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Seeds of Change

New farmworker housing projects open despite growing challenges

By DONNA KIMURA

Alfredo Valdovinos and his wife, Irma, work hard harvesting lemons in Santa Paula, California. Until recently, the couple and their four children lived in a two-room converted garage that didn't have a kitchen. Even for a place that small, the rent was costly for the two farmworkers. On top of that, the Valdovinos family was hard hit in the winter of 2007 when crop freezes led to work stoppages. They were earning less than half their normal income and were thinking about going back to Mexico.

Instead of leaving the country, they were able to move into the Vista Hermosa Apartments, a new 24-unit housing development for farmworkers developed by the Cabrillo Economic Development Corp. (CEDC), which has built or rehabilitated 360 homes for agricultural workers in Ventura County. In the next three years, the nonprofit developer will near the 600-unit mark. The $8.3 million Vista Hermosa is the first farmworker apartment community in Santa Paula, known as the "citrus capital of the world."

The development provides its residents with experiences that many people take for granted. "We can sit together and have dinner," Valdovinos said through an interpreter. "It's a great thing. We feel more like a normal family. We feel close." In their last home, the family dined on TV trays. At their new four-bedroom apartment, the children have their own rooms and places to study. The couple's young daughter recently received an award from her school for academic achievement. The Valdovinos pay about the same amount for the new apartment as they did for their garage. Vista Hermosa residents pay 30 percent of their income toward rent, with rental assistance coming from the U.S. Department of Agriculture (USDA).

In many cases, farmworkers need rental assistance, said Jesse Ornelas, deputy real estate development director at CEDC. Overcrowding is another serious problem. Farm laborers often share an apartment or a house with one or more other families. Developments like Vista Hermosa help alleviate that kind of doubling up, Ornelas said.

CEDC financed Vista Hermosa with multiple sources of funding, including a $1.8 million USDA loan, $2.5 million in lowincome housing tax credits (LIHTCs) syndicated by the National Equity Fund, Inc., and $2.9 million from the California Department of Housing and Community Development through its Joe Serna Jr. Farmworker Housing Grant program. Numerous green-building techniques were incorporated into the design.Services offered include free mobile medical care and health education, youth programs, and homeownership and financial education.

Ornelas said the many groups with a stake in the state's agriculture industry— farmworkers, growers, advocates, policymakers— have come together on housing issues in recent years. They need to. In California, agriculture is a whopping $32 billion industry. "If you are going to have a viable agricultural economy, we have to improve the housing conditions for those who toil in the fields," Ornelas said. At 40, Valdovinos has been a farmworker for more than half his life. He is passionate when he speaks about his work. "What we do is very valuable," he said, explaining that farmworkers work under the hot sun and in the cold to make it possible for families to have fresh produce.

Housing challenges

Vista Hermosa is an important addition to its community. It's also a drop in the ocean in meeting the housing needs of farmworkers, some of the hardest-working and lowestpaid people in the nation. Because of their low wages, farmworkers struggle to find housing. Nationwide, the number of farmworkers is estimated at anywhere from 1.6 million to 3 million. "One of the problems we have is we aren't quite sure how many people we have working in the fields," said Moises Loza, executive director of the Housing Assistance Council (HAC), a nonprofit organization that helps local groups build affordable homes in rural America. He explained that the work is often seasonal, so the numbers rise and fall throughout the year, and it is also at the mercy of the weather.

The National Agricultural Workers Survey (NAWS) from the Department of Labor interviewed 6,472 crop farmworkers in fiscal 2001 and 2002. The sample population consisted of nearly all farmworkers in crop agriculture, including field packers and supervisors. The survey found that 30 percent of all farmworkers had total family incomes that were below the poverty guidelines. Advocates say the majority of farmworkers live in poverty and cite a rate of about 60 percent.

The workforce is predominantly foreign- born. In 2001-2002, just 23 percent of all hired crop farmworkers were born in the United States; 75 percent were born in Mexico; 2 percent in Central America; and 1 percent came from other countries, according to NAWS, a nationwide random survey. HAC has also studied farmworker housing and found that almost 52 percent of the units it surveyed were crowded, nearly 10 times higher than the national average. HAC reported that 17 percent of the units were severely substandard and another 16 percent were moderately substandard.

Farmworkers' housing challenges start with their low incomes, but other serious issues exist. They often face language barriers when trying to find and secure housing. Among the workers interviewed in 2001-2002, 44 percent said they could not speak English "at all," 26 percent said they could speak it "a little," 6 percent said they spoke "some," and 24 percent said they spoke English "well," according to NAWS. The responses were similar regarding the ability to read English. Researchers have also found that fewer farm laborers are following the crops to find work. Instead, more of them are staying in one place. This suggests that more permanent housing is needed.

For developers, farmworker housing has its own unique and formidable set of challenges, one of the biggest being finding soft funding sources. “The housing is in small rural communities that don’t have access to their own housing funds,” said Paul Purcell, president of Beacon Development Group in Seattle, which has developed 16 farmworker housing projects over the last nine years. “They are not in Community Development Block Grant entitlement areas. There is very limited soft funds.” He said he is fortunate in Washington because the state has a housing trust fund. Most of Beacon’s farmworker housing deals combine LIHTCs and money from the trust fund.

The firm recently worked with Catholic Housing Services of Eastern Washington to develop Tepeyac Haven in Pasco, Wash. The 44-unit development for agricultural workers was built using environmentally friendly materials and techniques and is the first affordable housing development to receive gold certification from the Leadership in Energy and Environmental Design for Homes. Financing for the $7.6 million development included about $5.9 million in LIHTCs syndicated by Homestead Capital and $1.4 million from the state housing trust fund.

Sec. 514 and Sec. 516

The USDA’s Rural Development (RD) division has two farm labor housing programs, which are also known as Sec. 514 and Sec. 516. These programs fund the purchase, construction, and repair of farmworker housing. Since the early 1960s, about $569 million in Sec. 514 loans and $413 million in Sec. 516 grants have been allocated. Nearly 35,000 units have been produced through the farm labor housing program. In fiscal 2007, the USDA reported approving about $33.6 million in farm labor housing funds to 27 new construction projects and about $18.2 million in repairs and rehabilitation work for 26 projects.

An appropriations bill for 2008 had yet to be approved in late November 2007, leaving the agency to carry on business as usual. “Right now, the plan is to do what we did last year,” said Russell Davis, administrator of USDA RD’s housing and community facilities programs. However, the 2008 budget proposal from the White House calls for cuts in the Sec. 516 grant program, which would receive only $4 million in funding, a precipitous decline from $22 million in the previous year. The Sec. 514 direct loan program would be increased to $14 million from $9 million.

Other serious concerns hang over farmworker housing as well, including the age of the existing housing stock. “Our average farm labor property has gone 30 years without rehab,” Davis said. “There are a lot of worn-out properties and exhausted reserve funds. It’s a high priority to get that rehab made.” As a result, there may be a trend for more rehab work versus new construction. HAC recently analyzed 787 Sec. 514 and Sec. 516 properties with active loans and found that about 61 percent were built before 1990. The development of new units of Sec. 514 and Sec. 516 housing has been steadily falling over the past 25 years, despite moderate increases in funding. “During the 1980s, nearly 400 projects were built, accounting for just over

4,000 units," said HAC in its report, *USDA Section 514/516 Farmworker Housing: Existing Stock and Changing Needs*. "The following decade, however, saw the production of only 223 projects with a total of about 3,500 units."

Tenant eligibility is another brewing issue. There's been some discussion about expanding the definition of farm laborer to include some processing plant workers. These employees have characteristics similar to traditional farmworkers. The move has met with resistance from some tenant advocates because expanding the definition means already limited dollars will have to be spread out to serve more people. Properties funded with USDA's farm labor housing programs are required to restrict tenancy to farmworkers who are U.S. citizens or legal permanent residents. That's a tougher standard than most other housing programs.

An affordable housing developer in the Southeast said he has been finding that one out of three agricultural workers is undocumented and therefore does not meet the USDA requirements. The NAWS report found that as many as 53 percent of the hired crop labor force lacked work authorization, down from 55 percent in 1999-2000. With illegal immigration a hot-button topic, the issue of tenancy is expected to get even more discussion. Some developers are hoping that the USDA farm labor housing programs can be expanded to serve workers who are in the country legally but do not have permanent status.

Funding strategies

Although USDA funds have historically played an important role in funding farm labor housing, the 21-year-old housing tax credit program is the primary source for funding affordable housing of all kinds. Davis said when it comes to funding new construction, the trend is toward using LIHTCs, which are sold to private-sector investors to raise equity for affordable housing projects. "Farm labor housing is like any other [government-supported housing]," Davis said. "It is going toward [using the programs that are] least expensive in terms of government resources."

Rural Neighborhoods, Inc., has 1,380 affordable housing units in operation or development, with nearly all of the units serving farmworkers. That makes the nonprofit organization, which was founded in 1982 in response to the threatened closure of a 400-unit labor camp near Miami, one of the leading developers of farm labor housing in its home state of Florida and in the nation.

The group began in 1996 utilizing USDA's farm labor housing loans and grants along with the Federal Home Loan Bank's Affordable Housing Program, but as land and construction costs rose, it moved to combining RD funds with LIHTCs or Florida Housing Finance Corp. (Florida Housing) loans, said Steven Kirk, president of Rural Neighborhoods.

The group has two developments in the pipeline that combine Sec. 514 loans and tax credits. It's a workable formula, but the disadvantage is that the projects cannot receive any Sec. 516 grants because USDA does not award grants to partnerships, according to Kirk. LIHTC properties are typically developed as "for-profit" partnerships. "Still, reliance on RD funds brings project-based rental assistance to the development, ensuring true affordability regardless of a household's income level," Kirk said. "This is particularly helpful in serving extremely low income farmworkers."

Rural Neighborhood's Oaks at Shannon's Crossing in Okeechobee, Fla., is one example. Developed in partnership with Beneficial Communities, a Sarasota, Fla.- based developer, and PNC Bank, its tax credit investor, this 100-unit community provides rental assistance to 90 percent of its households. The one-, two-, and three-bedroom apartments have maximum rents of $380 to $523 per month. Financing includes RD, LIHTCs, and Federal Home Loan Bank funds. More recently, Rural Neighborhoods has developed projects with LIHTCs and no RD funds. Florida Housing funds two farmworker housing developments per allocation cycle, according to Kirk. These developments must set aside 40 percent of their units for agricultural workers. The disadvantage is that rents on a LIHTC property are often higher than they would be with RD subsidies. However, on the positive side, the LIHTC properties provide needed affordable housing and offer some additional flexibility because the developments are not limited to one group of workers, Kirk said.

Together with Miami-based Pinnacle Housing Group, Rural Neighborhoods has developed Live Oak Villas I and II in Fort Pierce, Fla., which have a combined 184 units. Maximum rents range from $592 to $787 for the one-, two-, and three-bedroom units. In Live Oak Villas I, 60 percent of the units are occupied by farmworkers, and in Live Oak Villas II, 40 percent of the units are occupied by farmworkers. The remaining units are for other workforce families earning up to 60 percent of the area median income. Citigroup is the first-mortgage lender, with tax credit equity provided through Alliant Capital.

The challenges of site acquisition, land use, and competitive financing are no different in communities targeting agricultural workers than in other affordable rental communities, said Kirk. "The added complexity in serving farmworkers is to understand agricultural markets and wages, and to layer sufficient subsidies to reach affordability."

Rural Opportunities, Inc. (ROI), is a Rochester, N.Y.-based nonprofit organization that develops affordable housing for low-income families, including projects exclusively for farmworkers. ROI, a chartered member of NeighborWorks America, has also used various funding combinations to finance its developments. It's about to break ground on the first USDA-financed farmworker project in Puerto Rico. About eight years in predevelopment, the 24-unit Alturas de Castaner will primarily house coffee workers, said John Wiltse, senior operations director for ROI. The $2.1 million project is funded with a Sec. 514 loan, LIHTCs, and grant funding from NeighborWorks America.

ROI is considering other ways to provide housing, including using LIHTCs to develop general family housing with the idea that some of the apartments could be marketed to farmworkers. One of ROI's earlier farmworker projects is the Harvest Park Apartments in Wayne County, N.Y., a major apple-growing area.

When construction jobs became scarce in Syracuse, N.Y., John Hollis moved to Wayne County, where he has been working in the apple orchards. He has lived at Harvest Park for about the last two years. The rents at the other nearby apartment communities would probably be out of reach for him. Hollis estimates that they would cost about $400 more per month. "Farmworkers put food on our tables while generally earning poverty-level wages, yet these working poor households are largely ignored when it comes to affordable housing," Wiltse said.

Housing Opens for Oregon Farmworkers

Colonia Amistad is the first farmworker rental housing development built on the fertile lands of Polk County, Ore., despite the fact that county's estimated 4,794 agricultural workers make up about 7 percent of the area population and are expected to grow in number. It was built for people like Abel Chavez, who works at a local nursery. Chavez, his wife, and their four children were packed into a small one-bedroom apartment a few months ago. The children were frequently sick, and everyone was stressed from the cramped living conditions. Life has changed since the family moved into Colonia Amistad in the community of Independence. "Coming to this place has helped us physically, mentally," said Chavez. When spring arrives, he will take a second job, he said, picking strawberries on weekends. A farmworker in Oregon for the past two years, Chavez has also harvested blueberries, cucumbers, and zucchini.

At Colonia Amistad, the average annual household income of the residents is $17,750, said Roberto Jimenez, executive director of the Farmworkers Housing Development Corp. (FHDC), which developed the project. The nonprofit specializes in providing affordable housing for agricultural workers in Oregon's Willamette Valley region. In 1994, FHDC was the first in the nation to develop a farmworker housing project using low-income housing tax credits (LIHTCs). The $6.5 million Colonia Amistad was also financed with LIHTCs, which were syndicated by Enterprise Community Investment, Inc., and generated about $4 million in equity. As in most states, there is more demand than available tax credits in Oregon, and it took two tries for Colonia Amistad to win a LIHTC reservation. The state is unique because the Oregon Housing and Community Services department has its own farmworker housing tax credit program that provided about $540,000 for the development. The nonprofit Community and Shelter Assistance Corp., also known as CASA of Oregon, assisted in the development.

Monthly rents for three-bedroom apartments in the community are either $520 or $540, compared to about $715 for similarly sized market-rate units in the area. The 38-unit development also has two- and four-bedroom units. In all, the project, which incorporated many green building features, took more than three years to develop. In addition to competing for funds, the project faced local opposition. The planning commission did not support it, and the project went before the city council for a vote. The council deadlocked 3-3, with the mayor stepping in to break the tie, according to Jimenez. FHDC has since built strong relationships in the community, according to Jimenez.