend in the development of single-family housing for low- to moderate-income rural people, and to identify and discuss other programs that have succeeded in providing homeownership opportunities for people in this region and income bracket.

Field investigations were undertaken to view actual housing developments. Tours were made to the site of the Community Land Trust properties in Roses Creek Hollow, Clairfield, Tennessee, Jellico's first low- to moderate-income subdivision, and home sites sold to residents by Clairfield's Model Valley Economic Development Corporation.

## D. Interviewees

Jerry Amonette, Loan Specialist, Farmer's Home Administration, Jacksboro, Tennessee

Annette Anderson, Coordinator, East Tennessee Design Center, Knoxville

Al Baer, former Housing Specialist, Department of Housing and Urban Development, Knoxville

Darla Beverage, Resource Developer, East Tennessee Community Design Center, Knoxville

Mike Brown, former Planner, Woodland Community Land Trust, Roses Creek Hollow, Clairfield, Tennessee

Joe Brown, Director, Jellico Housing Authority, Jellico Tennessee

Marie Cirillo, Community Organizer, Woodland Community Land Trust, Roses Creek Hollow, Clairfield

Brian Crutchfield, Program Specialist, Tennessee Valley Authority, Knoxville

William Dirl, Urban Development Action Grant Specialist, Department of Housing and Urban Development, Knoxville

Robert Freeman, Deputy Director, East Tennessee Development District, Knoxville

Stan Houle, former Chief of Market Research and Technical Assistance, Tennessee Housing Development Agency, Nashville

Dave Kirkman, Housing Specialist, Department of Housing and

Urban Development, Washington, D.C.

Lee Kribbs, Vice President, Barge, Waggoner, Sumner, and Cannon, Knoxville

Ed Marshall, Housing Authority Monitor, Department of Housing and Urban Development, Knoxville

Harold Osborne, Land Manager, Woodland Community Land Trust, Roses Creek Hollow, Clairfield

Phil Schaare, Program Specialist, Tennessee Valley Authority, Knoxville

Shelby York, Coordinator, Model Valley Economic Development Corporation, Clairfield

## E. Limitations of the Study

This study has been confined to the identification and examination of the mechanisms utilized to provide homeownership opportunities for some of the residents of Clairfield and Jellico. The interviews and literature search were limited to obtaining information that is relevant to the analysis of the two communities.

## F. Organization of the Thesis

This thesis is organized into six chapters.

Chapter I--Introduction. This chapter contains a statement of the problem, and the purpose and limitations of

the study. The methodology is explained, interviewees are listed, and the organization of the thesis is described.

Chapter II--Background--Clairfield and Jellico. This chapter reviews the history of Clairfield and Jellico, focusing on the economic, socio-economic, and housing of each community. The purpose of this chapter is to provide the reader with general background information, highlighting the distinguishing characteristics of each community.

Chapter III--Survey of the Literature. This chapter reviews the subject of rural single-family housing, focusing on the Central Appalachian region. This chapter's purpose is to familiarize the reader with the general characteristics of rural single-family housing, identifying barriers which impede the homeownership capabilities of the region's low- to moderate-income residents. Additionally, this chapter familiarizes the reader with a relatively new development in the field of rural, low-cost, single-family housing. It is not the intention of this chapter to discuss local, state, or federal rural housing initiatives. Instead, this chapter seeks to provide the reader with an understanding of the issues and barriers many low- to moderate-income residents of this region encounter in their quest to become first-time, single-family homeowners.

Chapter IV--The Clairfield Experience. This chapter explores the mechanisms utilized by the community to provide homeownership opportunities for some of their low- to

moderate-income residents. This chapter introduces the reader to the Woodland Community Land Trust. An organization that utilizes the land trust concept as a mechanism to provide single-family housing opportunities for some of their low- to moderate-income residents.

Chapter V--The Jellico Experience. This chapter reviews the mechanisms utilized in Jellico to provide homeownership opportunities for some of their low- to moderate-income residents. This chapter focuses on the Jellico Housing Authority.

Chapter VI--Conclusion. The findings of this research are presented in this chapter.

# CHAPTER II

# BACKGROUND: CLAIRFIELD AND JELLICO

## A. Clairfield

This chapter reviews the history of Clairfield and Jellico and focuses on economic, socio-economic, and housing conditions. The purpose of this chapter is to familiarize the reader with general background information on both communities and identify their distinguishing characteristics.

### Location

Clairfield is an unincorporated rural community located approximately twenty miles from Interstate 75, on Highway 90 in Claiborne County. The community is very close to the Kentucky border in northeastern Tennessee. The community is located at the center of a mountain valley, the Clear Fork Valley, which includes the unincorporated communities of White Oak, Tackett, Egan, and Pruden. There are numerous inhabited hollows and enclaves interspersed between these communities. Local citizens also refer to the area as the Model Valley. Clairfield is the area's largest community. Figure 1 shows the location of these unincorporated communities.

The Clear Fork Valley is isolated, juxtaposed between

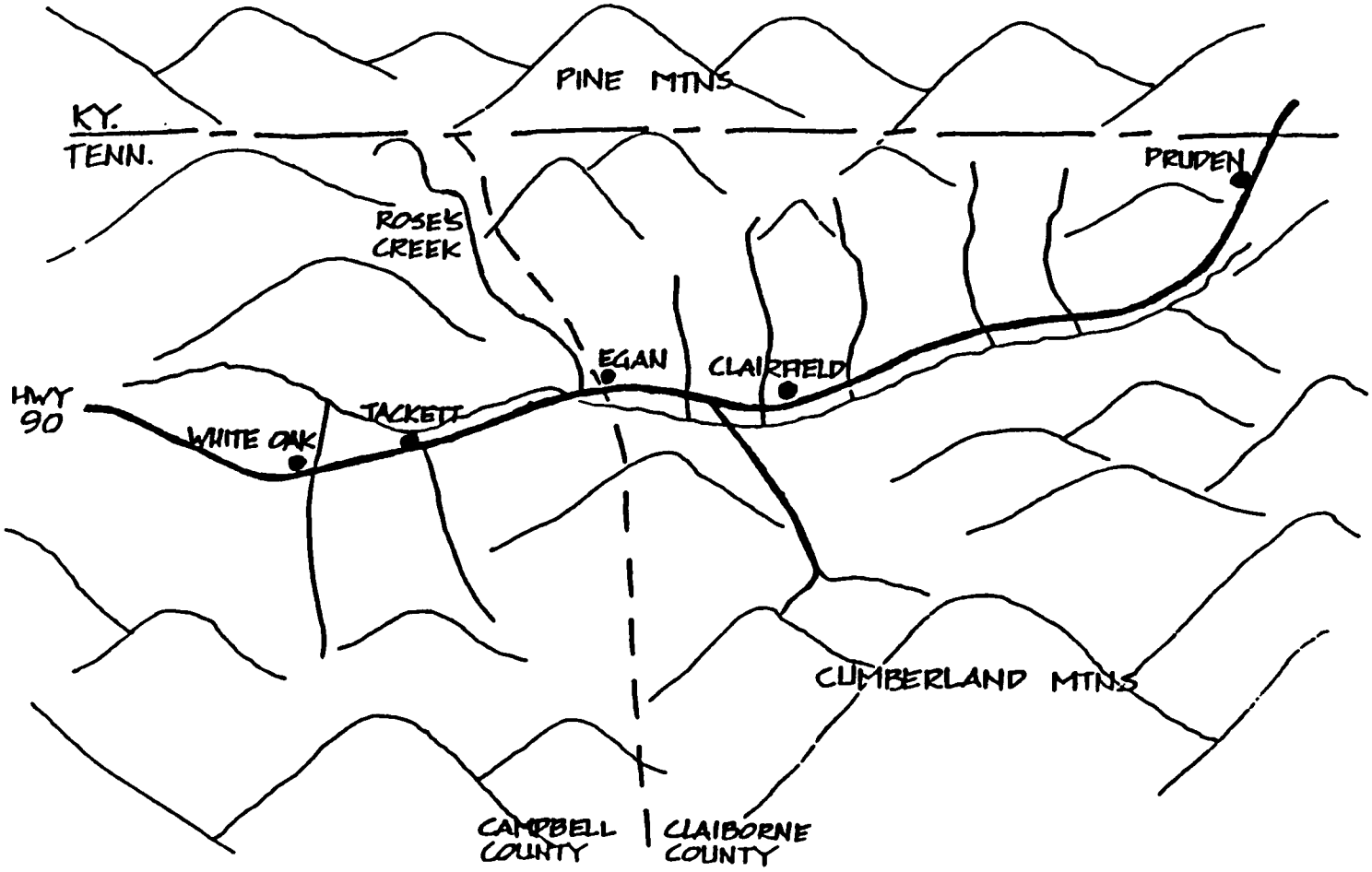



Figure 1. Clear Fork Valley.

Source: East Tennessee Community Design Center, "A Self-Help Grant Application to the U.S. Department of Health and Human Services, Office of Community Services." Knoxville, Tennessee, 1983.

the Cumberland and Pine Mountains. Clairfield is isolated by mountainous terrain from the rest of Claiborne County. The community is located in the extreme northwestern portion of the county, and is physically and socio-economically identified with the Clear Fork Valley. Figure 2 shows the location of the study areas, Clairfield and Jellico, and also identifies the location of the Model Valley.

## Historical Overview

Pioneers from Virginia and North Carolina settled the area around 1763. Prior to this time the area served as hunting grounds for the Cherokee Indians. In 1769 Daniel Boone opened this area to further expeditions when he led his famous expedition through the Cumberland Gap region into Kentucky.[1]

County government was formed in 1801. In 1889 the American Association purchased 50,000 acres of land in Claiborne County for the purpose of leasing land to smaller coal producers.[2] By 1910 the area was widely recognized for its vast bituminous coal and timber reserves. The community grew from humble beginnings as a coal camp.

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[1]Tennessee State Planning Office, Campbell County, Tennessee 1982-1992. Knoxville: East Tennessee Section, Tennessee State Planning Office, p. 28.

[2]Claiborne County Kiwanis Club, "Beautiful Claiborne County," report to the Claiborne County Kiwanis Club Committee on Tourism, New Tazewell, TN., 1946, no page.

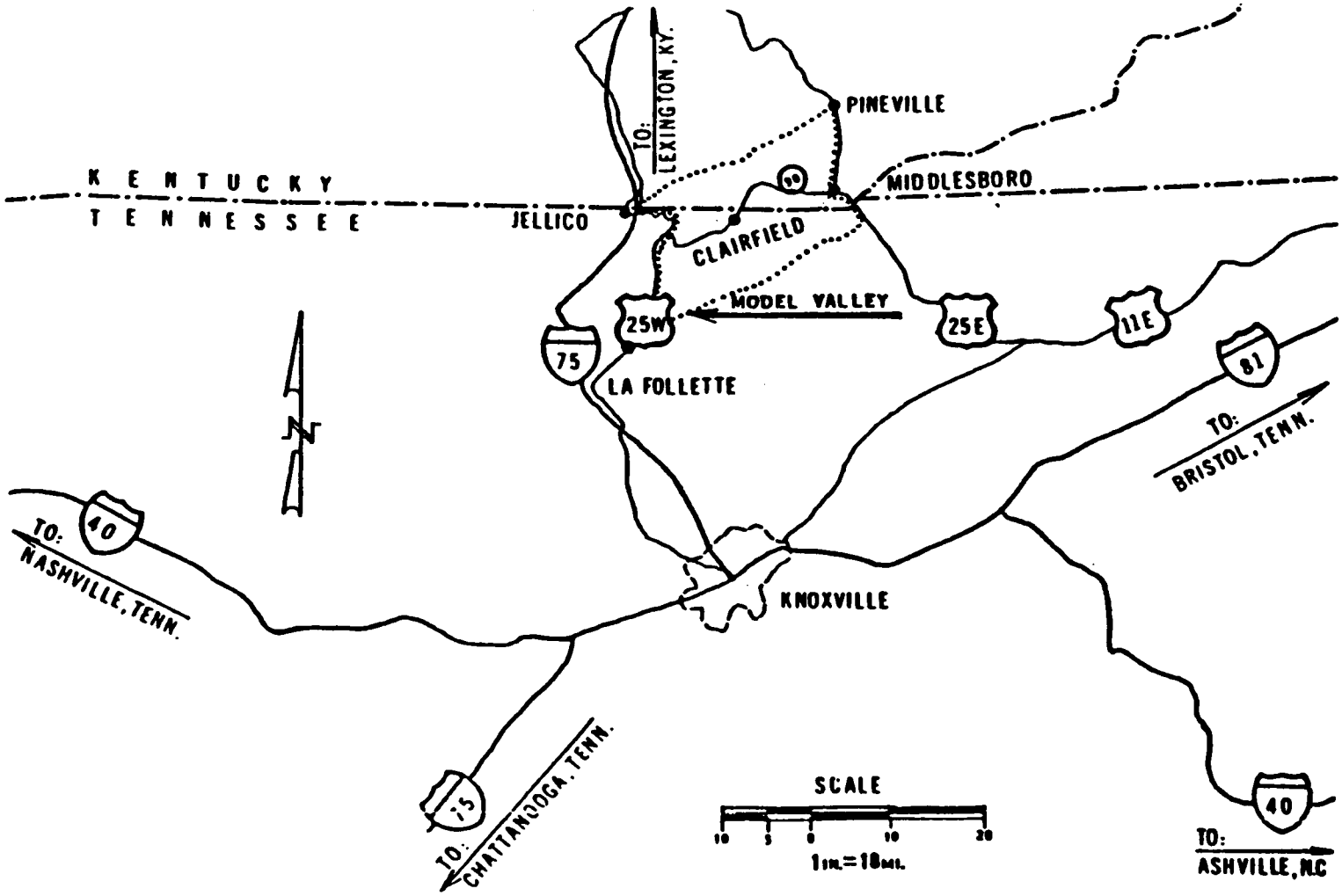



Figure 2. Location Map of Clairfield and Jellico.

Source: Paul J. Williams, "A Feasibility Study for a Community Water Supply System in the Clear Fork Valley." Municipal Technical Advisory Service, The University of Tennessee, Knoxville, 1972.

During the period 1890-1910 the population of the valley increased rapidly. From 1890-1905 four coal companies were constructed, one of the largest, the Clear Fork Coal Company provided full employment to the residents of Clairfield and the valley.[3] From 1905 to the early 1930s the economic health of the area flourished, however residents of this coal community did not escape the economic upheaval created by the Great Depression. As competition between coal mines peaked, work hours were extended and wages reduced. Working conditions improved somewhat through the mid to latter 1930s.

For the next eight years (1940-1948) the economy of the area stabilized and the population increased steadily, but the changes that occurred during the next eleven years sent this relatively prosperous coal mining community into a downward economic spiral. The area may never fully recover.

From approximately 1949 to 1960 the Clairfield community as well as Claiborne County experienced the highest outmigration in its history. This can be attributed to the decline of coal mining profitability.

When the demand for coal plummeted, mines closed. Thousands of people were out of work. When the mines closed, company stores closed. Credit became almost non-existent. "I owe my soul to the company store" lyrics from

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[3]Ibid.

a popular song during this time served as a testimonial to life as it existed for residents of Clairfield and the Clear Fork Valley. Without credit, men could not provide for their families. There were no jobs. During this time period well over 2,000 people abandoned the area (over 50 percent of the area's population); county-wide the number of people who left totaled 5,721.[4]

During the next ten years (1960-1970) the demand for coal continued to decline. The remaining coal mining operations were much less profitable. New technology produced alternative energy sources. Strip mining replaced underground coal mining as the area's predominate industry. The population continued to decrease.

From roughly the mid 1950s to the present coal mining has remained a "boom and bust industry". Yet even in boom times the industry rarely provided enough jobs to support the residents of the area. The industry remains in a bust cycle. Many residents are either underemployed or unemployed. "Coal had been both the salvation and damnation of the area and its inhabitants."[5] It remains so today.

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[4]Terence D. Harrigan, The Changing Economy of Claiborne County, Tennessee, report for the Clinch and Powell Valley Association, Inc., Oak Ridge: Oak Ridge Associated Universities, 1966. p. 29.

[5]Paul J. Campbell; Marcia Knauff Donald; and Theodore Robert Webb, Sr., "A Descriptive Study of Health and Related Socio-economic Conditions, Clear Fork Valley, Tennessee" (Masters thesis, University of Tennessee, 1970) p. 8.

Population

Historically, the population of the Clairfield area has been tied to the health of the coal mining industry. When the mining industry prospered, the population increased significantly. Conversely, when the mining industry declined, outmigration was substantial.

The area did not begin to show continued decline until about 1940. The most drastic population loss in recent history occurred between 1950 and 1960. The decline did not begin to stabilize until the period between 1970 and 1980.

The Bureau of the Census does not widely collect or report data on communities, towns, or cities with populations less than 2,500. Such is the case for Clairfield. In reporting census data for Clairfield, it is necessary to inform the reader that the Bureau of the Census has divided Claiborne County into six census county divisions. Census data is collected for each division and reported under the title of the Clairfield County Census Division.

Prior to 1970, most census information was reported on a county-wide basis. The first year census data was available for small areas within the county occurred in 1970. Although various surveys and other information gathering activities are conducted periodically by groups and individuals, Census data for Clairfield proper is not

reported independently. Clairfield data is combined with data from the unincorporated communities that make up the Clairfield Census County Division. However, where data has been reliable and reported independently of the communities surrounding Clairfield, the author has included such information in the thesis. The Clairfield Census County Division is shown in Figure 3. Table I provides population figures for the Clairfield Census County Division from 1930 to 1980.

The Clairfield County Census Division population decreased to by 784 persons, or 16.4 percent between 1930 and 1940. From 1940 to 1950, the population increased modestly by 5.5 percent. From 1950 to 1960 the Clairfield area suffered a population loss of 53.9 percent, a decline of 2,262 persons. The decline continued. From 1960 to 1970 the population declined an additional 34.5 percent to 1,262. The East Tennessee Development District reported in its publication the County Census Summary Claiborne Count, Part I that this continued decline was due to the area's isolation, poor roads, and lack of industry.[6] From 1970 to 1980 the community's population increased by 9.5 percent, to 1,383 persons. This was the first population increase since 1950.

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[6]East Tennessee Development District, County Census Summary Claiborne County, Part I. Knoxville: East Tennessee Development District, August, 1971. p. 4.

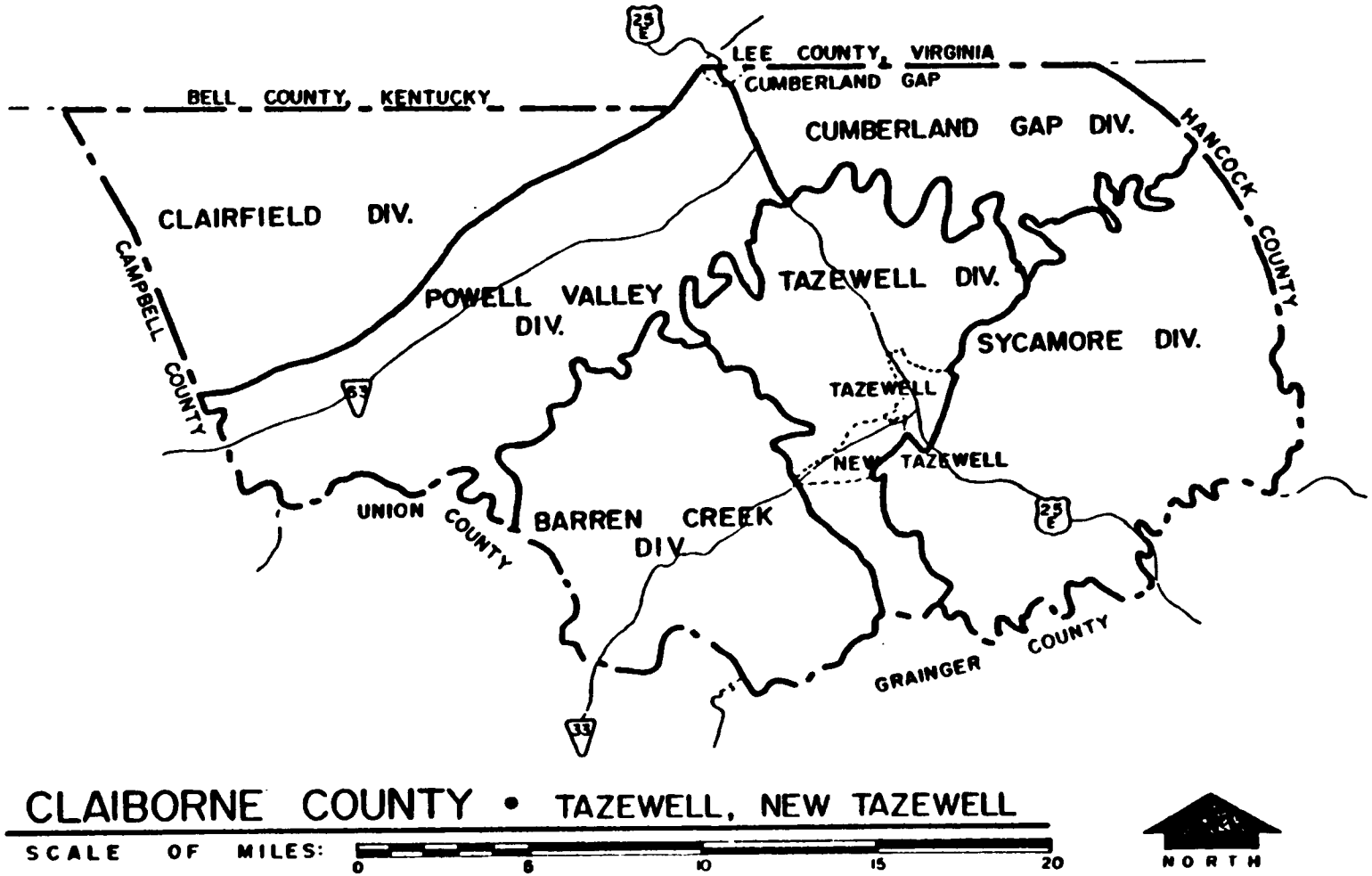



Figure 3. Claiborne County.

Source: East Tennessee Development District, County Census Summary Claiborne County, Part II. Knoxville: East Tennessee Development District, 1973.

TABLE I

POPULATION OF THE
CLAIRFIELD CENSUS COUNTY DIVISION
1930 - 1980

| YEAR | POPULATION |
|---|---|
| 1930 | 4,754 |
| 1940 | 3,970 |
| 1950 | 4,190 |
| 1960 | 1,928 |
| 1970 | 1,262* |
| 1980 | 1,383** |

Source: Terrence D. Harrigan, The Changing Economy of Claiborne County, Tennessee, Clinch and Powell River Valley Association, Inc., October 1966.

*The Claiborne County Tennessee Comprehensive Plan 1971-1991, The Claiborne County Regional Planning Commission, 1971.

**Bureau of the Census, Census of the Population and Housing, 1980, Summary Tape File 3-A.

The twenty year population decline (1950-1970) has been attributed primarily to the geographic isolation of the area, the lack of roads to connect the area to the rest of the county, the mountainous terrain, the severe decline of coal mining and strip mining industries, the lack of jobs and community services and the lack of developable land. These factors continue to restrict the area's ability to attract new industry and new residents.

## Selected Socio-economic Characteristics

Historically, the economic health of Clairfield has been inextricably tied to the health of the mining industry. Coal mining (later replaced by strip mining) has always been the community's predominate industry.

The Clairfield area, historically, has had a severely limited job market. The market remains severely limited at this writing. People are not attracted to the area to live or to retire. Faced with ". . .no jobs, no services, no protection of land. . .,"[7] many of the area's young working people abandon the area in search of jobs and opportunity.

The extent of this exodus is revealed in the data

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[7]East Tennessee Community Design Center, "A Self-Help Grant Application tot he U.S. Department of Health and Human Services, Office of Community Services." Knoxville: East Tennessee Community Design Center, May, 1983. p. 6.

published in the 1980 Census of the Population and Housing. The data indicated that 45.9 percent of the population located in the Clairfield area that year was under the age of twenty.[8]

For those who remain in the community, work is inconsistent. Some travel to nearby cities and towns such as Jellico, LaFollette, or Middlesboro, Kentucky to work,[9] but the cost to travel to these areas can be expensive due to the cost of gasoline. The mountainous terrain, the distance the distributors must travel, small market size, and limited competition adds to the price of gasoline. Travel to areas outside of the Clear Fork Valley community to work or to search for work is the exception.

Developmental aid in the Central Appalachian region has generally been applied to incorporated areas, not to unincorporated rural communities. Thus, communities such as Clairfield generally are without good roads, sewer systems, waste water treatment plants, or many other amenities associated with life in incorporated towns and cities. Communities such as Clairfield do not tend to attract industrial development or manufacturers, as they cannot offer essential services and incentives.

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[8]U.S. Department of Commerce, Bureau of the Census, "Census of the Population and Housing, 1980--Summary Tape File 3A." Clairfield, Tennessee. County Census Division and Tract. Washington, D.C.: p. 1.

[9]"A Self-Help Grant Application to the U.S. Department of Health and Human Services," p. 4.

On October 22, 1985, several East Tennesseans concerned about poverty and hunger in Central Appalachia testified before the U.S. House of Representatives Select Committee on Women in Poverty. Dr. Jesse Lee Walker, a practicing physician who has worked in the rural hollows of Campbell and Claiborne Counties for the past thirty years and Dr. Richard Cuoto, director of the Health Services Center at Vanderbilt University and noted authority on Appalachia, were among the East Tennessee delegation to address the congressional hearing.

Although their testimony primarily revealed their concerns regarding hunger in Appalachia, it was also revealed that in many sections of the Central Appalachian region there is no work, and in most sections of the region there is not enough work. Yet, people have learned to survive.

Many utilize federal poverty programs such as food stamps, WIC (the Women's Infant and Children's program designed to stem malnutrition among small children), energy assistance, surplus commodity foods, (known as the "cheese and butter" program), AFDC (Aid to Families with Dependent Children), the basic welfare program in this country, and Black Lung benefits.

Many men in this region who cannot find steady work perform odd jobs. Some have given up looking for work. Many homes have no running water, indoor bathrooms, or

electricity. It has been widely reported that the poverty that afflicts many of the hollows of this Appalachian region is comparable with that of many of the nations of the Third World.

U. S. Census information provides insight as to how the majority of Clairfield area working people made their living in 1980. Forty-nine percent were employed in the mining, agriculture, forestry, or fishing industries.[10] The unemployment rate for that year totalled 19.3 percent,[11] as compared to 9.1 percent for Claiborne County, 7.2 percent for the state of Tennessee, and 7.1 percent for the United States.

U.S. Census data also reveals that in 1980, 29.1 percent of the area's families lived below the poverty level.[12] Of the 322 families in the community, 168 earned less than $9,999 annually,[13] which represents 52 percent of the community's families. Median family income totalled $9,773,[14] as compared to $10,705 for the county, $15,785 for the state, and $19,146 for the United States. Parenthetically, 58.1 percent of the households in the

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[10]"Census of the Population and Housing, 1980--Summary Tape File 3A." Clairfield, Tennessee. p. 4.

[11]Ibid.

[12]Ibid., pp. 1 and 8.

[13]Ibid., p. 7.

[14]Ibid., p. 7.

Clairfield area derived income from Social Security and/or public assistance.[15]

Selected Housing Characteristics

Mountainous terrain and absentee ownership of vast amounts of land has contributed to the community's housing shortage. Additional low-cost energy efficient housing is one of Clairfield's more critical areas of need. In 1980, a family residing in the Clairfield community had an average of 2.3 "other relatives" in their home.[16]

In a 1983 grant proposal submitted to the Department of Health and Human Services on behalf of the Woodland Community Land Trust, the East Tennessee Community Design Center reported that many mail boxes (in the Clairfield community) collected mail for "2, 3, or even four families."[17] The community is in need of additional affordable housing.

Like many unincorporated communities, Clairfield has no housing codes, subdivision regulations, or a zoning ordinance. This small rural community has no hospital, fire department, or police department. Clairfield has no street

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[15]Ibid.

[16]Ibid., p. 2.

[17]"A Self-Help Grant Application to the U.S. Department of Health and Human Services," p. 6.

lights or daily newspaper, nor does this community have apartment complexes, townhouses, or condominiums. There are no taxicabs, dry cleaners, or laundry facilities. Transportation routes from the county seat of Tazewell are time consuming, as one must travel through Middlesboro, Kentucky and cross Fonde Mountain to get into the Clear Fork Valley to reach the community. Life can be formidable for persons who are unaccustomed to the lifestyle this community offers.

In 1980 there were 466 year-round housing units in the Clairfield area; 416 were occupied; the vacancy rate was 10.7 percent.[18] The mean value of an owner-occupied unit was $19,114.[19] The national rural median was $47,000. Fifty-nine percent of Clairfield's housing was owner-occupied.[20] The median rent for a renter-occupied unit was $83.00,[21] compared with the national rural median rent in 1980 of $217.00.

Of the 466 year-round housing units, ninety-four were built between 1970 and March 1980, or 20 percent; 165 were

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[18]"Census of the Population and Housing, 1980--Summary Tape File 3A." Clairfield, Tennessee. p. 9.

[19]Ibid., p. 12.

[20]Ibid., p. 9.

[21]Ibid., p. 11.

built in 1939 or earlier, or 35 percent; and 204 were built between 1940 and 1969, or 44.4 percent.[22] Parenthetically, 76 percent of the housing units built in 1939 or earlier were occupied in 1980.[23]

Data from the 1980 Census reveals that 68 percent of the Clairfield area's occupied housing units were equipped with complete plumbing.[24] (hot and cold running water, a flush toilet, and a bathtub or shower). In 1970, 36.8 percent of the area's year round housing units were equipped with complete plumbing.[25] In 1980, 38 percent of the housing units in the Central Appalachian region were reportedly deficient.[26] Thus in 1980 the housing units in the Clairfield area were significantly less deficient than housing units in the Central Appalachian region.

Additional data from the 1980 Census reveals that 37 percent of the community's occupied housing units had no telephone; 62 percent utilized coal or coke to heat their homes; 74 percent of the year round housing units were not air conditioned; 25 percent did not have complete kitchen

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[22]Ibid., p. 9.

[23]Ibid.

[24]Ibid., p. 12.

[25]County Census Summary Claiborne County, Part I, Table III, no page.

[26]"Appalachia: Land of Pain and Poverty," Knoxville News-Sentinel, 10 January 1985, reprint edition, p. 2.

facilities (installed sink with piped water, a range or nonportable cooking stove, and a mechanical refrigerator); and 33 percent had either one-half of a bathroom or no bathroom facilities.[27]

In May 1983 the Clear Fork Valley Utility District was established. This represents a major accomplishment for the communities of the valley, as this had been a major goal since 1966. The utility district is the first of its kind in the community and provides residents access to their first public water system.

Water lines have been installed within a 17 to 18 mile radius of Clairfield at an estimated cost of 1.7 million dollars. Funding was obtained from several sources. Most notable are the State of Tennessee, the Tennessee Valley Authority, the Farmer's Home Administration, and the Office of Surface Mining of the Interior Department. The initial hook up fee was $150.00, with an estimated monthly cost of $6.00.[28]

Prior to the development of the utility district, drinking water was obtained from the "village square" community well (site plans developed by the East Tennessee Community Design Center in 1975), small streams and springs,

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[27]"Census of the Population and Housing, 1980--Summary Tape File 3A." Clairfield, Tennessee. p. 10.

[28]Interview with Brian Crutchfield, Tennessee Valley Authority, Knoxville, Tennessee, 6 November 1985.

or individual wells. Census information for 1980 indicates that 63.5 percent of the year-round housing units in the Clairfield area utilized individual wells as a source of water.[29]

The community has a long history of household water contamination. This has been primarily due to the presence of stripmine runoff and human waste in the water supply. It is widely known that before the utility district was established the community well in the village square provided the community's safest source of public drinking water. Additionally, Fred Brown, a Knoxville News-Sentinel journalist reported in a November 17, 1985 article that the Clear Fork River and White Oak Creek remain polluted by sewage and sediment buildup as well as acids from abandoned mines. Most disturbing was his revelation that at that writing, no monies were being used to restore these waterways.

## B. Jellico

### Location

Jellico is an incorporated municipality located sixty-five miles north of Knoxville on Interstate 75 in Campbell

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[29]"Census of the Population and Housing, 1980--Summary Tape File 3A." Clairfield, Tennessee, p. 10.

County. Jellico is Campbell County's second largest city. Portions of the city are located inside the state of Kentucky. The city is located approximately twenty miles from Clairfield. Although the U.S. Census Bureau classifies Jellico as an urban area due to its population, the city is undeniably rural in character.

## Historical Overview

Before pioneers settled the area now known as Jellico in the late 1700s, the land was hunting grounds for the Cherokee Indians. A post office was built in 1878 and the settlement became a trading post for the surrounding area. The settlement was known as Smithburg.[30] Branches of the Southern, Louisville and Nashville railroads were established in 1883, and in 1885 the State of Tennessee incorporated the settlement and it was later renamed Jellico.[31]

Due to its proximity to vast amounts of bituminous coal and timber resources, the town grew and developed into a major service and financial center, serving the Elk Valley-Habersham coal district and timber camps of Whitley County,

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[30]Barge, Waggoner, Sumner and Cannon, Inc. Jellico Summary Plan, 1974-1995, A Report to the Jellico Municipal Planning Commission. Knoxville: 1974, p. 4.

[31]Ibid.

Kentucky. From the turn of the century to the late 1930s the population was stable and the economy of the area flourished. Jellico did not suffer a population decline until the late 1940s. During this time the decline of the coal and timber industries resulted in heavy outmigration. By 1950 Jellico was a severely economically depressed community.

Faced with high unemployment, a depressed economy, and blighted development city leaders, aided by urban planners from the Tennessee State Planning Office, embarked upon a comprehensive long-range planning effort in 1966. The City's first major planning document was completed that year. Titled the Jellico Comprehensive Plan, this document served as the original guide and redevelopment tool for the city, as well as a base for all subsequent planning documents.

By far the most significant boost to the economy came in 1972 with the completion of Interstate 75, a federal highway and major north-south connector, located adjacent to the city. With the development of Interstate 75, support services were developed. Gasoline stations, motels, and restaurants were constructed. Perhaps more importantly, the city began to realize the benefits derived from tourism. Tourism resulted not only from Interstate 75, but from the City's proximity to the Cumberland Mountains and Indian Mountain State park, a stripmine reclamation project.

During the early 1970s the City made major strides in its redevelopment. Much was done to improve the City's infrastructure and attract new industry, as well as provide housing for the elderly and the low- to moderate-income residents of the City. During this time, Jellico was quite successful in obtaining federal funding for community development projects.

During the decade of 1975 to 1985 Jellico continued to aggressively pursue its plans to promote new growth and development. The City has long recognized the need to diversify the local economy and increase revenues. Jellico has relied heavily upon monies from the federal government to finance much of its expansion and continued development.

The Reagan administrations philosophy that states and local governments are the appropriate providers for most revitalization and expansion projects may threaten the development of many of the City's planned projects. If plans for the City's continued growth and development are to reach fruition as outlined in the Jellico Comprehensive Plan (May 1966), the Jellico Summary Plan 1974-1995 (May 1974), and the Jellico Airport Plan (May 1978), a combination of local, state, and private initiatives will be necessary if federal assistance becomes less plentiful.

Population

Historically, the economic health of a community tends to be a predictable population determinant. This holds true for the City of Jellico. Table II provides population figures for the City from 1900-1980.

By the turn of the century the City had a population of well over 1,000 persons. By 1920 the City recorded a population of 1,878, with thousands reportedly living outside the city limits in the mining and timber camps.[32] This was a peak economic time for Jellico. But by 1930 the population had decreased to 1,530.[33]

In 1954 the City annexed 1,046 persons which brought the population to 2,602.[34] During the decade between 1950 and 1960 the City suffered substantial declines in the mining, timber and agricultural industries. These declines produced heavy outmigration. Between 1950 and 1960 the City lost 25 percent of its population.[35] In 1960 the City's population totaled 2,210.[36]

Although the population reportedly increased slightly from 1960 to 1970, as documented by the Bureau of the Census, The Jellico Summary Plan 1974-1995 reveals that the City actually lost 5.6 percent of its population. By 1965

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[32]Ibid., p. 15.

[33]Ibid., p. 18.

[34]Ibid., p. 15.

[35]Ibid., p. 17.

[36]Ibid., p. 18.

TABLE II

POPULATION OF JELLICO
1900 - 1980

| YEAR | POPULATION |
|---|---|
| 1900 | 1,283 |
| 1910 | 1,826 |
| 1920 | 1,878 |
| 1930 | 4,754 |
| 1940 | 3,970 |
| 1950 | 4,190 |
| 1960 | 1,928* |
| 1970 | 1,262** |
| 1980 | 1,383*** |

Source: The Jellico Summary Plan, Barge, Waggoner, Sumner and Cannon, Inc., Knoxville, Tennessee, 1974.

*Annexation of 1046 people in 1954

**Annexation of 148 people in 1968

***Tennessee Community Data, State of Tennessee, Department of Economic and Community Development, 1983.

the City's population had declined to 1,641, the recorded increase, actually came from the annexation of 148 persons in 1968, bringing the population to 2,235 in 1970.[37]

From 1970 to 1980 the population increased by 563 persons and totalled 2,798.[38] This increase has been attributed primarily to the sharp increase in economic activity during the decade, resulting in part from the City's commitment to comprehensive planning. During this decade Interstate 75 was completed and support businesses were constructed which provided jobs. By 1982 the City's population has reached 2,633.[39]

Selected Socio-economic Characteristics

The City continues in its efforts to diversify the economy and attract new industry. However, Jellico faces several factors which challenge its economic status. These factors include high unemployment, large numbers of semi-skilled, unskilled and undereducated members of the labor force, topographic difficulties, a steady increase in the

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[37]Ibid., p. 17.

[38]U.S. Department of Commerce, Bureau of the Census, "Census of the Population and Housing, 1980--Summary Tape File 3A." Jellico, Tennessee. Enumeration District. Washington, D.C.: p. 1.

[39]Tennessee State Department of Economic and Community Development, Tennessee Community Data for Jellico. Nashville: Department of Economic and Community Development, February, 1983, no page.

elderly population, and an inability to retain its young working aged population or attract new residents.

Based on 1980 Census data, Jellico is unable to retain its young working persons aged 18 to 34. This trend became evident from 1960 Census data and continued through 1980. That year 19.4 percent of the City's population was within these age parameters. Parenthetically, in 1980, 8 percent of the City's population was between the ages of 18 and 24.[40]

Whereas the number of the City's young working persons continues to decrease, the number of persons aged 65 and older continues to increase. It is known that this is occurring nationally as well. This trend was reported as occurring in Jellico in the Jellico Summary Plan 1974-1995. In 1980, persons in the 65 and older age group represented 19.8 percent of the population.[41] This percentage is significant when compared to the 1970 and 1960 percentages, 17.2 and 13.2 respectively.[42] Therefore, it is not surprising that the City's dependency rate (dependent young, under 18 and dependent aged, 65 and older) totalled 46.7 percent in 1980, slightly higher than the Campbell County

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[40]"Census of the Population and Housing, 1980--Summary Tape File 3A." Jellico, Tennessee, p. 1.

[41]Ibid.

[42]Barge, Waggoner, Sumner and Cannon, Inc., Jellico Summary Plan 1974-1995, p. 19.

rate of 43.4 percent and 39.6 percent for the State of Tennessee.[43]

Manufacturing was the predominate industry in Jellico in 1980, employing 75.3 percent of all employed persons. Unemployment that year totalled 14.6 percent.[44] Although the aforementioned percentage represents a large number of people who were without jobs, the employment situation appears less drastic when compared to other areas of the valley and the region.

> Average unemployment for Appalachia in 1984 was 10.5 percent while the nation's unemployment during that time was 7.5 percent. In some coalfield counties, however, unofficial unemployment today ranges at 50-60 percent. Some regional experts believe there are areas in which a state of permanent joblessness exists.[45]

As of the third quarter of 1987 the three largest employers in Jellico were: Carwood Industries, a clothing manufacturer; Imperial Cantrell, a manufacturer of bronze castings; and the Jellico Stone Company, a limestone producer. Employment statistics provided by the East Tennessee Development District reported that at the end of the fourth quarter 1985 these manufacturers employed a total of 375 persons.

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[43]Tennessee State Planning Office, Campbell County Comprehensive Plan, Campbell County, Tennessee 1982-1992, p. 43.

[44]"Census of the Population and Housing, 1980--Summary Tape File 3A." Jellico, Tennessee, p. 4.

[45]"The Solution: Jobs," Knoxville News-Sentinel, 17 November 1985, Sec. I, p. 1.

Based on 1980 Census data, 65.2 percent of the City's population aged 25 and older had less than a high school education,[46] 67.7 percent of the City's households derived income from public assistance and/or Social Security,[47] 26.6 percent of the families were poverty stricken,[48] while median family income was $10,377 and per capita income was $4,335.[49]

Jellico and Clairfield share the malady which afflicts many rural Appalachian communities in East Tennessee, joblessness. The coal industry has rarely provided steady employment. The economies of these areas are undiversified. Underemployment and unemployment is chronic. For many, there is little money for those things in life that many of us take for granted such as an adequate diet, decent housing, and health care.

## Selected Housing Characteristics

Housing conditions have improved significantly in Jellico over the past twenty years. Much of the City's success in this area can be attributed to its civic and

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[46]"Census of the Population and Housing, 1980--Summary Tape File 3A." Jellico, Tennessee, p. 6.

[47]Ibid., p. 7.

[48]Ibid., p. 8.

[49]Ibid., p. 7.

political leadership, the Jellico Comprehensive Plan of 1966, and the Jellico Housing Authority which renovates housing units and manages government subsidized housing. This agency will be discussed at length in Chapter V.

In 1965 the City established a housing code compliance program, to ensure that all residential structures were inspected.[50] This program has greatly contributed to the reduction in substandard housing and the demolition of older residential structures. Since that time the City has established subdivision regulations and a zoning ordinance as means of ensuring that housing development and maintenance adhere to sound planning principles.

Census housing data indicate that in 1980 there were 1,125 year-round housing units in Jellico, of which 1,086 were occupied, resulting in a vacancy rate of less than one percent.[51] That year the mean value of a single-family owner-occupied home was $27,733, while median gross rent was $83.00.[52]

There was a high demand for housing in Jellico in 1980. Of the 681 rental units, all were occupied. Additionally, 62.7 percent of the City's homes were owner-occupied.[53]

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[50]Barge, Waggoner, Sumner, and Cannon, Inc., Jellico Summary Plan 1974-1995, p. 38.

[51]"Census of the Population and Housing, 1980--Summary Tape File 3A." Jellico, Tennessee, p. 9.

[52]Ibid., p. 11.

[53]Ibid., p. 9.

As is the case with many Appalachian communities, the bulk of Jellico's housing units were constructed during the time the coal industry was most prosperous. Therefore it is not surprising that 48 percent of the City's housing units were built prior to 1949.[54] Unlike many Appalachian communities, the City experienced a surge in housing construction between 1970 and March 1980. During that time, 31 percent of the City's housing units were constructed.[55] This includes housing units subsidized by the federal government.

Data from the 1980 Census reveals the extent to which the City's housing has improved. In 1960, there was an average of 3.1 persons per housing unit.[56] In 1980, the figure was 2.3.[57] In 1960, 39.4 percent of the cities housing units were without complete plumbing.[58] By 1980, 93.9 percent of the housing units were equipped with complete plumbing.[59] These improvements are attributed to several factors. They include the construction of a

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[54]Ibid.

[55]Ibid.

[56]Barge, Waggoner, Sumner, and Cannon, Inc., Jellico Summary Plan 1974-1995, p. 41.

[57]"Census of the Population and Housing, 1980--Summary Tape File 3A." Jellico, Tennessee, p. 9.

[58]Barge, Waggoner, Sumner and Cannon, Inc., Jellico Summary Plan 1974-1995, p. 41.

[59]"Census of the Population and Housing, 1980--Summary Tape File 3A." Jellico, Tennessee, p. 9.

relatively large number of government subsidized housing units, the demolition of dilapidated and substandard housing units, major improvements in the City's infrastructure, and annexation.[60]

Jellico is a rural Appalachian community that has grown and modernized. Census data for 1980 serves to document this assertion. That year, 87 percent of the City's occupied housing units had telephones, 49.8 percent were heated by electricity, while 88.6 percent of the year-round housing units were air-conditioned, and 2.4 percent utilized a well a source of water.[61]

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[60]Barge, Waggoner, Sumner and Cannon, Inc., Jellico Summary Plan 1974-1995, pp. 39-40.

[61]"Census of the Population and Housing, 1980--Summary Tape File 3A." Jellico, Tennessee, p. 10.

# CHAPTER III

## RURAL LOW- TO MODERATE-INCOME SINGLE-FAMILY HOUSING DEVELOPMENT: A REVIEW OF THE LITERATURE

This chapter focuses on the literature in the area of rural low- to moderate-income single-family housing development. It is not the intent of this chapter to present specific details of local, state, and federal rural housing delivery program. Rather, it is to discuss the contextual/institutional limitations to the development of housing of this type which are prevalent in many rural areas. This chapter will first present national data as revealed in the literature which will document the general status of rural low- to moderate-income people. Second, it will identify and discuss mechanisms utilized in some areas of Central and Southern Appalachia to develop affordable housing for the low- to moderate-income people of this region.

This chapter will consist of three sections. In the first section the contextual/institutional limitations to the development of rural low- to moderate-income single-family housing will be discussed. These limitations tend to be indigenous to rural areas, and can complicate the rural housing delivery system in general. For rural people in the lower income brackets, these limitations can severely jeopardize their ability to become first-time single-family

homeowners. The second section will present data which will aid in documenting the status of low- to moderate-income rural residents. Included will be socio-economic data which will assist in determining their over-all financial well-being. The final section will provide a review of the mechanisms used to develop single-family housing for rural people in this income bracket. This section will focus on community-based and sponsored rural housing development, a tradition in rural Central and Southern Appalachia.

## A. Rural Low- To Moderate-Income Single-Family Housing Development: Contextual/Institutional Limitations

There exist fundamental differences in the development of rural low- to moderate-income single-family housing and the development of housing of this type in metropolitan areas. To better understand these differences it is necessary to identify and discuss the characteristics of rural areas which can directly or indirectly affect the rural housing delivery system. These characteristics can present formidable obstacles for rural low- to moderate-income people seeking to become single-family homeowners.

As revealed in the literature, one of the more formidable obstacles to the development of single-family housing for rural lower income people is the lack of an adequate housing delivery system which supports the housing

industry. The Housing Assistance Council, a national non-profit organization, partially funded by the U.S. Department of Housing and Urban Development and advocate for reforms in the rural low- to moderate-income housing delivery system reports:

> Rural areas lack the private entrepreneurial housing activity that is found in the cities and suburbs. This is due to the absence of builders, developers, architects, commercial lending institutions and savings and loans which are required for an active housing industry.
>
> The lack of private sector activity results in the need for greater public sector leadership and participation, but rural areas also lack the public and non-profit delivery mechanisms that are required.[1]

There are additional factors which tend to directly or indirectly affect the rural housing delivery. For rural people of low- to moderate means, these factors can severely jeopardize their ability to become homebuyers. The factors are:

1. Geographic Isolation
2. Topographic Difficulties
3. The Unavailability of Land
4. Local Building and Housing Codes
5. Federal Minimum Property Standards (MPS)
6. Mortgage Financing

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[1]Housing Assistance Council, Looking for a Home (Washington, D.C.: Housing Assistance Council, 1981), no page.

## Geographic Isolation

It is commonly known that rural areas can offer "amenities" such as open space, sparse population, and distance from metropolitan areas. Yet amenities such as these may tend to isolate inhabitants of these areas from services, timely information, and communications which may be vital to their housing needs.[2] Clairfield, Tennessee serves as an example of an isolated rural community due to its location between the Cumberland and Pine Mountains. The mountainous terrain and geographic distance from urban areas conspire to render Clairfield an isolated rural Appalachian community.

## Topographic Difficulties

Perhaps one of the more critical factors facing rural low- to moderate-income people seeking to become homeowners is the unavailability of developable land. Although in some parts of the country, i.e., the Central United States, the terrain does not inhibit the development of the land, in other areas such as Central Appalachia the land tends to be steep or flood prone. In places where the land is difficult to develop the additional cost of housing construction in many cases prices the low- to moderate-income homebuyer out of the market.

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[2]Ibid.

## The Unavailability of Land

Of relevance to the topic of low- to moderate-income single-family housing development is the issue of absentee and corporate land ownership. This issue is most important in Central Appalachia where absentee and corporate land ownership is perhaps one of this region's most distressing problems.

In an attempt to determine ownership of vast amounts of Appalachian land, The Appalachian Land Ownership Task Force was commissioned by the Appalachian Regional Commission to document land ownership patterns in Central Appalachia. Their report titled Land Ownership Patterns and their Impacts on Appalachian Communities reports on a study of 13.2 million areas of land across six states, which covered more than half of all land in the six states of Alabama, Kentucky, North Carolina, Tennessee, and West Virginia and included eighty counties.[3]

> The study found . . . that "only 1 percent of the local population, along with absentee holders, corporations, and government agencies control at least 53 percent of the total land surface in 80 counties" in Appalachia. Put another way, 5 percent of all owners of land parcels checked (and these excluded the smallest parcels to begin with) own more than 60 percent of the land covered by the survey.[4]

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[3]George Rucker, "Landmark Study Shows Who Owns and Profits from Appalachia, (and it sure isn't the people who live there)," Rural America, April/May 1981, p. 3.

[4]Ibid.

Additionally, the study found that absentee and corporate land owners also held 7 million acres of subsurface mineral rights.[5]

As reported by Marie Cirillo, community organizer in Clairfield, Tennessee, in the unincorporated areas of the Clear Fork Valley of Campbell and Claiborne counties where coal mining is the economic mainstay, over 85 percent of the land is owned by absentee land companies.[6] Obtaining land for housing development is a difficult task. In Clairfield, as in many rural communities plagued by the problems associated with large amounts of land held by absentee owners, there is little land available for housing development.

> In the study, Jefferson Ignored: Land and Democracy in the United States, author Rodney R. Walter and co-researcher Art Stoltzfus argue that the concentration of landownership in the United States is increasing rapidly.
>
> Rural residents in particular are affected by this trend. Important decisions about land use are being made by absentee individuals and corporate landowners without any input from local residents and other affected by the decisions. All too often, Walter argues, the end result of land-use decisions by large absentee owners is to put personal profit ahead of community needs and community input.[7]

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[5]Ibid.

[6]Institute for Community Economics, The Community Land Trust Handbook, (Boston: Institute for Community Economics, 1982), p. 48.

[7]Patty Spady, "Jefferson Ignored: Land Concentration in the U.S.," Rural America, March/April 1983, p. 18.

## Local Building and Housing Codes: The Rural Dilemma

Building codes are structural and safety standards and/or specifications designed to protect the health, safety, and welfare of the general public during and after the construction of buildings and/or structures.

Housing codes are locally adopted ordinances designed to protect the health, safety, and welfare of dwelling inhabitants. Housing codes specify minimum features which determine a dwelling's fitness for use and occupancy. These codes also set standards for residential maintenance and upkeep.

Generally, all codes are based upon the principles of standards. Standards serve as guidelines, not absolutes. They are "yardsticks established for measuring quality in elements of the community's makeup", . . . .[8] "Standards established in laws generally take the form of minimum standards which have come to be recognized as necessary in the public interest".[9]

Local governments generally promulgate two types of minimum codes. Specification codes and performance codes. Both code types set forth an objective to be accomplished, however, the specification code determines the specifics of

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[8]Stuart F. Chapin and Edward J. Kaiser, Urban Land Use Planning (Urbana: University of Illinois Press, 1979), p. 369.

[9]Ibid.

how the objective is to be accomplished. Specification codes are widely used, although it has been widely reported that the movement is to performance codes.

The dilemma with regard to rural local building and housing codes is that in most rural areas codes do not exist; where they do exist enforcement is reportedly limited; and where they exist and are enforced the cost of the housing unit generally increases.[10]

The Housing Assistance Council, in its publication titled The Existing Resources and Affordable Housing Issues in Rural Areas reports that in 1977 the National Association of Counties conducted a survey of counties regarding the enforcement of housing and building codes.

The findings revealed that ten percent of the counties with a population between 2,500 and 5,000 enforced a housing code, while seventy-nine percent of the counties did not enforce a housing or building code.[11] In counties with a population between 5,000 and 10,000, sixteen percent reported housing code enforcement, while sixty-eight percent reported the lack of housing and building code enforcement.[12] In counties with a population between 10,000 and 25,000, twenty-five percent of the counties enforced

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[10]Housing Assistance Council, The Existing Resources and Affordable Housing Issues in Rural Areas (Washington, D.C.: Housing Assistance Council, 1981), p. 50.

[11]Ibid., p. 52.

[12]Ibid.

housing codes, while sixty-five percent of the counties failed to enforce housing or building codes.[13] Thus, the survey revealed that "the number of counties which have code enforcement is correlated with population size", . . .[14], and that "Only 17% of the counties with fewer than 2,500 residents had housing or building code enforcement. Nearly half had no form of land use control, including zoning, or subdivision regulations."[15]

Regional model codes can be utilized by local governments to assist them in the regulation of the building industry. These codes encourage regional uniformity in the building industry and are adopted by local governments by reference.

> There are four nationally recognized regional model codes, voluntary in implementation; three were created by organizations made up of state and local building officials and one was developed by an insurance company. In the first category are: Basic Building Code (BBC) of the Building Official and Code Administrators (BOCA) prevailing in the eastern states;
>
> the Southern Building Code Congress International (SBCCI) Standard Building Code which dominates the South; and the Uniform Building Code (UBC) of the western (sic) International Conference(sic) Building Officials (IBCO).[16]

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[13]Ibid.

[14]Ibid.

[15]Ibid.

[16]Ibid., p. 51.

Two advantages in utilizing the regional model codes are that they are updated annually by codes professionals and they are cost-effective, being less expensive to use than the promulgation of a new code. However, one disadvantage is that the codes do not take into account land and climatic conditions indigenous to each locale.[17]

There is no statewide building or housing code in Tennessee. Most cities in the South utilize the Southern Standard Building Code. Local governments have the authority to establish a wide variety of code types to use in the regulation of the building industry. Eight agencies in the state of Tennessee regulate some aspect of the building industry.

> Although most cities are under the Southern Standard, there remains great diversity throughout the state in the application and interpretation of this code. Many local options and amendments have been adopted that nullify the code from its original form.
>
> Although many variables cause deviation from the model code, excessive amendments and variations often complicate an already complex network of technical terms and practices. These variables cause gaps in interpretation and general application. For example, two code inspectors with similar climatic and soil conditions may interpret the same section of the code in an entirely different manner.[18]

In areas where codes exist and are enforced there appears to be varying interpretations, and a multiplicity of

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[17]Tennessee Housing Development Agency, An Analysis of Housing and Building Codes in Tennessee (Nashville: Tennessee Housing Development Agency, 1975), p. 11.

[18]Ibid., p. 17.

code types that add to the complexity of the system of regulations.

In May 1978, the HUD task force on housing costs published its final report. The report concluded that the system of code regulation is uncoordinated, contributes to the stagnation of the building process, inhibits the development of innovative lower cost housing, and adds to the cost of such housing.[19]

The codes situation appears to be quite volatile and complex. Provincial requirements preclude complete consistency in code regulations. It does not appear that even a modicum of state uniformity would do much to rescue the present system from the multiplicity of regulations or the varying interpretations that now exist. Yet the literature reveals that there are a significant number of rural areas that lack codes and/or code enforcement. In many rural areas where codes exist and are enforced, reportedly they are too strict and can deprive many rural low- to moderate-income people of an opportunity to become homeowners because the cost of building a home to code is passed on the homebuyer. Thus the price of a home is generally out of reach to the rural homebuyer of low- to

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[19]Housing Assistance Council, The Existing Resources and Affordable Housing Issues in Rural Areas, p. 50.

moderate-income means, "so they buy their own wood, go build their own shack and perpetuate substandard housing. . . ."[20]

## Federal Minimum Property Standards

Federal minimum property standards are the standards a federally insured housing unit must meet if the structure is to receive a federal subsidy or mortgage insurance. These standards are known as specification standards because they describe in detail the materials, methods of application, and technical instructions for the construction of housing.

Assuming local building and housing codes exist and are enforced in rural communities with federally subsidized housing, federal minimum property standards tend to be much higher than the local codes.

The developers of smaller lower cost homes, such as the Kentucky "Warm and Dry" home designed by Dwayne Yost and the Federation of Appalachian Housing Enterprises of Manchester, Ky., and the "minimal shelter" home, one concept designed by David Knepper of Rural America, (a non-profit rural housing agency), have experienced some difficulty in their attempts to provide a lower cost housing alternative for rural low- to moderate-income single-family homebuyers. The literature

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[20]Housing Assistance Council, Summary and Findings from the Seminar on "Affordable Housing in Rural Areas" (Washington, D.C.: Housing Assistance Council, 1982), p. 20.

reveals that the difficulty incurred by these developers is largely due to the demands of designing and building homes to the specifications promulgated by federal minimum property standards.

Mortgage Financing

In many rural areas, the lack of mortgage financing has all but ended the dream of homeownership for many people of low- to moderate means. The development of affordable financing mechanisms for this segment of rural America provides homeownership opportunities for many rural families in this income bracket, and creates the possibility for homeownership, where without such mechanisms the possibility of homeownership rarely exists. Rural housing practioners and others who attended a seminar titled "Affordable Housing in Rural Areas" held in Berea, Kentucky in August 1982 unanimously agreed that the lack of mortgage financing is the single most difficult barrier to the development of rural low income single-family housing.[21]

The Government Accounting Office (GAO) prepared a report titled "Ways of Providing a Fairer Share of Federal Housing Support to Small Rural Areas" in 1980. This report was analyzed and reviewed by the Housing Assistance Council in their subsequent document titled "The GAO Report on Rural

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[21]Ibid., p. 35.

Housing: A Review." This review reported that the lack of mortgage financing was directly attributed to the limited number and capacity of rural banks, savings and loans, and mortgage companies.[22]

According to the Housing Assistance Council, rural banks generally do not have the resources to make housing loans due to their limited assets and conservative inclination.[23] The GAO's report on this matter recommends "that HUD and FmHA try to increase urban banks activity in rural areas, and rural banks' involvement in housing development."[24] However, the Housing Assistance Council is of the opinion that:

> . . ., rural residents often prefer not to go to urban banks, and urban banks generally are not eager for rural business. GAO does not admit the importance of proximity of the lender to the borrower for servicing ease. When the distance problem is compounded by the shortage of rural builders, an urban bank has no reason to expand its business into a rural area. . . .
>
> As for increasing the lending activity of rural banks, HUD mortgage insurance might help, but funding would have to be increased substantially to persuade rural banks to branch out into the housing business.[25]

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[22]Housing Assistance Council, HAC Viewpoints: The GAO Report on Rural Housing: A Review (Washington, D.C.: Housing Assistance Council, 1980), p. 2.

[23]Ibid.

[24]Ibid.

[25]Ibid., pp. 2-3.

The lack of mortgage financing has severely limited the ability of rural low- to moderate-income people to become first-time single-family homeowners. The literature explains that rural people in this income bracket require homeownership financing subsidized to the extent that they can make mortgage payments based on their income.[26] Yet, the money required to subsidize the mortgage payments would be substantial. Banks do not operate under such constraints, as profits would be jeopardized. Thus, "the task is left to the government."[27]

In 1946 Congress created the Farmers Home Administration (FmHA) to provide credit for rural development. The agency began making homeownership loans to nonfarm rural residents in 1961. Today the agency remains the major lender in rural areas, providing housing loans for rural low- to moderate-income people under the agency's single-family homeownership program Section 502.

The current overall federal strategy stresses private sector initiatives with minimal government intervention for domestic concerns. Rural lower income single-family housing is no exception.

> The Reagan Administration in keeping with its philosophy of reducing federal responsibility for domestic concerns wants drastic cuts in federal rural programs on the grounds that the programs are no longer necessary. For those rural areas that still need

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[26]Ibid., p. 3.

[27]Ibid.

> assistance, the Administration reasons, the states and localities are the appropriate providers.[28]

David Kirkman of the Department of Housing and Urban Development, speaking at the aforementioned seminar on "Affordable Housing in Rural Areas" reiterates the Reagan philosophy:

> The Federal strategy at this point is to let the private sector have much more a role in providing housing and to minimize the government structure.[29]

This sentiment is reaffirmed in the Reagan administration's report on rural America titled "Better Country: A Strategy for Rural Development in the 1980's." The report speaks candidly to the problems of many rural communities, but fails to provide adequate solutions. The following is a brief excerpt from the report as published in the April-March 1983 issue of Rural America:

> "Many rural areas continue to suffer poverty, isolation and decay of facilities. On the average, rural America still lags behind urban America in measurable indicators of income, education and housing conditions.[30]

George Rucker, author of "You've Got Problems-Good Luck," a response to the Reagan administration's report on

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[28]Rochelle L. Stanfield, "Rapid Economic Growth of Rural Areas Brings Drawbacks Along with Blessings," National Journal (September 1983): 1932.

[29]Housing Assistance Council, Summary and Findings the Seminar on "Affordable Housing in Rural Areas." p. 27.

[30]George Rucker, "You've Got Problems - Good Luck," Rural America, March-April 1983, p. 9.

rural America, is critical of the federal response to the needs of rural America. He states:

> But the response to those needs is the "New Federalism." It is a response that states as its goal "a realignment that will end cumbersome administration and spiraling costs at the federal level while we ensure these programs will be more responsive to both the people they are meant to help and the people who pay for them." It is a response that assumes that the federal government is the problem; hence, less government will result in meeting those needs.
>
> The spirit is evident in the statement, for example, that "Federal programs have proved inappropriate" for use in the most isolated rural areas (where they are needed most) "because of their constraints to local initiative." Huh???
>
> Most of us would argue that the problem is usually one of not delivering program resources to the most rural areas- not one of stifling local initiative.[31]

Thus it is not surprising that the Reagan administration has sought to drastically reduce appropriations for the Farmer Home Administration's rural housing programs. Funding authorization for major rural housing programs have been decided on a year-by-year basis since President Reagan was elected in 1980.[32] In 1982 the president proposed a two-thirds reduction in FmHA's rural housing programs. However, Congress did not support such reductions. For fiscal year 1983, the Reagan administration backed the creation of an $850 million dollar state administered rural

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[31]Ibid.

[32]George Rucker, "Washington Watch," Rural America, January-February 1984, p. 12.

housing block grant, which would have apparently translated into "a 65 percent reduction in rural housing dollars,"[33] for FmHA, but due to bipartisan opposition to the block grant program, it was defeated. Thus for fiscal year 1983, FmHA escaped funding and program cuts, and because no housing authorization bill was passed, (only appropriating legislation) the structure of the agency did not change. For fiscal year 1984, funding for FmHA's rural housing programs increased by approximately 322 million dollars over fiscal year 1983 funding levels.[34] For fiscal year 1985, the Reagan administration proposed a 29.2 percent decrease in FmHA's rural housing programs.[35] This reduction met stiff opposition in Congress and was subsequently defeated. The Reagan administration continued however to seek severe reductions in the FmHA budget. For fiscal years 1986 and 1987, the administration proposed the elimination of the FmHA's rural housing assistance programs, including all sewer and water programs.[36] Although funding for these programs were reduced, no programs were totally eliminated.

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[33]George Rucker, "Washington Watch: Federal Roundup," Rural America, Winter 1983, p. 15.

[34]George Rucker, "Washington Watch: A Look at the Reagan Budget Proposals," Rural America, March-April 1984, p. 17.

[35]Ibid.

[36]"Farm Agency to Terminate Loan, Community Programs." Knoxville Journal. 30 April 1986, Sec. B, p. 8.

FmHA was directed to make Section 502 homeownership financing available for the purchase of mobile homes in 1984.[37] Since then, implementation specifications and regulations have been under development. Regulations governing this program were published in the Federal Register in 1986. This is a significant accomplishment. Prior to this development, rural people of low- to moderate means unable to afford the costs of conventional homeownership generally had no alternative means available to purchase a home, that is, there was no alternative institutional arrangement available to provide an opportunity for homeownership. The new Section 502 homeownership program now provides that opportunity.

Jerry Ammonette, loan specialist at the Farmer's Home Administration's Jacksboro, Tennessee office reported that manufacturers have made inquiries as to the manufacturing requirements for mobile homes under these regulations, but as of May 1, 1987 no loans have been under this new program in Tennessee.

Roger P. Sindt and Donald C. Guy authors of an 1985 article titled "Economics of Rural Housing: Challenges and Changes" reported that in 1960 there were 394,559 mobile homes in the rural United States; 1,261,987 in 1970; and

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[37]George Rucker, "Washington Watch: Last-Minute Housing Bill," Rural America, January-February 1984, p. 17.

2,619,363 in 1980.[38] Mortgage financing for mobile homes will most likely increase the numbers of owner-occupied mobile homes and perhaps decrease the numbers of rural substandard conventional homes.

Although the Farmer's Home Administration is the major lender in rural areas for low- to moderate-income rural single-family housing, the agency cannot satisfy the total demand for rural single-family housing mortgage assistance. The demand far exceeds the FmHA's funding allotment for housing assistance of this type. Churches, and other non-profit organizations such as The Housing Assistance Council, Rural America, and Rural Neighborhood Housing Services, have established revolving loan funds to assist rural lower income people with mortgage financing. However, resources from these sources are very limited and cannot begin to satisfy the demand for their services.

As mortgage financing is perhaps the single most significant barrier to the development of rural low- to moderate-income single-family housing, it becomes increasingly clear that government, churches, and other non-profit organizations cannot adequately meet the demand for home financing. If this problem is to be adequately addressed, it will be necessary for elected officials,

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[38]Roger P. Sindt and Donald C. Guy, "Economics of Rural Housing: Challenges and Changes," Housing and Society 12 (1985) no. 3: 156.

federal, state and local housing agencies to become more interested and active in developing solutions to the needs of this sector of the population. This will entail a relaxation of federal minimum property standards for the development of lower cost, smaller homes, the development of a significant number of public-private lending partnerships, an increase in the number of rural housing rehabilitation loans and/or grants through public and private programs, and the reevaluation of present rural housing assistance programs, their administration, implementation and delivery.

## B. Rural Low- To Moderate-Income Americans: Selected Characteristics and Trends

### Poverty

The lay person tends to define poverty in terms of the amount of government assistance and/or income received annually. However poverty is not a term so easily defined. It is widely reported and generally accepted that poverty cannot be defined in absolute terms, thus any definition can be labeled subjective. This is due to the multiplicity of factors used by various federal, state, and local agencies to determine poverty status, i.e., the amount of money income received annually, household size, the annual median

income level, and the Consumer Price Index, (measurement of the changes in prices of goods and services) etc.

Thus while there is no universally accepted federal definition of poverty, the term is based on three basic elements offered by Mollie Orshansky of the Social Security Administration in the late 1950s.

> First, the amount of income required for food for families of different size and composition was defined to be the cost of an economy food plan developed at the Department of Agriculture. Second, for families of three or more, the amount of income required for nonfood items was defined to be twice the amount required for food (a higher multiplier was used for one and two person families). This figure was based on the Food Consumption Survey which measured the amount spent on food during a seven day period in the spring of 1955. The survey found that, for families of two or more persons, the average annual rate of food expenditures was one-third as great as average 1954 money income after taxes. Finally, the poverty-thresholds were made to vary by whether or not the family was a farm family.[39]

The three elements listed above remain in use to measure the incidence of poverty. The poverty thresholds are updated annually to reflect the change in the Consumer Price Index. The incidence of poverty is determined by the relation of family size and income to the appropriate poverty threshold.

The most recent annual poverty guidelines (1986) reveal that a family of four with an annual income of $11,000 was poverty-stricken.

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[39]U.S. Department of Health, Education, and Welfare, The Measure of Poverty, by Jack McNeil, Technical Paper XVII (Washington, D.C.: Government Printing Office, 1976), p. 1.

One trend which has emerged from 1980 Census data is the increase of poverty among rural Americans. Despite the numerous federal programs designed to reduce the rate of poverty, there remain millions of people who lack the wherewithal to rise above this level of existence. In rural areas, poverty grips a disproportionate number of people. In 1979 the nonmetropolitan (rural) poverty rate was 15.6 percent.[40] In 1982 the nonmetropolitan poverty rate was 17.8 percent.[41] By 1983 that figure had risen to 20.8 percent.[42] Table III illustrates the poverty situation by race and residence for 1979 and 1983.

Median Income

As has been widely reported, urban income has generally been significantly higher than income in rural areas. Moreover, rural median income consistently falls below the national average. The March-April, 1984 issue of Rural America reports that:

> Rural income, . . . slipped by comparison with cities, after peaking and leveling off 10 years ago. In 1973, the median income of nonmetropolitan families was 80

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[40]"Washington Watch." Rural America, September-October 1984, p. 18.

[41]Housing Assistance Council, Taking Stock: Rural People and Poverty from 1970 to 1983 (Washington, D.C.: Housing Assistance Council, 1984) p. 7.

[42]"Washington Watch." Rural America, September-October, 1984, p. 18.

TABLE III

OFFICIALLY RECOGNIZED POVERTY BY RACE AND RESIDENCE 1979 AND 1983

| | 1979 | 1983 | CHANGE | 1979 | 1983 | CHANGE |
|---|---|---|---|---|---|---|
| METRO CENTRAL CITIES | | | | | | |
| ALL | 11,166 | 14,190 | +27.1% | 16.3% | 19.7% | +3.4% |
| BLACKS | 4,532 | 5,780 | +27.5% | 29.9% | 35.4% | +5.4% |
| HISPANICS | 1,978 | 2,590 | +30.9% | 26.8% | 33.6% | +6.8% |
| OTHERS | 4,656 | 5,820 | +25.0% | 10.1% | 12.1% | +2.0% |
| METROPOLITAN SUBURBS | | | | | | |
| ALL | 7,903 | 11,070 | +40.1% | 8.0% | 10.7% | +2.7% |
| BLACKS | 1,307 | 1,560 | +19.4% | 22.3% | 24.6% | +2.3% |
| HISPANICS | 931 | 1,290 | +38.6% | 17.7% | 23.5% | +5.8% |
| OTHERS | 5,655 | 8,220 | +45.1% | 6.5% | 9.0% | +2.5% |
| NONMETRO AREAS | | | | | | |
| ALL | 8,324 | 11,640 | +39.8% | 15.6% | 20.8% | +5.2% |
| BLACKS | 1,810 | 2,230 | +23.2% | 39.4% | 45.0% | +5.6% |
| HISPANICS | 462 | 620 | +34.2% | 27.5% | 35.4% | +7.9% |
| OTHERS | 6,052 | 8,790 | +45.2% | 12.8% | 17.8% | +5.0% |
| ALL AREAS | | | | | | |
| ALL | 27,393 | 36,900 | +34.7% | 12.4% | 15.9% | +3.5% |
| BLACKS | 7,649 | 9,570 | +25.1% | 29.9% | 34.6% | +4.7% |
| HISPANIC | 3,371 | 4,500 | +33.5% | 23.5% | 30.1% | +6.6% |
| OTHERS | 16,373 | 22,830 | +39.4% | 9.1% | 12.1% | +3.0% |

Source: Rural America: The Voice for Small Town and Rural People, vol.9, no.5, September-October 1984.

> percent that of metropolitan families. The figure stayed about the same until 1981, when the nonmetropolitan median slid back to 78.5 percent of the metropolitan.[43]

In 1980, rural median household income was $15,349 as compared to the urban median household income of $19,042.[44] A closer look at rural median income shows that in 1980 the rural median homeowner's was $17,600; $10,400 for rural renters; $12,600 for rural mobile home owners; and $8,700 for rural mobile home renters.[45] Table IV illustrates the difference in median income for the years 1977, 1980 and 1983 for metropolitan (urban) and nonmetropolitan areas.

Unemployment

As the rate of poverty among rural Americans remains consistently high, the rate of unemployment is consistently high. It has been well documented that poverty affects rural Americans disproportionately. In 1980, 156 of the 161 poorest counties were located in rural areas.[46] Rural employment grew at one-half the rate of urban employment

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[43]Paul Wesslund, "More Unemployment in Rural Areas," Rural America, March-April 1984, p. 5.

[44]"Washington Council, Taking Stock: Rural People and Poverty, p. 54.

[45]Housing Assistance Council, Taking Stock: Rural People and Poverty, p. 54.

[46]Rochelle L. Stanfield, p. 1933.

TABLE IV

METRO AND NONMETRO INCOME

1977, 1980 AND 1983

| MEDIAN HOUSLHOLD INCOME: | ALL AREAS | METRO AREAS | NONMETRO AREAS | NONMETRO AREAS AS % ALL |
|---|---|---|---|---|
| 1977: | $13,572 | $14,611 | $11,861 | 87.4% |
| 1980: | $17,709 | $19.042 | $15,349 | 86.7% |
| 1983: | $20,855 | $22,415 | $17,692 | 84.7% |
| CHANGE 1977-1980 | +30.5% | +30.3% | +29.4% | -0.7 |
| CHANGE 1980-1983 | +17.9% | +17.7% | +15.3% | -2.0 |

Source: Rural America: The Voice for Small Town and Rural People, vol.9, no.5, September-October 1984.

between first quarter 1981 and first quarter 1984.[47] On the average rural wages tend to be lower. There tends to be fewer industrial and manufacturing jobs in rural areas, and higher numbers of service sector and seasonal jobs, which tend to employ workers on a part-time basis rather than full-time.

## Government Assistance

The literature reveals that rural people were less likely than their urban counterparts to receive government assistance. Reportedly, in rural areas there are less female-headed households, (24.6 percent), more families where both parents work, and a lower number of families who receive more than one type of government assistance.[48]

In 1979, 23 percent of America's rural poor families received general assistance, (which includes Aid for Families with Dependent Children (AFDC), Social Security Supplemental Income (SSI), and General Assistance (GA)) as compared to 36 percent of urban poor families.[49]

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[47]"Washington Watch: Rural America Attacks USDA Report at Congressional Hearing," Rural America, July-August 1984, p. 26.

[48]Housing Assistance Council, Taking Stock: Rural People and Poverty, p. 23.

[49]Ibid.

## Infrastructure

The literature reveals that rural public facilities and infrastructure tend to be underdeveloped, and/or generally inadequate. In the publication Taking Stock: Rural People and Poverty from 1970 to 1983, the inadequacies of rural infrastructure are discussed in some detail. The following is a brief excerpt from this report.

> Rural infrastructure needs are considerable. In particular, problems of water supply and sewage disposal have a much greater immediacy for rural than for urban households. Although plumbing equipment has increased, there are indications that water supply facilities may have suffered a net deterioration in recent years. Cornell University, under contract with the Environmental Protection Agency, reported its findings in 1982 from a survey of 2,654 households representing 22 million rural households. Its National Statistical Assessment of Rural Water Conditions had found that almost two-thirds of all rural households had water judged unacceptable for at least one major contaminant, with coliform bacteria the most common contaminant. . . . About 370,000 rural households hauled water on a regular basis from off-premises supply.
>
> The contamination of drinking water with coliform bacteria is one indication that residential sewage disposal capability is inadequate. According to the Annual Housing Survey, in 1980 18 million or more than two-thirds of rural households relied on septic tanks and cesspools for sewage disposal; another 937,000 used undefined means other than sewer, septic tank, or cesspool. . . .
>
> The recently released USDA report on the National Rural Community Facilities Study reinforces the findings in the EPA report, while it shed some light on regional variations in the inventory of community facilities. The authors find from a nationwide sample survey of nonmetropolitan communities that more than half (59%) of those in the North Central region and 45% of those in the Northeast have no public water supply, . . . In addition, more than three-fourths of the North Central

> and two-thirds of the Northwest communities were not served by a wastewater treatment plant. On the other hand, while the South had proportionately more wastewater treatment facilities, they were used least by the local population: "by far the largest portion of those using on-site disposal methods lived in the South, where there were more than 13 million people with the service area of an existing plant, yet not connected to it."
>
> The survey also inventoried hospitals, fire protection, local roads, streets, and bridges. While it did not assess the adequacy of facilities, the report found significant regional variations in their availability.[50]

## The Availability of Credit

The literature reveals that one reason rural lower income people tend to experience difficulty in obtaining mortgage financing is that rural bank deposits per capita are significantly lower than urban bank deposits per capita.[51] The National Journal reports that "rural areas have nearly 30 percent of the population but only 15 percent of the savings."[52] Coupled with the hesitancy of rural banks to provide mortgage financing to rural lower income homebuyers, due to their propensity for lower risk financial ventures, it is clear that credit availability is restricted for this sector of rural America.

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[50]Housing Assistance Council, Taking Stock: Rural People and Poverty, pp. 31-32.

[51]"Washington Watch: The Credit Gap," Rural America, Fall 1982, p. 4.

[52]Rochelle L. Stanfield, p. 1936.

General Housing Trends

Housing problems in urban areas continue to receive the lion's share of attention and funding. It is surmised that this is due to the visibility of inadequate and substandard housing in urban America, while rural substandard housing (which tends to be less visible) continues to deteriorate. The National Journal reports that in 1980 there were 1.9 million rural substandard homes.[53] The following is a brief excerpt from The Housing Assistance Council's recent publication titled Taking Stock: Rural People and Poverty From 1970 to 1983 which documents general housing trends in this sector of America.

> The number of rural occupied housing units increased by 25% during the 1970's, from 15.9 to 19.8 million.
>
> The number of occupied rural mobile homes increased by 83% from 1.26 to 2.30 million.
>
> The number of occupied rural units which were substandard (lacking complete plumbing or overcrowded) declined by two-fifths from 2.88 million to 1.67 million.
>
> There were 1.3 million fewer rural occupied units lacking complete plumbing in 1979 than in 1969.
>
> Rural areas continued to have a disproportionate share of inadequate housing and water and sewer facilities. Specifically, with a fourth of the occupied units, they had:
>
> > a third of the substandard units;
> >
> > over half of those lacking complete plumbing;

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[53]Ibid., p. 1934.

> three-fifths of those with inadequate heating equipment and "uncomfortably cold";
>
> 94% of the units with no acceptable means of sewage disposal (public sewer, septic tank or cesspool);
>
> 95% of the units without an acceptable source of water (public system or well).[54]

C. Alternative Mechanisms for the Development of Rural Low- to Moderate-Income Owner-Occupied Single-Family Housing

Homeownership: The Dream and the Reality

Americans strongly believe that homeownership "is the superior form of tenure."[55] One axiom which tends to hold true in this country from generation to generation is: To become a homeowner is to fulfill the American dream.

> A 1975 Roper poll asked participants to choose components of "the good life" from a prepared list. Fully 85 percent of Americans interviewed considered homeownership part of that life.[56]

Yet for many low- to moderate-income rural Americans fulfilling the American dream remains elusive.

> In 1975, the average-priced new single family home cost $44,600, and the contract interest rate for a

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[54]Housing Assistance Council, Taking Stock: Rural People and Poverty, p. 82.

[55]U.S. Department of Housing and Urban Development, Office of Policy Development and Research. The Center for Urban Public Policy Analysis Co-Operating. Occasional Papers in Housing and Community Affairs, Vol. 2, Washington, D.C.: U.S. Government Printing Office, 1979., p. 2.

[56]Ibid.

> conventional first mortgage averaged 8.75 per cent. With an 80 per cent mortgage and housing cost at 25 per cent of income, a family in 1975 would have needed a down payment of $8,920 - 65 per cent of median family income that year - and, on a thirty-year mortgage, would have had a monthly mortgage payment of $280.69, which in turn required a minimum annual income of $13,473 - 2 per cent below the nation's median family income that year.
>
> In 1981, the average-priced new single family home cost $94,100, and the contract interest rate for a conventional first mortgage averaged 14.1 per cent. With an 80 per cent mortgage and housing cost at 25 per cent of income, a family in 1981 would have needed a down payment of $18,820 - 84 per cent of median family income that year - and, on a thirty-year mortgage, would have had a monthly mortgage payment of $897,93, which in turn required a minimum annual income of $43,101 - nearly double the nation's median family income that year. . . .[57]

In 1980 the average price of a rural single-family home was $47,000.[58] The median price of all types of homes increased from $65,000 in 1983 to $75,000 in 1985.[59] This represents a 15 percent increase in two years. For many rural low- to moderate-income Americans the cost of homeownership is simply too great. Financing, interest rates, taxes, and maintenance costs have priced rural Americans in this income bracket out of the homebuying market.

Skyrocketing prices have placed homeownership well out

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[57]Chester W. Hartman, ed., America's Housing Crisis What is to be Done? Boston: Routledge and Kegan Paul, 1983, pp. 18-19.

[58]Rochelle L. Stanfield, p. 1934.

[59]"U.S. Percentage of Home Ownership Hits 17 Year Low," Knoxville News-Sentinel, 15 January 1986, Sec. B, p. 6.

> of reach for millions of families both low- and moderate-income. Interest credits would help make a new home affordable for a family earning $11,200 per year, but even a one percent interest rate is too high for a low-income family. With interest at one percent, a family of four needs to earn $10,800 per year to be able to afford a home which costs $33,600 (the average Section 502 home price as of March 1980).[60]

With an average price of a rural single-family home of $47,000 in 1980, and the rural median income of $15,349 in 1980, the problem is one of affordability. National housing policy clearly favors people in the higher income brackets. Thus for low- to moderate-income rural people, seeking to become first-time single-family owners of conventional housing, affordabilty is a key issue.

While there is much information on lowering housing costs, only minimal information and data is available on lowering the costs of housing so that it is affordable for rural low- to moderate-income people.[61] In recent years there have been innovative ideas that address this issue. The following discussion will address two housing innovations that lower housing cost to the point where rural low- to moderate-income people can afford to buy a new home. The two housing innovations are: The Community Land Trust, and the Kentucky "Warm and Dry" Home.

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[60]Housing Assistance Council, HAC Viewpoints: The GAO Report, p. 4.

[61]Housing Assistance Council, Summary and Findings from the Seminar on "Affordable Housing in Rural Areas," p. 1.

The Community Land Trust

A community land trust (CLT) is a non-profit organization that acquires land either by donation or purchase to hold for community or individual use. The CLT retains title to the land, but offers a lifetime, inheritable, or 99 year renewable lease to families or individuals, for which the CLT receives "a regular fee - based upon "use value" rather than "full market value" of the land - . . . ."[62] The CLT is generally administered by a board of trustees, elected by residents, and other interested parties to serve limited terms, thus ensuring that the community retains control of the organization and the land held by the organization.[63] The over-all purpose and general goal of the CLT is to remove land from the speculative market and use the land for the "common good" of the community.

There are a variety of uses for the CLT. Many communities have utilized the CLT in order to protect open space, to develop community gardens, or to preserve agricultural and other fragile lands. However, the CLT has been most instrumental in providing land for housing development in rural areas. This has been made possible

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[62]Institute for Community Economics, The Community Land Trust Handbook, p. 18.

[63]Ibid.

because the CLT does not require the leaseholder to make a downpayment on the land, nor do they need conventional financing to gain access to the land.[64] Many CLT's in rural as well as urban America have been able to secure grants and loans from public and/or private sources to build affordable housing for many families of low- to moderate means.

The CLT approach to land development is relatively new in America. The concept began to gain recognition in this country in the late sixties. Robert Swann and Ralph Borsodi are credited with introducing the CLT idea to the U.S. Borsodi was successful in establishing international communities based on the CLT model. The International Independence Institute was established by Swann and Borsodi in 1967, and evolved into the Institute for Community Economics of Massachusetts.[65] The institute is committed to assisting communities in solving land tenure problems and promoting the CLT model of developing land for the common good of the community.

## The Kentucky "Warm and Dry" Home

The Kentucky "Warm and Dry" home is a "small, warm,

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[64]Ibid.

[65]Ibid.

dry, no frills, energy-efficient, low maintenance"[66] home built for lower income rural people. This home was developed by the Federation of Appalachian Housing Enterprises, Inc. (FAHE) of Manchester, Kentucky. FAHE is a non-profit organization which serves the Central and Southern Appalachian region and is composed of fourteen community based housing development corporations.[67] Dwayne Yost is president of the organization.

The "warm and dry" home was initially developed to provide affordable single-family housing for thousands of rural people in Kentucky who could not qualify for any type of federally subsidized loans, including FmHA loans because of their low annual income - $6,500 or less.[68]

The Federation of Appalachian Housing Enterprises, with the help of the Kentucky Housing Corporation (KHC), a state housing finance agency, developed seven "warm and dry" homes to demonstrate that the homes were livable and affordable. This demonstration project was completed in August 1982. Since then local builders have incorporated many of the features of the "warm and dry" home into their building plans. In 1985 the average price of a home built by non-profit companies affiliated with the Federation of

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[66]Housing Assistance Council, Summary and Findings from the Seminar on "Affordable Housing in Rural Areas," p. 3.

[67]Ibid., p. 9.

[68]Ibid., p. 11.

Appalachian Housing Enterprises was $26,000, and the average monthly payment was $110.[69] These costs include the land and the utilities.

The development of these homes and the financing provided by the Kentucky Housing Development Corporation to low-income families has made homeownership possible for many rural people who otherwise would not have this opportunity.

Clearly housing affordability is a major problem for rural low-to moderate-income people. The "warm and dry" home addresses this problem. In developing this home the FAHE defined the following as criteria in determining the affordability of the home:

> 1. Affordability was defined as costing a family no more than $100 per month for principle, interest, utilities, taxes, and insurance for a one-bedroom house. A formula was established to increase that base figure by $10 a month per bedroom for larger families: for example, $110 for a two-bedroom, $120 for a three-bedroom, etc. These figures exclude land costs.
>
> 2. Once the house met this threshold affordability criteria, the following factors would have to be considered: indoor plumbing would be required; the house should be expandable at minimum upfront or future costs; conventional materials and techniques should be used; the house should meet or exceed FmHA thermal requirements; houses requiring less money to heat would be chosen over those with more expensive heating requirements; and those house designs that deviated from the MPS or other building codes on items that could be changed would be chosen over house designs deviating in ways that might never be changed.[70]

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[69]"Rural Housing," Knoxville New-Sentinel, 22 September 1985, Sec. F, p. 6.

[70]Housing Assistance Council, Summary and Findings from the Seminar on "Affordable Housing in Rural Areas," p. 9.

The "warm and dry" home generally has from 540 to 816 square feet, depending upon the number of bedrooms.[71] They have "double 2" X 4" walls, with 24" on center framing members and the deletion of headers on window openings and interior partitions."[72] The "warm and dry" home has been called superinsulated. The floors, walls, and ceilings are constructed with a continuous vapor barrier.[73] There is a minimum of R-40 in the ceiling, "and an air-to air heat exchanger or fan system to provide proper circulation for the totally air-sealed house."[74] The homes have "solar booster" capabilities such as southern-facing thermal windows and no windows on northern-facing walls."[75] Also the kitchen and bathroom facilities are back to back "to permit placement of all plumbing in one wall section."[76]

The author has mentioned the difficulties encountered by designing the "warm and dry" home to meet federal minimum property standards. FmHA did provide assistance to FAHE for the development of a "warm and dry" home for demonstration purposes through its Section 502 program. Yet FmHA has not agreed to provide financing mechanisms on a larger scale to

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[71]Ibid., p. 3.

[72]Ibid.

[73]Ibid.

[74]Ibid.

[75]Ibid.

[76]Ibid.

assist in the sale of the "warm and dry" home, primarily because the home does not meet federal minimum property standards. FAHE along with its member builders have raised monies primarily from the Kentucky Housing Corporation and religious organizations to establish a financing program.

The development of smaller, lower cost homes developed by innovative rural designers and builders has provided the opportunity for many rural people of low- to moderate-income to own a home. Yet without affordable financing mechanisms and a change in the federal minimum property standards as presently prescribed, homeownership will not be possible for many rural people in this income bracket.

The federal minimum property standards are said to be restrictive when applied to a smaller, lower cost home such as the "warm and dry" home. For example: The standards require that the main bedroom be 120 square feet, the secondary bedrooms 80 square feet, and a three-bedroom house should have 425 cubic feet of storage.[77] The "warm and dry" home would have to incorporate these features to meet the standard. These changes would increase the price of the "warm and dry" home, thus the home would be less affordable for rural lower income people.

Federal minimum property standards impede the development and sale of smaller, low cost homes designed to

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[77]Ibid., p. 28.

provide homeownership opportunities for low- to moderate-income rural Americans. Financing on a larger scale has not been available from the FmHA, because these homes do not meet federal minimum property standards, principally due to the size and space requirements promulgated by the federal standards. Clearly changes are needed in the federal standards.

# CHAPTER IV

## THE CLAIRFIELD EXPERIENCE

This chapter focuses on the mechanisms utilized by the community to provide single-family housing opportunities for some of the low- to moderate-income residents of Clairfield. This chapter details this community's efforts to establish, finance, and manage a community land trust organization for the purpose of acquiring and developing land for the common good of the community.

### A. The Woodland Community Land Trust: Origins and Actors

The Central region of Appalachia has long been known for its chief industry--coal mining. In the small Central Appalachian community of Clairfield coal mining (underground and strip) is the community's only industry.

Historically, residents of Clairfield and its surrounding valleys and hollows, have had little or no control over the development of their community due to corporate absentee ownership of vast amounts of coal-rich land and mineral rights. Land was plentiful for mining purposes, but in short supply for the development of housing or locally owned businesses.[1]

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[1]Institute for Community Economics, The Community Land Trust Handbook, (Boston: Institute for Community Economics, 1982), p. 51.

It is widely reported that corporate absentee landowners control 80 percent of the land in Clairfield and over 40,000 acres of land that surrounds the small community.[2]

Mike Clark, affiliated with the Highlander Center in New Market, Tennessee, (the organization which prepared the Appalachian Land Ownership Study) offers this opinion:

> "Every problem Appalachia has - mine safety, black lung, strip-mining, pollution, the decline of farming, floods, substandard housing, welfare, every single problem - can ultimately be traced back to the question who owns the land."[3]

Today many of the deep mines which once provided steady employment for Clairfield residents are now depleted. Strip mining has replaced underground coal mining.

Acquiring land for community purposes rather than corporate purposes has long been a major problem for the residents of Clairfield. Addressing that problem has involved years of community activism and persistence--activism and persistence which began formally in 1967 and gave birth to the Woodland Community Land Trust in 1978.

Marie Cirillo, a former Glenmary Catholic nun and 18-year veteran of Appalachian community organization activity in the Clairfield community, is credited with introducing the concept of the land trust to this region of the United States. (West Virginia, Virginia, Kentucky, and Tennessee)

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[2]Ibid.

[3]Ibid., p. 5.

In 1970 she was instrumental in bringing Robert Swann, (co-founder of the first land trust organization in the United States) to a community land trust symposium held in Knoxville.[4] Despite the initial enthusiasm regarding the land trust idea as a possible solution to the acquisition of land for community purposes, residents of Clairfield did not respond to the idea until 1977.[5]

During the year 1977 Central Appalachia experienced massive flooding. Many homes were destroyed. Loans for rebuilding were unattainable, primarily because much of the property had been located on floodplains. This intensified the search for available land. Marie Cirillo remembers:

> "People had lost their homes because of the flood and couldn't build new homes because they couldn't find land for them outside the floodplains. Even the emergency trailer homes that the government provided sat on the highways for lack of a place to put them. I saw the consciousness of 'no land' was reaching a height," she said. "It was time to introduce a way to systematically get back real estate."[6]

It was then that many of the people in the Central Appalachian areas of West Virginia, Tennessee and Kentucky affected by the flood began to speculate that strip mining may have intensified the damage caused by the flooding. Ms. Cirillo is of the opinion that the flooding provided "a

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[4]Ibid., p. 52.

[5]Ibid.

[6]Judith Gaines, "The Roses Creek Land Trust: A Model for Land Reform in Appalachia," Rural America, July-August, 1984, p. 32.

common consciousness of the land problem in Appalachia."[7]

Realizing that their troubles once again stemmed from the land, and the shortage thereof, residents began to respond to the idea of a community land trust.

> In areas like Central Appalachia, where 70 percent of the population lives in unincorporated communities, Cirillo said, the land trust gives people a way to get services that local governments often neglect.[8]

In essence, the land trust organization affords the community the opportunity to make decisions about the development of trust land, but does not inhibit private development of the land that is held in trust.

The Regional Land Trust for Appalachian Communities, Inc. was established in Tennessee as a non-profit organization in 1977. The trust secured a $7,000 grant from the Daughter's of Charity, (a Nashville based organization of Catholic nuns) to assist with initial start-up costs.[9]

The Regional Land Trust was established to acquire land, and promote the formation of community land trusts. The regional land trust does not develop land, however they do provide technical, financial, and legal assistance to

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[7]Institute for Community Economics, The Community Land Trust Handbook, p. 60.

[8]Judith Gaines, p. 32.

[9]Interview with Marie Cirillo and Mike Brown, Woodland Community Land Trust, Roses Creek Hollow, Clairfield, Tennessee, 25 May 1983.

established community land trusts.[10]

Ms. Cirillo, a member of the regional land trust's board of directors and resident of Roses Creek Hollow was aware of approximately forty-six acres of land in the Roses Creek area suitable for acquisition by the regional trust. Research revealed the owners to be a Chattanooga, Tennessee based firm. Through loans and grants from numerous non-profits and church organizations the regional trust acquired the land.

The Regional Land Trust's acquisition of the forty-six acre site proved to be the catalyst for the development of the first community land trust in Tennessee.

Although there was no formal, organized community group in the Clairfield community at the time the regional land trust was established, there was an informal working group that met regularly to discuss community issues, most notably the development and formation of a community land trust.

Upon receiving notification of the development of the regional trust and the acquisition of the forty-six acre site the group notified the regional trust of its interest in obtaining the site to establish a community land trust.

The regional trust informed the group that it would be necessary for them to establish themselves legally, assume responsibility for developing the site, as well as assuming

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[10]Institute for Community Economics, The Community Land Trust Handbook, p. 53.

the debt, before they could commit to financing the sale of the land.[11]

Realizing their inability to acquire the forty-six acre site (at that time), the group turned their attention to a seventeen acre site also located in Roses Creek Hollow. This site was originally owned by the Meltzer family, (long time residents of the Roses Creek Hollow area) but was sold to a non-profit organization for the purpose of establishing a folk school. The school burned and the land lay dormant for seven years.[12] Marie Cirillo led the effort to obtain the land for the purpose of establishing a community land trust.

The owners of the site were receptive to the idea of establishing the community land trust, realizing they had neither the expertise or the resources to develop the land. They were cognizant of the felt need in the community for land, land which would be developed for the common good of the community. The seventeen acre tract of land became the site on which the first community land trust was established in Tennessee.

After contacting a Knoxville lawyer to advise the group on matters of taxes, incorporation, and lease agreements, the Community Land Association was incorporated in 1978.

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[11]Interview with Marie Cirillo and Mike Brown, 25 May 1983.

[12]Institute for Community Economics, The Community Land Trust Handbook, p. 53.

The organization has since changed names, and is now known as the Woodland Community Land Trust. Hereafter referred to as WCLT.

In the Spring of 1980, Mike Brown joined the WCLT. A former student at St. John's University in Missouri, Brown was hired as site analyst and planner. As a resident of Clairfield explained, "Mike was the piece of the puzzle we needed."[13]

By December 1980, the WCLT was established their board of directors, and by-laws. Dorothy Meltzer was elected President of the Board, and remains so as of May 1987.

Site and land use plans for the seventeen acre site and the forty-six acre site were prepared by the staff of the East Tennessee Community Design Center, a Knoxville based public interest non-profit organization of planning, engineering, and architecture professionals and students. The site and land use plan for the forty-six acre site were required before the regional trust would turn over the site to the WCLT. The plans identified areas of the site which were suitable for roads, housing, pasture lands, gardens, orchards, and forests.

The Catholic Diocese of Nashville, Tennessee played a significant role in financing the operations and activities of the WCLT. Along with providing a modest salary for

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[13]Susan Stephenson, "Motivated Clients & Design Center," Community Design, Spring 1982, p. 2.

Ms. Cirillo's community organization activities, the church provided a $2,000 grant to the WCLT for surveying and dozing the access road to the forty-six acre site, building a culvert and preparing the land for a community garden.

In 1981 a root cellar and a solar food dryer were constructed on the seventeen acre site. Additionally, firewood gathered from both sites was provided to low-income residents of the area.[14]

By Spring 1982, WCLT had completed the prerequisites necessary for obtaining the forty-six acre site from the Regional Land Trust. For the next several months the WCLT pursued an ambitious undertaking--the development and implementation of a long-range plan for the construction of twelve economical, energy-efficient homes utilizing both land trust tracts. Their short-range plan was to secure financing and develop and construct five of the twelve homes on the forty-six acre site.

By the Fall of 1982, two of the five homes were constructed on the forty-six acres site, financing for the third secured, and the land manager hired. In April 1983, the WCLT purchased the forty-six acre site from the Regional Land Trust in an owner-financed arrangement.

The trust was unsuccessful in their attempts to secure conventional financing. Thus they sought financing from

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[14]Institute for Community Economics, The Community Land Trust Handbook, p. 55.

several non-profits and religious organizations. Low-interest loans, no interest loans, and grants were provided to the trust by such organizations as: The Catholic Diocese of Nashville, ($33,000), the Christ Church organization, ($15,000), Sisters of Loretto, a Catholic organization of Nevit, Ky., ($10,000), Sisters of Charity, a Catholic organization of Nazareth, Ky., ($12,000), the Institute for Community Economics, ($12,363), (the organization founded by Robert Swan and Robert Borsodi, to promote the formation of community land trusts), the East Tennessee Human Resource Agency ($5,000), for home weatherization, Rural American Women, ($3,000), for developing financing mechanisms, and Marie Cirillo, who donated a personal grant she received from the Lyndhurst Foundation to assist in the development of low-interest financing mechanisms.[15]

Housing Type: Selection Criteria

In determining the type of house to be constructed, WCLT officials and community residents identified two key factors which would ultimately determine the success of their long and short range plans. First and foremost was affordability. An excerpt from the WCLT grant application

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[15]East Tennessee Community Design Center, "A Self-Help Grant Application to the U.S. Department of Health of Human Services, Office of Community Services," Knoxville, Tennessee, May 1983, p. 16.

submitted by the East Tennessee Community Design Center to the Department of Health and Human Services in May 1983 helps to explain the importance of housing affordability:

> The Roses Creek Hollow is an unincorporated area along Highway 90 where a significant portion of Community Land Trust property is located. The hollow has 63 houses, 61 of which are occupied, along a 5-mile road which is steep and winding. Eleven of the households are elderly families receiving Social Security. Thirteen families receive Aid for Dependent Children. Three families have no income except food stamps. Two families receive unemployment compensation. In 31 families the head of the household is employed. Of those working, 18 are miners (mostly part time strip mining), 3 are loggers, (also part time), 2 are teachers' aids, 2 are bus drivers, and 6 are employed by community-based organizations. Three of the 63 houses were built with regular construction crews. For the most part, families built their own homes. Ten of the residences are trailers and five are log homes. Twenty of these homes have no water; thirty-one have no bathroom. The per capita income is about $1,600 per year. People survive only because they know how to find coal, cut wood, grow gardens, tinker with machinery, make moonshine, raise chickens, sew and build.[16]

The second criterion for determining the type of house to be constructed was the design. Size, cost per square foot, energy efficiency, and ease of construction were factors used to determine which designs would be constructed. New Traditions in Rural Housing for Appalachia, a publication prepared by the East Tennessee Community Design Center, reports additional factors were considered.

> The new tradition houses of rural Appalachia need to be related to old housing traditions and, also, to present and future needs for resources and energy conservation

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[16]Ibid., p. 5.

> and community self-reliance. Houses should allow for sharing with relatives when that need arises. They should provide work space for a family business. They should be built to last many years at minimum heating and maintenance cost. They should be simple enough to be built in large part by unskilled workers. They should be designed to be added to when more space is affordable.[17]

## Housing Construction

The homes constructed on trust property were built by skilled and unskilled volunteer labor and self-help builders. Self-help builders are individuals who help build the homes in which they will live.

The homes were constructed with prefabricated parts and sections. The use of prefabricated housing sections reduces construction time and minimizes the need for skilled contractors or skilled construction workers. In most instances the homes were "raised" and completely assembled in only a few days.

The homes range in size from 448 square feet to 2,016 square feet. The homes were designed to be low maintenance, and energy efficient. Many rural housing developers and practitioners refer to these types of homes as low cost, low maintenance, minimal shelter homes.

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[17]East Tennessee Community Design Center, New Traditions in Rural Housing for Appalachia, Report to the U.S. Department of Health and Human Services, Office of Community Services (Knoxville: East Tennessee Community Design Center, 1984), no page.

House #101, named the "warm and dry" home was designed by the Federation of Appalachian Housing Enterprises, Inc. (FAHE) of Manchester, Kentucky. This agency was discussed at length in Chapter III. FAHE is one of the leading non-profit designers and developers of rural low income and low- to moderate-income single-family housing in the Appalachian region.

A key feature of the "warm and dry" home is its insulation. The house features 9 1/2 inches of wall insulation, air tight wall outlets, double-pane windows, double studding, and vapor barriers in the ceiling and walls. The insulation significantly reduces heating costs. This house serves as the WCLT office.

House #102 was designed by the Tennessee Valley Authority. It has been named the "Truss Built" house. The house was "raised" on November 1, 1982. The house is partially prefabricated to lower labor costs and reduce construction time to only a few days. The house consists of 1,120 square feet, at a cost of $33.53 per square foot. The total cost of the house-$37,550.[18] The land manager and his family occupy this home.

House #103 was also designed by the Federation of Appalachian Housing Enterprises, Inc. The house is a modified version of House #101. While House #101 has 792 square feet of living space, this house has 864 square feet,

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[18]Ibid.

yet cost less to build, $22,500 versus $26,325.[19] The modifications were the brain child of the owner, Debbie Lucas. Ms. Lucas has been called a "self-help" builder because she increased her knowledge of home construction while she participated in the actual construction of her own home. "Debbie's self-help construction work represented 20 percent of the $22,500 construction cost."[20] The house was constructed with prefabricated parts and sections and was "raised" in less than seven days by both unskilled volunteers and interested professionals.

In late 1982 the WCLT received a significant boost to the housing construction program. The trust received a grant for the purpose of building a small facility to produce and store housing parts from the St. Francis Fund, a religious non-profit organization in Charlotte, North Carolina. This is significant. Trust properties are located in isolated region of Appalachia, and therefore the cost of transporting construction materials to the area is expensive. The production facility enables the organization to lower the cost of each home.

In May 1983 the WCLT applied for a Discretionary Authority Grant from the Office of Community Services of the Department of Health and Human Services. The grant proposal requested funding to assist the trust in the development of

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[19]Ibid.

[20]Ibid.

additional low-cost energy-efficient homes; funding to develop financial strategies to assist low-income rural Appalachians become homeowners; funding for the development of a comprehensive land management plan; financial assistance to renovate the existing housing production facility; and funding for the acquisition of educational and training space within an existing facility, to help educate and train community people in housing finance, home construction, timber management, land planning and gardening.[21]

These programs were designed to assist the community obtain self-sufficiency. In September 1983, the WCLT received the grant which totaled $107,300 to assist in program implementation.

By mid-summer 1986 six homes had been constructed. House #104, the Pond Hill, and House #105, the New Traditions house represent significant successes for the trust because the construction of the two homes brought to fruition the WCLT's short range plan.

The Pond Hill home, designed by the Institute of Man and Science, Rensselaerville, New York, consists of 2,106 square feet. The size of this house represents a departure from those previously constructed. This is because almost one-half of the house is used as work space for the

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[21]East Tennessee Community Design Center, "A Self-Help Grant Application," p. 2.

occupying family's quilting business. The house cost $42,565, at $21.11 per square foot,[22] and was assembled in three days.

The New Traditions house was built to provide temporary shelter for families while participating in the self-help building program. The house cost $15,800 and has 488 square feet, at $32.38 per square foot.[23] The house was built to accommodate short term housing needs.

House #106 was designed by volunteer professionals from the Knoxville based East Tennessee Community Design Center. The design of this home was adapted from the existing houses located on trust property. Although exact square footage and cost figures were not documented for publication, community design center members estimate that the house contains about 800 square feet and cost approximately $20,000 to construct.

Alternative low interest financing was provided by investment loans from several religious and non-profit organizations for the construction of the homes. They include: the Catholic Diocese of Nashville, Tennessee, the Institute of Community Economics, and the Marianist Brothers of the New York Province.

It is a well known and time honored tradition for rural

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[22]East Tennessee Community Design Center, New Traditions, no page.

[23]Ibid.

Appalachian people to help each other build their homes. The WCLT's housing program is an extension of that tradition. This is the heart and soul of the self-help housing concept.

> Organized self-help housing is hardly utopian, but it is utilitarian, because it puts to work the best that Americans have to offer--the untiring self-help impulse of the poor and the money and technical skills of the affluent. And it does work. The groups do get organized, the houses do get built, and many of the families do "take hold."[24]

The construction of the six houses on trust land utilizing unskilled community people represents years of community planning, self-reliance, and a dedication by the community to reclaim a portion of the land for community needs. This has resulted in a development plan for trust land which includes the acquisition of additional land for housing, gardening, education, recreation, and land management. The WCLT is a catalyst for community development in Roses Creek Hollow, Clairfield, Tennessee. Moreover, this has been accomplished without an overdependence upon government assistance.

## Program Operations: An Assessment of Strengths and Weaknesses

In November 1984, the WCLT program was evaluated, a

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[24]East Tennessee Community Design Center, "A Self-Help Grant Application," p. 4.

requirement of all programs that receive funding from the Office of Community Services, a division of the Department of Health and Human Services. The evaluation critiqued all aspects of trust operations. Strengths and weaknesses were identified and many of the participants in the program were interviewed. Members of the evaluation were: Robert Freeman, Team Leader, (East Tennessee Development District), Rudy Schabb, (Campbell County businessman), Loyce Smith, (Campbell County businesswoman), Jim Waggoner, (East Tennessee Local Planning Office), Phil Scharre, (Tennessee Valley Authority), and Melissa Ziegler, (Knox County Administrative Services).

Strengths of the WCLT project included the following: the comprehensive objectives and goals developed and implemented; land use and land management plans; the homes that were constructed, i.e., the homes survived the credulity test and lived up to the expectations and predictions of the designers and marketers with regard to affordability and energy-efficiency; job skills and training provided to the participants; the development of a sense of accomplishment and increased self-esteem in project participants; the ability of trust members to market the project to encourage replication in other rural areas, both nationally and internationally.

Weaknesses of the project included: developing alternative and long-term financing mechanisms for low- to

moderate-income homebuyers; frustrations encountered in dealing with institutional bureaucracies, i.e., FmHA and conventional lending institutions; inability of the project to attract more local community involvement; inability of the trust to establish a permanent mortgage financing fund; lack of expertise in fiscal management; lack of design amenities for trust properties, such as no landscaping, poor outdoor storage and living space, poor indoor natural ventilation.

Present Status

The development of a permanent mortgage financing fund and developing alternative financing strategies for low- to moderate-income homebuyers remain high priorities for the organization.[25] Without these developments a major goal of the project remains unmet. Other concerns include: obtaining 501(c)(2) tax-exempt status, (a recent addition to the tax code designed for groups and individuals that buy land to lease), increasing income production of established trust activities, job creation, and improving fiscal management.

In an attempt to develop alternative financing strategies for trust properties, officials of the trust

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[25]East Tennessee Community Design Center, New Traditions, no page.

entered into financial negotiations with officials from the FmHA's Low-Income Housing Division. The FmHA accepted housing designs, approved the applicants for mortgage financing, but failed to underwrite the mortgages primarily because the land was leased rather than sold to the prospective homebuyers. Establishing long-term mortgage financing or developing a revolving loan program for prospective low- to moderate-income homebuyers is key to the ultimate success of the WCLT's long range plan to provide additional homeownership opportunities to residents of the community. As of this writing conventional and public financing for trust housing has been unattainable. There is continuous effort to bring their housing plan to fruition.

The WCLT plans to acquire additional land to continue community development activities. Housing construction and land management are the trust's most developed enterprises. To acquire additional land the WCLT staff and board must continue to attract additional funding. To date, religious and non-profit organizations have provided substantial support. Fundraising is a continuous activity at the WCLT.

Work continues on such projects as: energy conservation, food and cash crop production, and community education. Community residents and members of the trust board believe these projects will help provide jobs in addition to helping the community become more self-sufficient. In 1985 the Presbyterian Hunger Fund provided

funds to expand the community garden. This has enabled the trust to grow many more crops and generate additional income.

The Campaign for Human Development and the Levi-Strauss and Appalachian Foundations have shown interest in trust projects. The Tennessee Valley Authority, Agricultural Extension Service, and the Tennessee Department of Conservation continue to provide technical services.[26]

## Outlook for the Future

The WCLT is a fledgling organization. Community held land as an alternative to individual ownership is a relatively new concept in America that has yet to be widely accepted. To the people of Roses Creek Hollow, Clairfield, and the Clear Fork Valley, the concept appears to be taking hold. Community education is the key to wider acceptance. Trust members agree that the organization is in need of additional members with expertise in fiscal management, fundraising, housing construction, and community and economic development and have set out to recruit such expertise.

The following excerpt from the final report of the New Traditions in Rural Housing for Appalachia project reveals the Trust's outlook for the future.

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[26]Ibid.

> The long term health of the Clear Fork Valley depends on its ability to support its residents. The intentions of the Woodland Community Land Trust are to recreate direct connections among land, housing, and employment- to take the traditions of bartering and self-help and living off the land, and turn these into income producers.[27]

B. The Model Valley Economic Development Corporation

The Model Valley Economic Development Corporation (MVEDC) is a non-profit community service and development organization located in Clairfield, Tennessee. The organization was established in 1967 to encourage community and economic development and improve social services. The corporation was formed to respond to community needs after the decline of the mining industry and the collapse of institutional services and programs. As the senior non-profit organization in the area, the organization serves as an advocate for the local citizenry.

MVEDC is perceived as a quasi-governmental agency and has long represented community interests at formal public hearings and meetings in Tazewell, the County seat. Although MVEDC has no formal governmental authority or enhanced political power, the organization is the closest facsimile to a governmental body that many of the local residents have ever known. MVEDC fills the governmental

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[27]Ibid.

void in Clairfield where no formal government exists.

MVEDC serves Campbell and Claiborne counties in Tennessee. The agency also provides many services to portions of Whitley and Bell counties in Kentucky. The 300 square mile area which the organization serves has a population of about 10,000 residents, all of whom live in unincorporated communities.[28]

Since its inception, MVEDC has helped establish the local health clinic, a used clothing store, and the community-square well in Clairfield. The organization is responsible for the development of the community square which includes a small general store and the U.S. Post Office. MVEDC also aided in the development of the new local utility district and a small legal assistance office that is located in the MVEDC building.

The agency has provided assistance to the vast majority of self-help programs and projects in their service area and the East Tennessee Community Design Center of Knoxville has provided technical assistance and development plans for many of the projects MVEDC sponsors.

There are thirteen members on the MVEDC Board of Directors. They serve for three years and can be re-elected. Shelby York is the current administrator of the organization. He has been actively involved with the

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[28]Model Valley Economic Development Corporation. "A History," Clairfield, Tennessee, no page.

organization in varying capacities for well over ten years.

MVEDC operates on a limited budget and rarely has more than one full-time employee on the payroll at any given time.[29] The vast majority of the agency's funding is derived from churches, church related organizations, and local fundraising. The agency receives no public or government funding. MVEDC relies on a small number of volunteers who work diligently to carry out the agency's programs and projects.

In response to the area's need for land and housing, the organization began a campaign to obtain land adjacent to the MVEDC office for home site development. In 1981, a land company donated fifteen acres to the organization. This donation was one of the more significant developments in the organization's history, primarily because never before had the organization received such a large donation. The MVEDC Board of Directors agreed that the agency would clear the land, hire a part-time crew and develop home sites.

By the Fall of 1983 ten home sites had been sold. The agency assisted in the selection of building materials, assisted in transportation and set-up of mobile homes and provided help with building plans. Money from the sale of the sites was used to hire additional part-time workers, purchase additional land, expand the used clothing store,

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[29]Interview with Shelby York, Model Valley Economic Development Corporation, Clairfield, Tennessee, 25 May 1983.

supplement the emergency food pantry, purchase tools and office supplies, and make needed building repairs.

Conversations with Shelby York, the agency's administrator indicate that since 1983 the agency has faced lean years. Although additional home sites have been cleared, the organization has not received additional land donations, or purchased additional land. Basic services continue, although funding inadequacies have curtailed many of the organization's plans to expand services.

MVEDC and the Woodland Community Land Trust share similar goals for their community. Both organizations share the successes and failures of seeking to improve the quality of life for community residents. Each organization has a common resource, the dedication and commitment to the community to obtain self-sufficiency. Each organization has had success based on their defined goals and objectives. Therein lies the difference. That different is one of scope and scale of operation.

Whereas, WCLT goals and objectives deal with housing construction, self-help construction, energy conservation, land management, business and job development, community and economic development and the plan and process of how to obtain each component, MVEDC goals and objectives espouse community service and citizen advocacy.

The ultimate success of any organization is determined over time. MVEDC has served their community for nearly

twenty years. The following excerpt reveals the key to success for both organizations.

> The greatest assets of the Clear Fork community lie in the strength of the people who have continued to make it home. The traditions of self-reliance within the structure of families and neighbors is the basis for community development, and attempts to improve the Clear Fork Valley should begin with an understanding of the ways of living which are part of and reflect the area. It is intended to build additional resources within the community and also to generate resources from outside to create a self-sustaining and locally managed system.[30]

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[30]East Tennessee Community Design Center, New Traditions, no page.

# CHAPTER V

## THE JELLICO EXPERIENCE

This chapter focuses on the Jellico Housing Authority, the public housing authority in Jellico. This chapter reviews the mechanisms utilized by this agency to provide homeownership opportunities for some of the City's low- to moderate-income residents.

The Jellico Housing Authority was chartered on May 1, 1954. The agency is authorized by the United States Department of Housing and Urban Development to administer the public and subsidized housing programs promulgated by the federal government to income-eligible residents of the City. The agency primarily serves low-income individuals and families.

Housing authorities are created in Tennessee under the Housing Authorities enabling legislation of 1935. The legislation grants each local housing authority wide powers in the development, construction, rehabilitation and administration of federally subsidized housing and a variety of development projects in their respective jurisdictions. The Jellico Housing Authority is primarily involved in the administration of government subsidized rental properties.

As of the second quarter 1987 the housing authority managed 270 rental housing units and maintained a vested interest in various development plans and projects,

including the day-to-day administrative duties required for monitoring the sale of lots in the City's first subdivision planned and developed to provide homeownership opportunities for primarily low- to moderate-income homebuyers. The development is known as the Crouches Creek Housing and Redevelopment Neighborhood Project.

A. Housing Subsidies

Of the 270 housing units managed by the housing authority, 123 are low-rent public housing units for families and 147 are Section 8 rental units for the elderly and handicapped. The U.S. Housing Act of 1937 created the public housing program. Under this program, the tenant is provided a rent subsidy based on several factors, including the total amount of household income, household size and a U.S. Department of Housing and Urban Development rent formula. The formula is based on several factors, but primarily the local community median income. The income of tenants residing in public housing units tends to range from below 50 percent to 80 percent of the community median family income. The local housing authority retains ownership of the public housing units.

Section 8 housing units are government subsidized and regulated units. There are two types of Section 8 housing, single-family and apartment. Unlike public housing units, the Section 8 housing unit is privately owned. Generally the tenant residing in Section 8 housing pays 30 percent of

the net household income or 10 percent of the gross household income for rent, whichever is greater. Rent is determined by household size and income. The rent subsidy is paid directly to the landlord. As with the low-rent public housing program, the local housing authority acts as the agent of the federal government, in that it is the housing authority's responsibility to ensure that the landlord is in compliance with all regulations which govern this housing program.

For the past 17 years the Jellico Housing Authority's director has been Joe Brown. In addition to his responsibilities as the agency's director, he also serves as a leader in the City's community and industrial development activities. He continues to play an active role in seeking the development of an airport for the City. He works closely with the Jellico Planning Commission and serves as an advisor to the Mayor and City Council.

Over the years Mr. Brown has worked closely with Lee Kribbs, Vice President with the engineering and planning firm of Barge, Waggoner, Sumner, and Cannon Inc., and long time technical consultant to the City of Jellico. He has been widely mentioned in planning circles as the architect of the City's redevelopment. Additionally, staff members from the Knoxville office of the Department of Housing and Urban Development, the Knoxville based East Tennessee Development District, and Tennessee State Local Planning

office acknowledge Lee Kribbs as the brain trust behind the economic survival and continuous redevelopment of Jellico. Both men are noted for their efforts in the planning and development of the Crouches Creek subdivision project.

## B. The Crouches Creek Housing and Redevelopment Neighborhood Project

Jellico does not have an abundance of developable land. In fact, development in Jellico is significantly limited due to the steepness of the city's topography and its vulnerability to periodic flooding. Well over one-half of the City's total acreage is predisposed to these conditions. In some areas of Jellico slope surpasses twenty percent; while in other areas flooding is prevalent; and in much of the City the soils are of the types that resist percolation. Thus, reclamation and redevelopment of the land is a necessity if the City is to realize its planned redevelopment goals. The Crouches Creek Housing and Redevelopment Project enabled the City to revitalize a blighted residential area and provide single-family housing to families of low- to moderate means who otherwise would have no such opportunity.

By the early 1970s the City's less affluent residential areas were in decline. Since the early 1950s the Jellico

Housing Authority had received thousands of federal dollars to develop and rehabilitate low rent public housing units, but little federal money and no state or local money to adequately address the decline that was occurring in the lower income neighborhoods of the City.

Prior to 1975, the Crouches Creek residential area was in severe decline. The area's streets were poorly maintained. Utilities such as gas and water were either inadequate or were unavailable. Furthermore, the area was blighted by dilapidated and deteriorating housing and incongruent land uses. Prior to redevelopment, the area did not provide its residents a decent place to live.

The Crouches Creek project evolved from the City's commitment to comprehensive revitalization which began in 1963 and produced the 1966 Comprehensive Plan. The land use plan incorporated within this document identified the principles and standards to be applied for future residential development. Although originally planned for commercial business development, the City's second major planning document the Jellico Summary Plan 1974-1995 recommended that the area develop exclusively under the single-family residential category.

Providing single-family housing opportunities for persons of low- to moderate-income was not identified as a priority in the City's planning documents, as there was a

critical need for multi-family developments to house the City's low-income families, the elderly, and handicapped. Thus the lion's share of federal funding the City received for housing has been used for the maintenance and development of multi-family housing.

Although aware of the demand for low- to moderate-income single-family and rental housing, access to properties managed by the Jellico Housing Authority was restricted to persons whose incomes did not exceed eligibility guidelines. Generally persons of moderate-income did not qualify for subsidized housing managed by the housing authority as their incomes tended to be too high. Nor were they likely to obtain mortgage money from a financial institution to purchase a home because their income tended to be too low. Additionally, the housing authority manages only rental properties, thus there was no institutional arrangement available to households of low- to moderate-income to provide an opportunity for homeownership.

Prior to the redevelopment of the Crouches Creek area families of low- to moderate means who lived in single-family homes generally lived in mobile homes or substandard single-family dwellings. The reason is clear, single-family homes of standard quality were priced above their financial means.

The completion of Interstate 75 in 1972, and the 1966 and 1974 planning documents redefined Jellico's future and

significantly enhanced the City's potential to receive grants and long-term loans from the federal government. The proximity of the Crouches Creek area to the Interstate 75 interchange increased interest in both residential and commercial development.

In the early 1970s Congress enacted major legislation designed to stem the economic decay that was occurring in many cities and small towns by providing federal assistance in the form of project grants. The Housing and Community Development Act of 1974 created such programs as the Community Development Block Grant (CDBG) and the Urban Development Action grant (UDAG). These programs are administered by the Department of Housing and Urban Development (HUD). Although Congressional funding for these programs has been greatly reduced since 1980, the Community Development Block Grant and the Urban Development Action Grant were once the cornerstones of federal assistance for financing community development projects.

Major improvements to the Crouches Creek area began in 1975. That year the City received Community Development Block Grant (CDBG) funding to extend water and sewer lines along Crouches Creek Road, the major arterial which carries the largest volume of traffic to and from the area.

The UDAG program, created in 1974, was designed to combat severe deterioration and stimulate private investment within a project area. Among the criteria used to determine

eligibility were the provisions that the applicant provide verifiable documentation that the project would benefit persons of low or moderate income and proof of private investment in the project.

Knowledgeable of the potential benefits the UDAG program could provide to the City, Lee Kribbs worked closely with City officials seeking recommendations and strategies to assist the City obtain UDAG funding to aid in its redevelopment efforts.

Of major interest to many involved in this process was the poor condition of many of the homes in Jellico and the shortage of quality, affordable housing. Jellico has generally experienced a shortage of housing, especially standard quality housing, rental and owner. Census of population information for 1970 reported that the City's vacancy rate that year was 1.1 percent, with 24.1 percent of the housing classified as substandard.[1]

In 1974 Roger Wallace, President of Carwood Industries, a clothing manufacturer and the City's major employer, announced plans to build a new manufacturing facility and hire an additional 80 persons. However, Roger Wallace and other Carwood officials voiced concern regarding the lack of affordable housing available in the City for the new

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[1]Barge, Waggoner, Sumner and Cannon, Inc., Jellico Summary Plan 1974-1995, A Report to the Jellico Municipal Planning Commission. (Knoxville: Barge, Waggoner, Sumner and Cannon, Inc., 1974), p. 41.

employees, as well as the lack of opportunities for an improved housing market.

Despite low wages, plant officials anticipated large numbers of applicants from outside the City, with a significant number gaining employment and seeking housing in Jellico. Roger Wallace notified the mayor of Jellico, Mayor Payne, of the company's firm commitment to expand, provided the City expand housing opportunities to ensure housing would be available for Carwood and employees.

In early 1975 Mayor Payne informed Roger Wallace of two important developments which could affect the company's decision to expand. First, he reported that the City had received CDBG funding to address infrastructure deficiencies in the Crouches Creek area. Second, he reported the potential for receiving UDAG funds that could be used to expand housing opportunities provided there was a strong private commitment to the project.

Due to the improvements in Crouches Creek in 1975, this area was best suited for residential development and expansion. The plan for the area's redevelopment and expansion was authored primarily by Lee Kribbs, a long time advisor to City officials.

Insofar as can be documented, Lee Kribbs is well known in political and professional circles in Jellico and Campbell County for his early work on a general redevelopment plan for Jellico as his Master's thesis in

1967. He continued to work with the City through his years as a professional planner with the Tennessee State Planning Office. His involvement with the City's redevelopment expanded after he gained employment with Barge, Waggoner, Sumner, and Cannon Inc., as he became a technical consultant to the City. Through his experience in the planning field and his exposure to the decision-making processes that govern the allocation of funds and resources on the local, state, and federal level, he developed keen insight into the development process as well as the processes by which major funding is secured to assist in the implementation of a city's development plans.

To assist in funding the redevelopment of Crouches Creek he recommended that the City apply for an Urban Development Action Grant.

The plan proposed that the City would apply for UDAG funds to acquire at least sixty-five lots of land. Twenty-eight lots would be located in the Crouches Creek area. The plan proposed that the City would make major street improvements, upgrade water and sewer services, clear and demolish dilapidated structures and relocate displaced families. Funds from the UDAG program would allow the City to leverage thousands of dollars in private funds through the construction of new homes in Crouches Creek to provide homeownership opportunities primarily for families of low or moderate-income, as well as secure the development of a

second Carwood manufacturing plant which was expected to hire an additional 80 workers. The goal of the project was to prepare Crouches Creek for immediate home site construction which would ensure industrial expansion, job creation, and strengthen the City's tax base.

As stipulated in UDAG application procedure, funds would not be committed to a proposed project devoid of private resources or commitment. The proposal to revitalize Crouches Creek received commitments that significantly increased the probability of a favorable HUD response. One commitment came from Carwood Industries, which agreed to expand its manufacturing plant if the City could improve housing opportunities. This commitment was backed by the Campbell County Industrial Development Board. The board agreed to loan Carwood Industries the money needed to expand its manufacturing plant through a $750,000 bond issue. A second commitment came from the Farmer's Home Administration. The agency agreed to provide mortgage monies to income-eligible families to build new homes in Crouches Creek.

With the support for the proposal from the community, as well as public and private commitments to the development of the project, the City of Jellico applied to the Department of Housing and Urban Development on May 25, 1978, for $434,000 in UDAG funds to assist in the redevelopment of Crouches Creek.

The grant application requested $103,000 for land acquisition, $118,000 for street and site improvements, $85,000 for water and sewer improvements, $60,000 to relocate displaced persons, $35,000 in administrative costs, $30,000 for contingencies, and $3,000 for land clearance and demolition. The Jellico Housing Authority committed $54,000 from its housing rehabilitation grant and loan fund to acquire and clear six dilapidated structures, rehabilitate ten housing units, and provide up to $1,000 to families residing in dilapidated housing units toward the purchase of a new home in Crouches Creek. The project was scheduled to begin August 1, 1978 and projected to take eighteen months to complete.

In 1978 median family income in Jellico was $5,902, with 88.6 percent of the population listed in the low-income bracket.[2] These factors were used by HUD in determining the City's "economic distress factor". Of the Tennessee cities that applied for the grant, Jellico was the only applicant to receive "two special distress points due to having the highest percent "Age of Housing" at 74.06% and poverty (sic) 35.34%".[3]

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[2]U.S. Department of Housing and Urban Development, Knoxville Office Region IV. "Staff Planning Paper: City of Jellico, Tennessee," Third Quarter 1978, no page.

[3]Letter to Fred Debrul, Acting Director, U.S. Department of Housing and Urban Development, Knoxville Office, Region IV, from Francis Payne, Mayor of Jellico, Tennessee. Jellico, Tennessee, 10 July 1980.

On August 24, 1978 the City was notified of HUD's decision to fund the Crouches Creek project in the amount requested, pending verification of Carwood's commitment to the proposed project.

On July 19, 1979 the City of Jellico entered into a grant agreement with HUD which specified how the City would proceed with the project. The agreement is also known as a "legally binding commitment". In addition, this agreement amended the original grant award from $434,000 to $350,000. In accepting the UDAG funding, the City agreed to several HUD stipulations and included the following:

> (a) Applicant (the City of Jellico) and Housing Developer shall enter into a written agreement which shall provide to the legal effect that, in consideration for the undertaking by Applicant of the activities specified . . ., Housing Developer shall:
>
> (1) Purchase from Applicant at least 65 lots of land acquired by Applicant with grant funds or on other land owned by Applicant, at a purchase price of at least $1,200 per lot;
>
> (2) Construct on said lots at least 65 single family housing units, for sale in the general sales range of $20,000 to $30,000, at a total cost to Housing Developer, including land costs but excluding any financing charges, of at least $1,500,000; and
>
> (3) Sell the housing units on a first priority basis to persons or families of low or moderate income. If unsold after 90 days, said unit(s) may be placed on the open market by the Housing Developer with the written approval of Applicant, and HUD . . . .
>
> (b) Housing Lender shall irrevocably commit a loan to Housing Developer, and Housing Developer shall accept the same, in a principal sum adequate to assure the financing for the construction by Housing Developer of the (sic) at least 65 housing units . . . at a total cost of at least $1,500,000. Said loan commitment shall include all the terms and conditions of the loan

> and may include limitation of the amount of funds on loan to Housing Developer at any single point in time, providing that such loan limitation shall not be less than $250,000. . . [4]

The agreement also stipulated that all monies from the sale of each lot sold by the City were to be placed in the housing authority's revolving loan fund to be used to provide additional housing opportunities for the people of Jellico. Lots sold to low or moderate-income families would be sold for not less than $1,200. Lots sold to higher income families were to be sold at the appraised market value.

By September 1979 Carwood Industries had entered into a legally binding contractual agreement with the City of Jellico in which the company agreed to expand its manufacturing plant, and create up to 80 permanent positions, 72 of which would pay low- to moderate-income wages.

On October 1, 1979 HUD released the UDAG letter of credit to the City. By December of that year the bidding process to select the housing developer was complete. Monroe Modular Homes Incorporated was selected to construct fifty homes, and Michael Industries was selected to construct fifteen homes. The Bank of Madisonville, Tennessee provided Monroe Modular a $250,000 "irrevocable

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[4]U.S. Department of Housing and Urban Development, "Amendment to the Grant Agreement, Urban Development Action Grant," City of Jellico, Tennessee, Applicant/Grantee, Washington, D.C., 1979, no page.

line of credit" to participate in the project. The Union Bank of Jellico provided Michael Industries a $350,000 "irrevocable line of credit" to participate in the project. A typical new home in Crouches Creek was planned to consist of approximately 1,100 square feet, with three bedrooms and one and a half bathrooms.

The bidding process to select the firms to complete the street, water, and sewer improvements began in May 1980 and sewer improvements began in May 1980. Scheduled for completion in July of that year, the reduction in the UDAG award necessitated a change in the original design for said improvements.

By mid-July 1980 major parcels of the thirty-five acres under contract for purchase had been acquired. Housing construction was well underway. Ten homes had been constructed, and six were under construction. As per contract, Carwood Industries had hired 80 new permanent employees, seventy-two of which were paid low- to moderate-income wages. Housing rehabilitation, the relocation of displaced families, and public improvements progressed slowly. However, all phases of the project were complete by January 1982, with the exception of the sale of the sixty-five lots of land for home construction. This phase of the project was scheduled for completion by January 12, 1983.

Housing construction remained slow. Despite various marketing schemes and campaigns developed by the City to

generate sales, there continued to be an average of six home lots sold per year.[5] The pace of housing construction precipitated the City's repeated requests for extensions in the project's completion date from HUD. The Knoxville Office of HUD receives all such requests and submits the staff recommendation to the Washington office. All project life extension requests have been granted.

The Crouches Creek project is also monitored by the Knoxville office of the Department of Housing and Urban Development. The agency monitors all UDAG and CDBG related activities under the Jellico Housing Authority's jurisdiction. Field investigations are performed bi-annually to ensure contract adherence, to audit accounting and bookkeeping procedures, and to inspect the quality of the homes constructed and units rehabilitated.

In October 1983 the project's principle developer Monroe Modular Incorporated filed for Chapter 11 bankruptcy to protect the company from its creditors. The rise in interest rates, the increased cost of building materials, and the slow pace of home construction contributed significantly to the company's demise. Construction in Crouches Creek lay dormant until Monroe Modular could be replaced.

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[5]Interview with William Dirl, U.S. Department of Housing and Urban Development, Knoxville Office, Region IV, Knoxville, Tennessee, 3 February 1986.

Bids were solicited to replace the financially strapped Monroe Modular. Nationwise Homebuilders was selected as the housing developer but soon thereafter faced similar financial difficulties, but avoided bankruptcy. A series of smaller locally based homebuilders has followed.

During this time the Crouches Creek project was perceived as a worthwhile, but less profit-making venture by many financial institutions. Prospective developers were unable to obtain irrevocable lines of credit. Thus, faced with the inability to make a reasonable profit, maintain a stable cash flow to satisfy payroll demands, or pay the rising cost of borrowing money, many interested developers found it too costly to commit to HUD's contractual stipulations governing the project.

When the Crouches Creek project was planned and originally approved (1978) the prevailing interest rate was a single-digit rate averaging approximately 8.0 percent. By late 1979, the period in which construction actually began, interest rates had increased significantly, averaging 11.5 percent, and continued to rise, topping 14.0 percent in late 1982. This proved to be a formidable obstacle for many of the project's participants, severely affecting the housing developer. Although the Farmer's Home Administration offered deep mortgage subsidies to income eligible households, the agency is not immune from the effects of high interest rates. Thus a higher percentage of the cost

of borrowing money was passed on to the mortgagor at the time of the loan, which raised the monthly mortgage payments and priced many low- to moderate-income families out of the homebuying market. There was no alternative but to wait for lower interest rates.

Interest rates began to decline in early 1986. That year rates of interest decreased to as low as 9.0 percent. Home construction remained sluggish. One year later, rates of interest increased slightly. While nationally interest rates ranged from 10.0 percent to 12.5 percent, the Jacksboro office of the FmHA offered eligible homebuyers willing to build on home lots available through the Jellico Housing Authority interest rates of 8.5 percent. Yet the sale of lots remained sluggish.

Also germane to this point is the fact that a very high percentage of the City's population resides in public housing and subsists on lower income levels, i.e., fixed income, such as Social Security, Aid to Families with Dependent Children (AFDC), Social Security Disability, and Black Lung benefits, etc. Additionally, the City's population is increasingly aged, with a decreasing young working age population base. Purchasing a home is simply beyond their financial capacity despite deep subsidies.

Although these factors do not definitively explain why lots sell at such a slow pace, they do provide the reader additional information which adds credulity to the assertion

that there is perhaps no single reason which adequately explains this situation. An employee of the Jellico Housing Authority reported that many families who have shown an interest in purchasing home lots simply do not have the ability to raise the $1,200 needed to finalize the sale. Of the families who can afford to purchase the home lot, many are unable to obtain mortgage financing from the FmHA due to such factors as poor credit history, insufficient monthly income, the inability to afford city and county taxes, insurance payments, or the added costs associated with routine maintenance and upkeep.

The UDAG grant provided funding for Jellico to purchase sixty-five lots of land for home construction for persons of low- to moderate-income. Twenty-eight of the sixty-five lots are located inside the Crouches Creek Subdivision. The remaining lots are located throughout the City. Of the sixty-five lots purchased by the City with UDAG funds, homes have been constructed on forty-three lots. All forty-three homes have been sold and are occupied. Twenty-three homes have been constructed in Crouches Creek. At this writing five home lots remain to be sold.

Thirteen of the forty-three homes constructed were financed by the Farmer's Home Administration, or 30 percent. The Veteran's Administration (VA), and the Federal Housing Administration (FHA), have provided mortgage insurance to homebuyers who received mortgage financing from private

institutions.

The relatively low participation rate by the Farmer's Home Administration was not anticipated. Project planners expected FmHA would finance a significantly higher number of mortgage loans from low-income households. In fact, 70 percent of the home lots sold to date have been sold to households of moderate or higher income.

## The Tennessee Housing Development Agency

The Tennessee Housing Development Agency, (THDA) is the state's housing finance agency but the agency has had no involvement in this project. The agency is able to provide mortgage loans at lower than market value rates by selling mortgage revenue bonds. The agency does not loan mortgage money directly, instead, the mortgage money is obtained from a participating lending institution.

Campbell and Claiborne counties, the two Tennessee counties involved in this study have been designated as areas of "chronic economic distress", meaning that for the purposes of this discussion the agency has determined that both areas are eligible for increased participation in the THDA program. Yet, since 1981 there has been one loan made to a resident of Jellico from THDA's single-family loan program, and since 1975 the year the agency was established, there has been no THDA participation in Clairfield. The

THDA single-family program has been active in larger communities of both counties. However, there has been little to no THDA activity in the smaller rural Tennessee communities, the areas where perhaps the need is the greatest.

Stan Houle, former chief of THDA's Market Research and Technical Assistance Department reported that there has been less participation in the more rural areas of Campbell and Claiborne Counties due to the lack of lender participation in the agency's single-family program. Additionally, he reported that the agency is dependent upon the private sector to originate loans for the single-family program.[6] It is widely agreed that such eligibility factors as income levels, credit history, building and housing codes, or the lack thereof, as well as local lending practices also affect the levels of THDA single-family participation in these and other communities.

With regard to mortgage subsidies in Crouches Creek, applications for financing assistance were submitted to the Jacksboro office of the Farmer's Home Administration. According to Jerry Amonette of the Jacksboro FmHA office, the agency required no down payment. Eligibility criteria included total family income, household size, and age of

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[6]Letter to T. Anne Kroboth, from Stan Houle, former Chief of the Tennessee Housing Development Agency's Market Research and Technical Assistance Department, Nashville, Tennessee, 27 May 1986.

household members. At the time the project was funded, (1978), total family income could not exceed $13,500.

Of the thirteen families who have received FmHA mortgage financing, the average family income at the time of the loan totalled $5,247. The median price of a single-family home financed through the agency was $35,000. There was an average of 2.6 persons per family.

As of early 1987, eligibility criteria remains much the same. Income limits are determined by an FmHA formula, utilizing the local median family income.

The Crouches Creek project, although incomplete, is well on the way to completion. With two homes under construction, as of February 1987, the project is nearing the final stages of development.

In addition to the expansion of Carwood Industries, and the creation of 72 jobs, the City has accrued many benefits from this development. The City of Jellico and Campbell County have benefited from the additional tax revenues generated by this project. Jellico has derived $2,193.62 of additional tax revenues, while Campbell County has derived $7,007.67 in additional tax revenues. This tax revenue has been acquired on a cumulative basis. Area residents enjoy the benefits from the improvements in the area's water and sewer lines and the significant difference the new streets have made for traveling within Crouches Creek. Perhaps most

importantly, the area is not the eyesore it once was and it is said to have a strong sense of community.

The Crouches Creek project has eliminated dilapidated structures and other blighting influences from a highly visible sector of the city. The project has revitalized an area otherwise destined for benign neglect. Despite the unanticipated delays in the completion of the project, the City has derived benefits that far outweigh the inconveniences of project delays. Jellico has a strengthened housing market, additional job opportunities for its citizenry, an expanded local and county tax base, added funds to the housing authority's revolving loan fund, and has strengthened the City's resolve to continue to improve planned community and industrial development efforts.

The City of Jellico in conjunction with the Jellico Housing Authority share a long history of providing subsidized rental housing opportunities for the people of Jellico in the lowest income brackets. The Crouches Creek project expands that commitment by providing the opportunity for persons and families of low- to moderate-income to become homeowners. Without the commitment from the City of Jellico and the Jellico Housing Authority homeownership opportunities for the citizens of the City in this income bracket would not exist.

# CHAPTER VI

## CONCLUSIONS AND RECOMMENDATIONS

In this final chapter an analysis of the literature search and a summary of the research is presented. Conclusions and recommendations for further study are also presented.

The purpose of this thesis has been to contribute to the literature on low- to moderate-income rural owner-occupied single-family housing. To obtain a better understanding of this subject the characteristics of rural areas which affect single-family housing development were examined; how these characteristics affect the homebuying ability of low- to moderate-income households was examined; and a study was done on recent housing developments in two rural Central Appalachian communities which provided homeownership opportunities for some of their low- to moderate-income residents.

This was accomplished by reviewing and analyzing literature in the field of rural housing, investigating two single-family housing projects under development in the study area designed to provide homeownership opportunities for low- to moderate-income households, interviewing rural housing professionals in both the public and private sectors, and interviewing leaders of the two housing projects involved in this study.

This analysis revealed that the bulk of housing research and federal assistance is concentrated in urban areas, albeit the need is just as great or greater in many rural areas due to prolonged neglect. Consequently, rural housing, particularly the development of affordable single-family housing, to provide homeownership opportunities for low- to moderate-income households receives little national, state, or local attention. Thus, much of the funding from federal, state, local, or private sources which could be used to address the housing needs of this segment of rural America is used to address problems or issues that tend to be more visible and/or are supported by a more vocal constituency.

Despite the allocation of billions of federal dollars for rural housing assistance over the thirty-seven year period since the 1949 Housing Act set a goal for providing all Americans with decent, affordable housing, widespread substandard housing conditions persist in many rural communities. This is not only true for many rural people in the lowest income brackets, but for many rural people of moderate means as well.

This thesis has shown that federal housing assistance has made a significant difference in the quality of life for many low- to moderate-income residents of Jellico, Tennessee. This thesis has also shown that there are many low- to moderate-income residents in Clairfield and Jellico,

and in other rural communities who greatly need housing assistance, but are unable to receive such assistance.

Federal rural housing assistance programs administered by the FmHA, the only federal agency mandated to address the housing needs of rural Americans exclusively, are limited in scope and designed to serve only limited numbers of very low-income, low- to moderate-income, and moderate-income households. That is, a small number of the FmHA housing assistance programs serve a small number of income-eligible rural households.

The Farmers Home Administration has one program that provides homeownership opportunities to rural income eligible households, the Section 502 homeownership loan program. This program reduces mortgage interest rates and is somewhat more responsive to low- to moderate-income homebuyers. Mortgage money is borrowed from the FmHA and repaid to the FmHA. It is not uncommon for the FmHA to lower interest rates to one-percent. The one-percent interest rate appears low, but for a family of four with an average annual income of $13,000, (widely considered in the low- to moderate range in 1986), it is unlikely that the one-percent interest rate is subsidized to the point of affordability. With the additional costs of upkeep, taxes, insurance, and utilities, it is unrealistic to assume that low- to moderate-income families could afford to purchase even the most modestly priced existing single-family homes.

Based on this author's literature search and field investigations in Clairfield and Jellico, Tennessee there appears to be two compelling reasons that tend to explain why the FmHA's rural housing subsidy programs fail to adequately address the housing needs of low- to moderate-income households. First, the FmHA is not funded at the levels necessary to adequately address the housing needs of households in these income brackets. Second, there are flaws in the design and administration of some of the FmHA's programs. The limited scope and technical restrictions of some of the agency's programs affects its ability to carry out its mission.

As an example of this assertion, the Woodland Community Land Trust (discussed in Chapter IV), was prepared to enter into a financial agreement with officials from the Low-Income Division of the FmHA to develop mortgage financing for a prospective homebuyer. The transaction was stymied by the failure of the FmHA to agree to provide mortgage financing primarily because the land upon which the home would be constructed was leased by the homebuyer rather than owned.

This thesis has shown that lower income households generally cannot afford to purchase land to build a home. The cost is prohibitive. Leasing the land upon which to build is perhaps unconventional, but, it is an option that provides a somewhat more affordable alternative.

The FmHA's remaining housing assistance programs, Section 515 rural rental assistance program; Section 504, the very low-income repair grants program, (a program which limits its application to only income eligible elderly and handicapped homeowners); Section 514, a program that provides farm labor housing loans; Section 516, the farm labor housing grant program; Section 524, the site-preparation loan program; and the FmHA's self-help housing grants programs are limited in application and do not begin to address the amelioration of rural substandard single-family housing or the delivery of adequate numbers of affordable single-family housing.

Identified in this thesis are six factors inherent to many rural communities that tend to inhibit the delivery of affordable single-family housing to low- to moderate-income households. Persons of low- to moderate-income seeking to become first-time single-family homeowners appear to be most vulnerable to these factors. They are geographic isolation, topographic difficulties, land unavailability, local building and housing codes, federal minimum property standards (MPS), and perhaps the most influential factor, the lack of mortgage financing. Add to this scenario the tendency for rural communities to lack private and not-for-profit housing organizations and the FmHA's programmatic unresponsiveness to its constituency, and it is clear why

rural low- to moderate-income people find it difficult to purchase a single-family home.

If housing subsidies are to be effective, the final cost to the consumer must be within the realm of affordability. The policies that govern federal rural housing subsidy programs tend to be impractical, in that technical specifications at times become more important than the delivery of an affordable housing unit.

Despite the flaws in the design and administration of the FmHA's housing programs, inadequate funding, and the inability of the FmHA to lower the cost of rural single-family housing to the point of affordability for the vast majority in low- to moderate-income rural Americans, the FmHA has a long history of providing limited housing assistance to the rural poor in a cost effective manner.[1]

Research into the FmHA's impact on rural communities reveals that despite major limitations, the agency's overall operations are effective, in terms of improving substandard housing conditions, keeping costs at acceptable levels, and providing low interest loans and grants to the rural poor. Despite the FmHA's shortcomings, it remains the only federal agency that provides subsidized housing assistance to this segment of rural America.

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[1]Harold O. Wilson, "Housing the Rural Poor: Why We Need the Farmers Home Administration, Journal of Housing (July-August 1986): 160.

The allocation of large sums of money for government housing subsidy programs with measurable service delivery flaws is under scrutiny. Many have come to the conclusion that the federal government will not fund the FmHA to the extent necessary to adquately address substandard rural housing, the problems of rural single-family housing affordability and availability, redesign the FmHA's program menu, or effect a change in the manner in which the agency's programs are administered. Simply stated, there is no political will to effect changes regarding these housing issues.

This thesis has shown that single-family housing can be constructed with a modicum of federal assistance, as is the case at the Woodland Community Land Trust in Roses Creek Hollow, Clairfield, Tennessee. The land trust project obtained funding from a variety of private sources. Although little state and no local funding was received, some state and local agencies provided in-kind assistance and services to this unconventional housing project. Therein lies a workable alternative for providing affordable owner-occupied single-family housing for low- to moderate-income rural people, albeit on a smaller scale.

There are innovative housing projects that are receiving national and international attention. The Kentucky Mountain Housing Development Corporation of Manchester, Kentucky, and the Woodland Community Land Trust

in Tennessee, two housing projects featured in this thesis, were selected by the U.S. Department of Housing and Urban Development on October 6, 1986 as exemplary housing projects that seek to improve housing conditions for low- to moderate-income families.

The competition focused on the provision of shelter for low- to moderate-income families, utilizing such criteria as self-help construction, developing public-private partnerships, and community and individual action. The competition was a major feature of HUD's involvement in the United Nations 1987 International Year of Shelter for the Homeless (IYSH). The Kentucky Mountain Housing Development Corporation was selected as one of sixteen national projects to win a special merit award for outstanding accomplishments in lowering housing costs to the point of affordability for rural low-income Kentuckians. Additionally, the organization was cited for its work in housing rehabilitation, home construction, and jobs creation.

Despite years of continued housing neglect and deterioration in many rural Central Appalachian communities in Tennessee, the State has yet to devise a program to address these housing ills. With federal budget cuts in agencies that have traditionally provided assistance to this area, the Farmer's Home Administration, Tennessee Valley Authority, and the Appalachian Regional Commission,

Tennessee will be forced to develop a housing assistance plan to address the state's rural housing problems. To adequately address the rural housing situation there must be a vocal and active rural housing constiuency operating at the state level.

## Areas for Futher Research

America appears destined to fail to fulfill the goals of the 1949 Housing Act. Yet, in many states there are innovative organizations and programs that are finding successful ways to lower the cost of rural housing to the point of affordability for low- to moderate-income people. This author is of the opinion that the federal government should have a role in the provision of affordable housing to people of demonstrable need. Many unanswered questions remain involving this important issue. Thus futher exploration is needed. Listed below are areas for further consideration:

1. Development of a rural housing constiuency. It is clear that an organized and vocal constiuency would heighten public and political awareness of this issue. What effect would this have on rural housing legislation? How is such a constiuency developed, funded and mobilized to effectively address rural low- to moderate-income owner-occupied single-family housing issues on a national basis? Which level(s)

of government should bear the primary responsiblitiy? Local, State, or Federal?

2. Mobile homes. Mobile homes offer rural lower income poeple an alternative to substandard housing. These homes are federally inspected and provide furnishings which allow for immediate occupancy. Research has shown that rural mobile home ownership and rentals have increased significantly since 1980. The FmHA has been directed to begin making homeownership loans for the purchase of mobile homes. What effect will this have on conventional substandard single-family housing in rural areas? Will the FmHA's Section 502 homeownership program for mobile homes receive funding in the amounts that significant numbers of income-eligible households can be served, based on program demand?

3. Mortgage financing. The lack of mortgage financing for rural low- to moderate-income people is a crucial issue in ameliorating the homeownership dilemma for this segment of Americans. What role should the federal government play to ensure credit is available for households in this income bracket? Why is the FmHA's Section 502 homeownership program (for conventional homes) underfunded to the point that service delivery is significantly limited?

4. The housing code/federal standards dilemma. Local housing codes and federal minimum property standards can add to the cost of homeownership for many rural lower income

families seeking to become first time single-family homeowners. Can codes and standards be revised to be more compatible with the development of smaller, low-cost homes?

5. Non-profit housing organizations. Many rural non-profit housing organizations have made major strides in lowering housing costs to the point of affordability for many low- to moderate-income households. Can non-profit housing organizations work in conjunction with federal rural housing subsidy programs? How have they been more successful than rural federal housing assistance programs? Should non-profit housing organizations seek local, state, and federal assistance? If not, how should they be funded?

6. The role of the states and local governments in the provision of affordable rural single-family housing. Many state and local governments have taken an active role in addressing the issue of lower cost single-family housing. However, many more have failed to address this issue. Why do so many states and local governments fail to respond? Are states and local governments more capable of resolving this issue? What is the relationship between federal, state, and local governments in addressing the issue of housing affordability for low- to moderate-income rural Americans? Improvements are needed in these relationships. How are these improvements defined?

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