

100 Homes and Counting: Habitat for Humanity Partnership

Washington State Housing Finance Commission
Homeownership: Encouraging New Production

HFA Staff Contact

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100 Homes and Counting: Habitat for Humanity Partnership

An international nonprofit, Habitat for Humanity builds simple, affordable homes bought by low-income families who also donate “sweat equity” during construction, working side by side with community volunteers. This self-help housing model is extremely effective in creating a path to homeownership in the midst of skyrocketing rental costs, record-low vacancy rates, and home builders focused on the higher-end market.

In Washington state, the average cost to build a Habitat home is \$100,000, not including land. With construction and land costs rising exponentially 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 and make a bigger impact.

In response, the Washington State Housing Finance Commission developed a financing solution that not only jump-starts the development of new housing by local Habitat affiliates, but also strengthens and sustains the statewide Habitat organization.

The result has been more than 100 new homes built and more underway, in vastly different urban, suburban and rural parts of Washington state. No longer just one-at-a-time infill construction, most are in newly created communities. This partnership has dramatically increased Habitat’s production capacity and revitalized its donors and volunteers.

Background

Since 2002, the Commission had participated in 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 had limitations—particularly its cost and administrative burden—that led several Habitat locals to independently approach the Commission seeking a better option. 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. Formed in 1997 to support local affiliates with training, resources development and advocacy, Habitat Washington had unfortunately gone dormant due to lack of sustainable funding.

The Commission adapted the proposed funding mechanism to meet the guidelines of our Program Investment Fund, a 2015 NCSHA award-winning program that provides flexible loan funds. We also incorporated some of the facets 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 administration for all parties
- Provide a revenue stream for Habitat Washington State
- 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.

How it Works

Habitat Washington is the intermediary between the Commission and the Habitat locals to “pass-through” loan funds and act as a servicer. This also gives Habitat Washington an opportunity to work closely with and provide value to the Habitat locals.

Loan terms:

The Commission loans funds to Habitat Washington, concurrently with the organization’s loan to a Habitat local affiliate. The loan is made to Habitat Washington for a term of 10 years with quarterly payments at 2% interest. Habitat Washington then loans to the Habitat local affiliate at 3% interest with monthly payments. This interest rate spread provides 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 the loan, the Habitat local agrees 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 is further pledged by Habitat Washington to the Commission as security for its loan.

Program Launch: Spokane and Pierce County

In late 2015, the Commission made its first loans in the program to Habitat Washington for a total of \$5 million. The proceeds were loaned in equal amounts to Habitat of Spokane and of Tacoma/Pierce County, who produced 25 new homes each.

For Habitat of Spokane, that meant doubling its inventory, particularly in its new planned community in the town of Deer Park. “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 build seven homes as part of its ongoing revitalization of the disenfranchised 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.

Widening Success

Since these initial successes, the Commission has continued to replenish the loan fund with additional investments. To date, we have pledged \$13 million to the program, \$10 million of which has been utilized.

2016:

- Habitat of Seattle-King County borrowed \$2.5 million to develop three communities. These homes will all be part of a land trust so they remain affordable in perpetuity.
 - 16 townhomes in Seattle’s urban Lake City neighborhood
 - 9 single-family homes in the small town of Pacific for the families of military veterans
 - 10 cottages in Sammamish, where low-income families will now be able to access the education system and other benefits of one of the Seattle area’s most affluent suburbs.
- Habitat of Lake Chelan Valley borrowed \$500,000 to develop five homes to alleviate the severe shortage of affordable housing in this rural community dependent on agriculture and tourism.

2017-18:

- Habitat of Spokane drew an additional \$1 million to build 10 additional homes in its Deer Park community, which will include a total of 114 homes.
- Evergreen Habitat for Humanity borrowed \$1 million to build a new, 10-home subdivision called McKibbin Commons in Vancouver in Southwest Washington.

2019 and beyond:

- The Cowlitz County and Palouse Habitat affiliates—on opposite sides of Washington state—will soon draw \$500,000 each to build a total of 10 more homes (five in each community).
- The Commission also invested an additional \$2 million to loan to the nonprofit homeownership resource HomeSight to support 200 downpayment-assistance loans to Habitat families, further expanding access to homeownership.

Statewide Support:

The 1% interest that provides critical cash flow for the statewide Habitat Washington organization has greatly empowered Habitat Washington. It can now provide local affiliates with expertise in such areas as mortgage regulations, construction law, and organization excellence through executive director/CEO and board of director trainings.

Habitat Washington’s legislative advocacy has also been strengthened by this funding. In spring 2019, Habitat led a successful effort to enact a real-estate excise tax exemption for self-help housing—saving an estimate \$1.2 million each year that can be used to build even more homes.

Into the Future

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.

This partnership is opening opportunities for hundreds of people in low-income families—and will continue to expand in years to come.

Habitat 35th @ LAKE CITY

12535 35TH AVE NE • SEATTLE, WA 98125



Located in the Lake City neighborhood of Seattle, low-income homeowners living at Habitat 35th will enjoy a reasonable commute to many job centers, excellent schools feeding into Nathan Hale High School, shops and services within walking distance, and an active and caring community. These townhomes will be eco-friendly with healthy indoor environments, built to Evergreen Sustainable Development Standards.



unit mix

16 Townhomes, R-2 Multifamily
2 @ 4-plex, 2 @ 3-plex, 1 @ duplex
3 bedrooms, 2.5 bath, 1,250 s.f. each
Permanently affordable

resident profile

16 Families, 66 total residents (est.)
30-60% AMI
Willing to partner & complete sweat equity
Residing / employed in King County 1+ years

funding sources

City of Seattle Office of Housing, Seattle Housing Authority (land), Habitat for Humanity Seattle-King County Fund for Humanity, corporate and private donations. [Pending/Potential: Housing Trust Fund, SHOP.] Our costs are also reduced through in-kind donations and thousands of volunteer hours.

homeownership

As with the more than 360 new, low-income homeowners Habitat has served in King County, these new Lake City residents' housing costs will be set at no more than 30% of their incomes. The property will be placed in a Land Trust ensuring permanent affordability for future generations and families. In an area with an average home price over \$825,000 and rising, these homes will ensure that low-income people continue to have a place to build lives in Seattle.

support

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volunteer

Alex Kaul
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apply

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**every
door
brings a
family home**

Veteran Community @ PACIFIC

121 SKINNER RD N • PACIFIC, WA 98047



unit mix

- 9 single family homes
- 2 & 4 bedroom plans, 860-1,250 sq. ft.
- ADA accessible
- Permanently affordable

resident profile

- 9 veteran families, up to 55 adults & children
- 30-60% AMI
- Willing to partner & complete sweat equity
- Residing/employed in King County 1+ years

site information

The city of Pacific currently has only five 3-bedroom homes for sale under \$350,000; this project will add much-needed affordable housing stock to the south part of King county, where most veterans currently live. The homes slated for this community will be some of the only new, permanent, single family housing solutions suitable and affordable for low income and disabled veterans in King County.

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every
door
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family

Cottages @ SAMMAMISH

2004 228th Ave SE • Sammamish, WA 98075



Currently under construction, this is an example of what Habitat's Sammamish homes will look like.



unit mix

- 10 single family homes
- 2 & 4 bedroom plans
- 1 & 2 story homes
- 1,000-1,500 sq. ft

resident profile

- 10 families, up to 45 adults and children.
- 30-60% AMI
- Willing to partner & complete sweat equity
- Residing/employed in King County 1+ years

site information

Affordable housing is extremely difficult to find in Sammamish. According to the City's Comprehensive Plan, 5.2% of the City's households are low income, but only 1.5% of the city's housing is affordable for them. Through a generous donation of land by the City of Sammamish and other seed partners, low-income families are one step closer to being able to access the peer group, education system, health, and future earning benefits of living in one of our most affluent communities.

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Spokane is providing affordable homeownership in rural Deer Park and Airway Heights



Bright and Dorcas started their lives in Ghana, West Africa. Dorcas first immigrated to the United States to further her education. Three years later, Bright and their daughter were able to join her. Bright began working at a manufacturing plant and Dorcas was attending EWU to become an ESL teacher. They desperately wanted to buy a home of their own but were unable to do so while living on Bright's salary alone. Friends of theirs told them about the Habitat for Humanity-Spokane homeownership program. Once accepted Bright relayed, "I see myself in the Habitat community. I'm excited to be a part of Habitat because of the faith and the love together."



Duka Cue-Hernandez was born in Bhutan, but due to a revolution, she and her family moved to a refugee camp in Nepal, where they lived in grass huts without running water or electricity for the next 16 years. When she was 17, she and her sister applied for refugee resettlement and were placed in the United States. After moving to Spokane, Duka got a job at the Davenport Hotel. There, she met her future husband, Omar, who had immigrated from Cuba. Unable to find a permanent residence, Omar, Duka and their two children moved from house to house, sometimes living in friends' garages. Their lives were changed when they were accepted in the Habitat for Humanity-Spokane program. To them, owning their own home "brings new beginnings to our life and hope for our dreams."



Ron, originally from Spokane, and Sofie met in Cambodia, Sofie's home country. Excited to start a family together, they moved back to Spokane where they eventually were married and had 3 children. With Ron's income in sales, they struggled to find a safe home for their children to grow up in. They lived in a 2-bedroom apartment, where they had problems with black mold and rampant criminal activity. They applied for the Habitat-Spokane program after learning about it at church. To Ron and Sofie, owning a home is an investment in their future. While working on their sweat equity hours, Ron and Sofie met most of their new neighbors-to-be, and were thrilled with the diverse and beautiful neighborhood they would be raising their children in.



Keith and Mellisa grew up in the Spokane area, and had been friends for years. In 2012, they started dating and after two years, were married. Although both work hard at their jobs, they had difficulties finding a safe, stable home for their two children to grow up in. The Tallants lived in a renovated loft in a pole barn on Mellisa's parents' property. They were exposed to noxious fumes, chemicals and loud equipment. Always on the edge of not knowing if they would face eviction from their landlords, they knew they needed to find a solution. After hearing about the Habitat program, they knew their prayers had been answered. Keith and Mellisa enjoyed doing their sweat equity at the constructing their own home, but their neighbors' homes as well. They look forward to hosting friends and family for holiday and having a safe, stable home for their son and daughter to grow up in.

Lake Chelan Valley Habitat for Humanity

In the heart of Washington State lies Chelan County with an affordable rental unit vacancy of less than .5%. This county, which was once an affordable place to live, is an example of rural communities that cannot sustain their workforce due to housing shortage.

Grapes, fruit and farmland require many hands. The hot, dry climate and beautiful lakes and the Columbia river draw many vacationers which is vital to the economy of Chelan County. However, the shortage of housing is driving rents up and causing homelessness.

The Washington State Housing Finance Commission and Habitat for Humanity of Washington State offered critical funding to Lake Chelan Valley Habitat for Humanity which empowered them to provide the infrastructure for land they owned, which will soon be a community of affordable homeownership for eight low-income neighbors.

The first of two duplexes is nearly complete. Four additional single-family homes will be built in the next three years. These are modest goals for many Habitat for Humanity affiliates, but for Lake Chelan Valley Habitat, it is has prepared them to increase their capacity. They no longer are an in-fill spot lot building, but a community developer.



Carlos' Family



This isn't Carlos' first time building a house. Construction is his trade and he's been working in it for more than four years. "I build houses day after day," He says, "But it never crossed my mind that I would be building my own!"

On this particular day, he has a group of friends, coworkers and cousins helping build the roof that Carlos and his family will be living under in a matter of months. Thanks to his skill, dedication and experience, the house is going up in record speed and Carlos seems proud of it. "I



think it's fantastic." He says, when I ask him about his sweat equity. "You get to know all the other people, the community. I like working with my neighbors."

But incredibly, this isn't even Carlos' first time building a *Habitat* house. He reveals that the reason he chose our program is simple- he grew up in a Habitat home. His parents became Habitat homeowners about ten years ago, and Carlos remembers working to build the home with his father. Now his dad intends to return the favor, to help Carlos get started with his own family.

Carlos' wife and daughter are both excited at the prospect of moving to a new home, and finally being able to own instead of rent. They're looking forward to the independence it will bring, to live on their own instead of renting from Carlos' parents. His wife has already started coming out on Saturdays to help with sweat equity. Their daughter is thrilled to have her own room, and Carlos hopes she'll make friends with the other children in New Tillicum North. She's going to come out to see the site once it looks nicer, Carlos says.

The family is already planning a huge feast for the first day they move in. The friends who are up on the roof as we speak- they'll be the first ones invited.

When I ask him whether he would recommend the program to another family, he hesitates. "Actually," He says, "I already have. I recommended it to my younger sister. She has three kids, and she would love to get a home for her family too."

every hand

makes a difference



Our deepest thanks to WSHFC for empowering the Habitat Affiliate Capacity - changing the trajectory of these lives and many more for generations to come.