



Entry Form 2017 Annual Awards for Program Excellence

Entry Deadline: Thursday, June 15, 2017, Midnight ET

Each entry must include a completed entry form. Please complete a form for each entry your HFA is submitting. The completed entry form will become the first page of your entry.

This form is a fillable PDF. Type your information into the entry form and save it as a PDF. Please do not write on or scan the entry form. **Questions: Call 202-624-7710 or email awards@ncsha.org.**

Entry Title: Enter your entry's title exactly as you wish it to be published on the NCSHA website and in the awards program.

Category:

Subcategory:

Entry Summary: A 15-word (max) summary of the program, project, or practice you are entering.

HFA:

HFA Staff Contact:

Phone:

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Visual Aids:

Are you mailing to NCSHA 10 copies of any visual aids that cannot be included in your entry PDF? Yes No

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Habitat for Humanity Liquidity Partnership

The Challenge

An international nonprofit, Habitat for Humanity builds simple, affordable homes that are sold to low-income families who also donate “sweat equity” during construction, working side by side with community volunteers.

In Washington state, the average cost to build a Habitat home is \$100,000, not including land. With costs rising across the state, Habitat for Humanity local affiliates needed liquidity. Their model of raising funds for homes one (or a few) at a time before construction kept their production low and slow. They wanted to leverage their mortgage portfolios to generate additional funding.

In response, the Washington State Housing Finance Commission worked cooperatively with Habitat for Humanity local affiliates across the state to develop a liquidity program, lending funds for the development of new housing while helping revitalize and sustain the statewide Habitat organization.

Background

Since 2002, the Commission has participated in the Habitat for Humanity International’s Flexible Capital Access Program (“FlexCAP”) which provided liquidity to Habitat locals. The Commission had made eight investments totaling \$3 million in that program. However, FlexCAP fell out of favor with Habitat locals because of its cost and the administrative burden imposed by the program. Searching for better options, several Habitat locals independently approached the Commission seeking assistance in obtaining a source of liquidity. We asked for a written proposal.

In 2015, the CEOs of two larger Habitat locals—Spokane and Tacoma/Pierce County—jointly developed a proposal that would not only provide liquidity for Habitat locals, but simultaneously revitalize their statewide support organization, Habitat for Humanity of Washington State. This organization had been formed in 1997 to help Habitat locals develop resources, to serve as a forum for collaboration and training, and to advocate for affordable homeownership. Unfortunately, Habitat Washington had gone dormant due to lack of sustainable funding.

Although the funding mechanism in the proposal was not viable for the Commission, we adapted it to meet the guidelines of our Program Investment Fund, a 2015 NCSHA award-winning program that offers flexible loan funds. We also incorporated some of the characteristics of the FlexCAP program while ensuring a lighter touch on the administrative requirements.

The goals of the new program were:

- Provide liquidity at a reasonably low cost
- Streamline the administration for all parties
- Provide a revenue stream for Habitat Washington
- Enhance Habitat Washington’s value to Habitat locals

- Provide a reasonable, if subsidized rate of return to the Commission
- Continue to add to the fund so that it grows to a self-sustaining size.
- Develop a proven concept to allow Habitat Washington to engage and cultivate socially responsible investors

To streamline the Commission’s role, Habitat Washington would act as the intermediary between the Commission and the Habitat locals to “pass-through” loan funds and act as a servicer. This would also give Habitat Washington an opportunity to work closely with and provide value to the Habitat locals.

We provided a draft terms sheet for Habitat Washington and the Habitat locals to consider. After incorporating their feedback, we prepared an application for an allocation of \$5 million in Program Investment Funds for our Commissioners’ consideration. Staff from the Spokane and Tacoma Habitat locals, as well as Habitat Washington and Commission staff, made a joint presentation to the Commission. We obtained unanimous approval for the \$5 million pilot program on July 23, 2015.

With our general counsel, we developed a financing agreement and related documents, incorporating our agreed-upon terms. We planned for additional investments by the Commission in the loan fund, as well as additional loans from the Commission to Habitat Washington. We developed schedules and appendices to allow for these additional tranches without necessitating an entirely new set of documents.

Summary of Terms

Loan terms:

The Commission agreed to loan funds to Habitat Washington concurrently with the organization’s loan to a Habitat local. The loan would be made to Habitat Washington at 2% interest, about 25 basis points below the 10-year treasury at the time, meeting the Commission’s Program Investment Fund goal for a reasonable, though subsidized return. The loan was amortized on a 25-year period with quarterly payments of principal and interest. The term of the loan was 10 years.

Habitat Washington’s loan terms to the Habitat locals were similar, except at 3% interest with monthly payments. The interest rate spread was added to provide an ongoing revenue stream to support Habitat Washington’s program costs and operations—thus ensuring a sustainable future for the organization.

Security:

As security for a loan, the Habitat locals agreed to pledge to Habitat Washington a collateral pool of unencumbered mortgage loans in the amount of 125% of the loan amount. In the event of a loan delinquency of 90 days or more, a loan with similar characteristics would be substituted into the collateral pool for the non-performing loan. The collateral pool was further pledged by Habitat Washington to the Commission as security for its loan.

Results

In late 2015, the Commission made its first loans in the program to Habitat Washington for a total of \$5 million. The proceeds were passed through equally to Habitat Spokane and Tacoma/Pierce County Habitat for Humanity, who planned to produce 25 new homes each.

For Habitat for Humanity of Spokane, that meant doubling its inventory over the next three years.

“Partnerships like this keep us competitive in the housing and nonprofit arena,” said Michelle Girardot, CEO of Habitat for Humanity Spokane. “We’ve also enjoyed an increase in other funders to diversify our funding portfolio because of this partnership.”

Meanwhile, the funds enabled Habitat of Tacoma-Pierce County to begin building a seven-home development as part of its ongoing revitalization of the poor and isolated Tillicum neighborhood. The funds also hastened the completion of The Woods at Golden Given—a 30-unit, sustainably built cottage-design community.

“We operate on a very thin margin and this is a great example of maximizing our assets,” said Maureen Fife, CEO of Tacoma-Pierce County Habitat for Humanity.

With the success of the pilot program after just six months, the Commissioners authorized an additional \$3 million investment in June 2016. Those funds were drawn in August 2016, providing liquidity for the Lake Chelan Valley and Seattle-King County Habitat locals. An additional 30 homes are expected to be built with those funds.

Ongoing Success

The program has already gone beyond jump-starting these particular Habitat developments. It has also helped Habitat locals to raise further funds from donors and to energize the volunteers who are critical to building Habitat homes. The momentum provided by an early infusion of funds—getting lumber, nails and hammers on site—greatly increases the confidence and excitement of both donors and volunteers.

After two years’ experience in the program, Habitat Washington can also begin to connect with and engage socially conscious investors. Habitat Washington now has a model with a proven track record. An investor could step in to the role the Commission has played thus far, gaining a secure investment with a reasonable rate of return while supporting this vital affordable housing model.

The Commission is happy to discuss this program more fully and provide model documents with any HFA.

Attachments: Loan terms, press release

“We’ve been moving at a snail’s pace, building each home one at a time as we raise philanthropic dollars, but this loan infuses our affiliates with cash to start and finish projects. It’s an exciting change.”

*Michone Preston
Habitat Washington*

**HABITAT FOR HUMANITY LIQUIDITY PARTNERSHIP
SAMPLE PRELIMINARY TERM SHEET**

This Preliminary Term Sheet is presented for discussion purposes only. It is not a commitment to lend by the Washington State Housing Finance Commission (the "Commission"). The Commission may withdraw or amend it at any time in its sole discretion. If the Commission does extend a loan commitment, the actual terms and conditions (including pricing and financial covenants) will be subject to completion of due diligence, Commission's credit and documentation standards, necessary board approval and other considerations determined by the Commission in its sole discretion.

BORROWER:	Habitat for Humanity of Washington State
PROJECT:	Habitat Liquidity Pilot Program
LENDER:	Washington State Housing Finance Commission
LOAN COMMITMENT AMOUNT:	80% of the outstanding principal amount of the qualifying mortgage loans pledged as collateral (equating to 125% of the Loan) up to \$5,000,000.
PURPOSE:	Proceeds of the Loan shall be drawn at closing to acquire mortgage loans originated by local affiliates to finance single-family homes to borrowers meeting the Commission's eligibility requirements.
INTEREST RATE:	2.0%
MATURITY DATE:	The calendar quarter ending on or following 10 years from the date of the draw.
INTEREST CALCULATION	All calculations of interest shall be made on the basis of a 360-day year consisting of 12 30-day months.
REPAYMENT:	Principal amortizing over 25 years and interest on the outstanding Loan shall be paid quarterly no later than the 10 th calendar day following each calendar quarter end, commencing with the first full calendar quarter following funding; provided, that interest for any partial calendar quarter shall be collected in advance at closing.
SECURITY:	Habitat shall pledge to maintain, at all times, seasoned mortgage loans meeting the requirements of the Commission equal to at least 125% of the principal balance of the Loan outstanding. Habitat agrees to substitute non-performing mortgage loans with qualifying mortgage loans or to prepay the Loan in an amount equal to the outstanding principal of any non-performing mortgage loan. The pledged mortgage loans will provide Habitat with cash flow adequate to make timely interest and principal payments on the Loan.

PREPAYMENTS:	Habitat may prepay the Loan in whole or in part at any time without penalty.
DOCUMENTATION:	Loan Agreement, Security Agreement, UCC financing statement and any other documents required to secure the Commission's interest in the pledged mortgage loans. A Habitat board resolution and enforceability opinion from counsel to Habitat in a form acceptable to the Commission.
COVENANTS:	Usual and customary for transactions of this type.
REPORTING REQUIREMENTS:	Financial statements, financial information and reports regarding outstanding mortgage loans
EVENTS OF DEFAULT:	Usual and customary in transactions of this type.
GOVERNING LAW:	State of Washington. Habitat agrees to waive a jury trial in any proceeding.
EXPENSES:	Habitat will pay all reasonable costs and expenses associated with the preparation, due diligence, administration and enforcement of all documentation executed in connection with the Loan Commitment.

This Preliminary Term Sheet contains confidential and proprietary loan and pricing information. Except for disclosure on a confidential basis to your accountants, attorneys and other professional advisors retained by you in connection with the Loan Commitment contained in this Preliminary Term Sheet Proposal or as may be required by law, the contents of the Preliminary Term Sheet may not be disclosed in whole or in part to any other person or entity without our prior written consent.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW



WASHINGTON STATE
HOUSING FINANCE
COMMISSION

Opening doors to a better life

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March 17, 2016

New partnership helps Habitat for Humanity build 50 more homes in Tacoma, Spokane

SEATTLE — Thanks to a \$5 million loan from the Washington State Housing Finance Commission, Habitat for Humanity affiliates in Tacoma and Spokane will build an additional 25 homes in each community in the next few years.

The loan from the Housing Finance Commission to Habitat for Humanity of Washington State, which in turn loaned \$2.5 million each to the two affiliates, is a pilot program that both agencies hope will grow.

“We’ve been talking with Habitat for several years about how we could partner more effectively,” said Karen Miller, chair of the Housing Finance Commission. “We’re so glad to have found this solution and look forward to continuing to support Habitat’s mission.”

Habitat for Humanity, an international nonprofit, builds simple, affordable homes that are sold to low-income families who also donate “sweat equity” during construction, working side by side with community volunteers. In Washington state, the average cost to build a Habitat home is \$100,000, not including land.

Michone Preston, outreach director for Habitat for Humanity’s statewide organization, said the partnership with the Commission is revolutionary for the organization.

“We’ve been moving at a snail’s pace, building each home one at a time as we raise philanthropic dollars,” said Preston. “But this loan infuses our affiliates with cash to start and finish projects.”

In addition, the loans are expected to help the two Habitat affiliates raise further funds from donors and energize the volunteers who are critical to building Habitat homes.

“If you don’t have momentum, it’s very hard to get donors interested in buying the land, excavating the hole, laying the groundwork,” said Preston. “But once you have lumber, nails and hammers on the site, donors get really excited.

“Also, it’s exhausting and disheartening to volunteers when there’s an overwhelming need in their communities and they can’t respond at a similar rate to the demand,” she added. “With this infusion, our donors and volunteers gain confidence and energy.”

In Spokane, the loan has allowed Habitat for Humanity-Spokane to double its inventory over the next three years, from 25 to 50 homes.

“Partnerships like this keep us competitive in the housing and nonprofit arena,” said Michelle Girardot, CEO of Habitat for Humanity Spokane. “We’ve also enjoyed an increase in other funders to diversify our funding portfolio because of this partnership.”

In Tacoma-Pierce County, the funds will enable the local Habitat affiliate to begin building New Tillicum North in Lakewood, a seven-home development that continues Habitat's ongoing revitalization of Lakewood's Tillicum neighborhood.

It will also hasten the completion of Tacoma-Pierce County Habitat's largest project to date, The Woods at Golden Given. The Woods is a 30-unit, sustainably built cottage-design community near PLU's campus, including a common house, community garden, sports field and playground.

"We operate on a very thin margin and this is a great example of maximizing our assets," said Maureen Fife, CEO of Tacoma-Pierce County Habitat for Humanity. "This partnership is helping us to make the dream of owning your own home a reality for hard-working low-income families in Pierce County."

If the pilot is successful, the loan program could become a self-sustaining resource that Habitat affiliates could access through an application and review process. Preston said they are already showing interest.

"If we continue, this could jump-start production of Habitat homes all across the state," said Preston. "It's an exciting change."

The new partnership will also support Habitat's statewide organization, which will keep half a percent of the interest as the affiliates repay the loans. This will cover staffing to facilitate and administer the loans, and will also cover legal and administrative expenses.

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The [Washington State Housing Finance Commission](#) is a publicly accountable, self-supporting team that brings private investment dollars to benefit families and achieve public goals throughout Washington. Over 30 years, the Commission has created and preserved affordable apartments and homeownership for more than 334,000 people across the state, while contributing more than \$42.5 billion and 240,000 jobs to the economy.

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[Habitat for Humanity Washington](#) is part of an international, nonprofit organization that helps families build, renovate and repair their own homes using volunteer labor and donations, serving over 800,000 families since 1976. Washington state's 30 Habitat affiliates have built 1,900 new homes in communities large and small.

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