

MICAH'S CREEK

HOMEOWNERSHIP OPPORTUNITY PROJECT



Athens, GA
2022

Athens Area Habitat for Humanity

In partnership with Athens-Clarke County, the University of Georgia, W&A Engineering, Lydia's Place, and other local, regional, and national sponsors



OVERVIEW

“WHAT IF WE ENABLED FAMILIES IN AN UNDER-RESOURCED SCHOOL DISTRICT TO BUY HOMES, AND MEASURED THE OUTCOMES?”

What happens when families and individuals move from housing instability to home ownership? What happens when the cost of housing is reduced from fifty or sixty percent of a household’s income to thirty percent?

Case studies and surveys indicate that moving from high-cost, unstable housing to cost-manageable homeownership not only provides an economic foothold through increased savings and disposable income, equity-building, and creation of inter-generational wealth, but also reduces stress, increases community involvement, improves educational achievement, and reduces dependence on public assistance. The planned Micah’s Creek neighborhood in Athens, GA, seeks to allow local families to achieve these outcomes, while also documenting the results through quantifiable measurements.

By documenting these outcomes, the Micah’s Creek Homeownership Opportunity Project is intended to serve as a model for similar efforts to provide homeownership opportunities in areas across the nation for populations who are currently priced out of the for-profit market by high building costs and mortgage interest rates. By focusing on these populations, such projects will not compete with private-sector builders and lenders. Rather, they will provide an alternative to open-ended multi-year public expenditures, time-limited mandates such as “affordable housing” set-asides, and top-down mandates such as mixed-income housing schemes which have not been shown to provide long-term transformational benefits.

The solution to our current housing crisis must involve the creation of more housing at permanently cost-manageable pricing. Attempts to increase the pool of buyers who qualify for mortgages cannot solve the problem, and in the absence of increased housing supply will tend to make the situation worse for low-income Americans by increasing demand (and thereby price) for available stock, as indicated by the Harvard Joint Center for Housing Studies in 2021:

“The usual homeownership-related programs, developed over decades, focus on lowering mortgage rates for more marginal-credit borrowers, increasing downpayment assistance amounts, and loosening credit requirements (e.g. allowing higher loan-to-value ratios). This all works to increase the demand for owned housing. However, ... production and supply shortages combined with the fact that housing has become a tradeable asset is likely to channel such additional demand more into higher house prices than would be expected, and not so much into the hoped-for improved affordability. The intended beneficiaries (i.e. first-time home buyers with less than pristine credit) might even, on average, end up further behind.... Different and non-traditional programs may be required to minimize this unwanted outcome.” (Layton, 2021)

Micah’s Creek and projects modeled upon it are intended to be among those “different and non-traditional” programs. It is our hope that by mid-century such projects will be considered mainstream based upon measured beneficial outcomes for families, individuals, municipalities, and states.

BACKGROUND

“WHAT HAPPENED ON THE OTHER SIDE OF DUMONT AVENUE?”

The Micah’s Creek Homeownership Opportunity Project is predicated upon case studies such as the Nehemiah Homes program in Brooklyn, NY, and research such as the 2017 “Impact of Habitat for Humanity in Georgia”.

In the 1980s, a consortium of religious non-profits purchased 16 blocks of land in Brooklyn, NY, for \$1 per lot and built homes which were sold to families living in public housing projects and rentals. The results were documented by the Opportunity Atlas, a Harvard University project which maps changes in wealth across generations:

If you zoom into parts of the neighborhood using the Opportunity Atlas, the results are unsurprising: Patches of deep red show that black kids raised on certain blocks about 30 years ago now make the same as their parents, about \$17,000 a year. But just south on the map, across Dumont Avenue, it suddenly changes to blue, showing black kids from the same exact background doing better than their parents, making around \$26,000 a year. (Garsd, 2018)

What made this case stand out was the short distance of the move, making it possible to compare outcomes for children who continued to attend the same schools, whose parents did not change jobs, and whose lives remained largely the same as those of others in their cohort with the exception of living in a family-owned home. Expansion of the Nehemiah Homes program has shown similar results, such as across “Livonia Avenue, which the Opportunity Atlas shows is one of the dividing lines between children who grew up to do better than their parents and those who did not.”

In 2016, Habitat for Humanity of Georgia sought to determine the impact of Habitat homes in our state, commissioning a survey conducted and analyzed by the Georgia Tech Center for Economic Development Research and Kennesaw State University. The results, published in 2017, found that typical Habitat homeowners in Georgia:

- Feel more financially secure, are better able to save and pay bills on time, and have more disposable income than before;
- Are able to reduce or entirely eliminate their need for public benefit programs;
- Rate their kids’ grades as good or excellent and are confident they will attend college;
- Get along much better as a family and are more optimistic about the future;
- Participate more actively in their community.

The Micah’s Creek Homeownership Opportunity Project’s partnership with UGA’s Financial Planning, Housing and Consumer Economics Program provides an opportunity to directly measure outcomes for first-time homeowner families in areas of education, finance, health, and social wellbeing. Based upon existing research and case studies, we expect to find strong support for homeownership as a vector for improved outcomes in a wide range of critical measures of success, including education.

THE CURRENT SITUATION

HOUSING, EDUCATION, AND PROSPERITY ARE INEXTRICABLY LINKED.

In the United States, homeownership is one of the primary economic footholds and a gateway to building inter-generational wealth. Making owner-occupied homes available to more families is one of the safest and highest-return investments we can make in our nation's future.

The planned Micah's Creek neighborhood is located in the Gaines Elementary School attendance zone in Clarke County, GA. Clarke County has one of the lowest homeownership rates in the nation at just 39% (compared to 63% across Georgia and 65% nationwide) and a 30% poverty rate. The Gaines Elementary attendance zone has a lower homeownership rate and higher poverty rate than the county average, with 80% of Gaines Elementary students free-lunch eligible.

The majority of homes in Micah's Creek will be sold to qualifying families with children attending Gaines Elementary, which has the lowest standardized test scores among county schools. While some seek to place blame upon schools or teachers for student performance in such districts, the inability of reforms based upon such assumptions to achieve positive results is not surprising, considering the extracurricular challenges faced by students who are inadequately housed, including but not limited to:

- Inadequate space for study, homework, and reading;
- Disruption in curriculum caused by frequent moves across school attendance zones;
- Distraction from studies and schoolwork arising from overcrowded housing;
- Insufficient nutrition, clothing, and educational supplies due to lack of disposable income resulting from paying more than 30% of household income on housing;
- Emotional stress within the family triggered by the constant pressures of inadequate disposable income and inability to build credit;
- Pressure to leave school early in order to earn money for the family.

If we want our nation's children to succeed, we must begin with housing security. While not all families are ready for homeownership, there are thousands of families in Clarke County alone who qualify for Habitat's homeownership program and other programs like it.

The above problems cannot be solved by creating mixed-income neighborhoods, by increasing the eligibility pool for market mortgages, or by publicly funded programs not focused on homeownership. Rather, we must find solutions which (a) lower the threshold for homeownership by reducing the initial purchase cost and removing the burden of mortgage interest, (b) reduce the ongoing cost of homeownership through efficient construction practices, (c) generate additional funding for future cost-manageable housing, and (d) benefit states and municipalities by replacing the need for open-ended, indefinite funding with up-front investment which in turn generates additional property tax revenue along with increased local spending of disposable income and a reduction of demand for public benefits.

When such solutions also improve educational achievement and civic engagement, the long-term benefits of the initial investment are extended and compounded. This is the essential philosophy and strategy undergirding Micah's Creek.

THE MICAH'S CREEK MODEL

“WHEN SCHOOL PERFORMANCE GAPS ARE CLOSED, INDIVIDUALS CAN BENEFIT FROM HIGHER LIFETIME EARNINGS, COMMUNITIES CAN GAIN FROM REDUCED SOCIAL COSTS, AND STATE ECONOMIES CAN EXPERIENCE HIGHER RATES OF ECONOMIC GROWTH.”

Investment in housing is investment in education; investment in education is investment in economic growth.

In 2015, a RAND Corporation study in Pennsylvania revealed that educational achievement gaps between lower- and higher-income students result in billions of dollars of lost income for families and lost revenues for states every year. Similarly, a 2013 study by the Economic Analysis and Research Network found that “states can increase the strength of their economies and their ability to grow and attract high-wage employers by investing in education and increasing the number of well-educated workers.”

Real-world programs such as Nehemiah Homes and the work of Habitat for Humanity of Georgia have revealed the nexus between homeownership and educational attainment. The Micah’s Creek Homeownership Opportunity Project aims to apply that knowledge locally within Clarke County, GA, and to provide a model for replication through a controlled longitudinal study by the University of Georgia.

Key elements of this model include:

- Targeting families earning 50-80% of area median income who are not currently served by the for-profit housing market but who can become successful homeowners if the barrier to entry is lowered;
- Non-profit construction with initial up-front investment at the federal, state, and local levels;
- Building at significant scale, i.e. entire neighborhoods rather than individual homes;
- Locating neighborhoods in school attendance zones with documented achievement gaps;
- Offering no-interest mortgages in order to remove the single most significant barrier to entry for potential first-time homeowners;
- Mortgage payments re-invested into future cost-manageable housing, producing exponential return on investment;
- Retaining a right of first refusal for the non-profit mortgage holder to prevent short-term “flipping” of homes onto the private market;
- Efficient construction to reduce the long-term overall cost of homeownership for buyers;
- Meaningful input and cooperation by those currently living in the area where neighborhoods are to be located;
- Formal preparation of first-time home buyers for the requirements and experience of homeownership;
- Planning and building with the human experience in mind, including greenspace, diversity in home styles, safety, walkability, and access to public transportation, jobs, shopping, recreation, and developmental programming for children and adults.

At the heart of the Micah’s Creek model is a demand for the highest possible return on investment by replacing open-ended, year-over-year commitments to publicly funded program with up-front investment in targeted projects which produce long-term payback in the form of reduced public spending and increased revenue together with essential benefits to residents and to the local private sector.

RESOURCES

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