

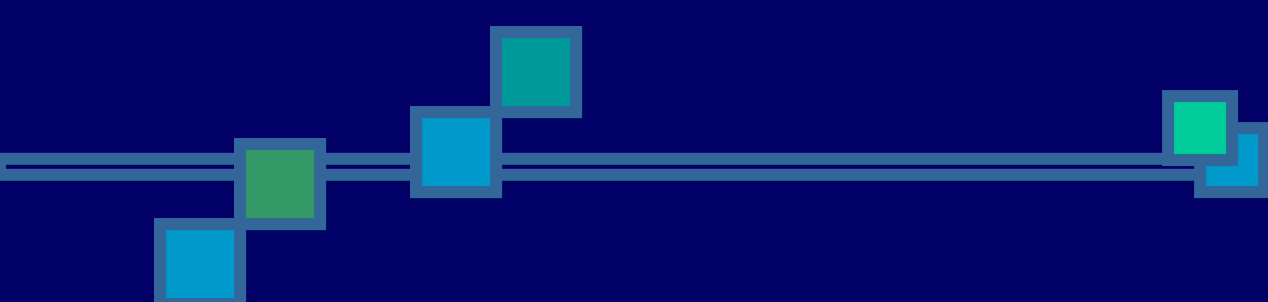


# Feasibility

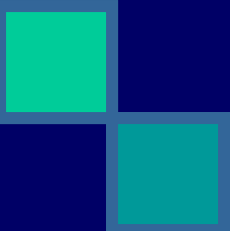


Jill Lordan, NCALL Research





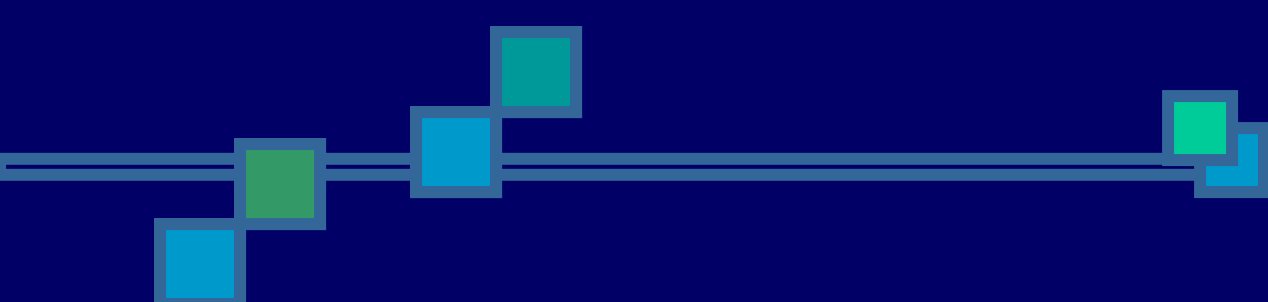
**Are you an existing  
organization?  
Not so fast.....**




***“Tradition is the albatross  
around the neck of progress.”***



**Bill Veeck, professional baseball club  
executive, owner, promoter**



**Excited about the  
prospect of operating a  
Self-Help Housing  
Program?**



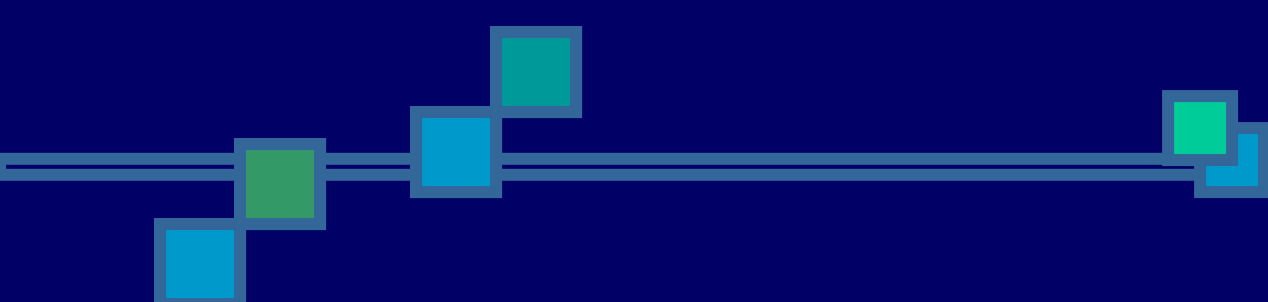
**Not so fast.....**




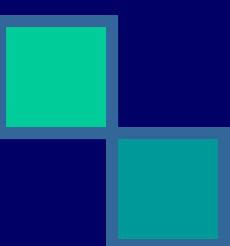


FIN  
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**Feasibility** - gathering and analyzing information to find out if a business is a good idea or not. You will ask questions and organize your information. This helps you to know if your idea is “feasible” or possible.



POSSIBLE




IMPOSSIBLE






# Why Wait?

- Not every area is right for self-help
  - Not every organization is right for self-help
  - Feasibility work will save tons of money and time in the long run
  - New groups can take up to 18 months and spend \$30,000 or so in the application stage, make sure it's worth it
- 






# What would make an area not right?

- Homes won't appraise
  - Too many homes on the market that don't need repair
  - No affordable land
  - Not enough people that fall within the income limits
- 

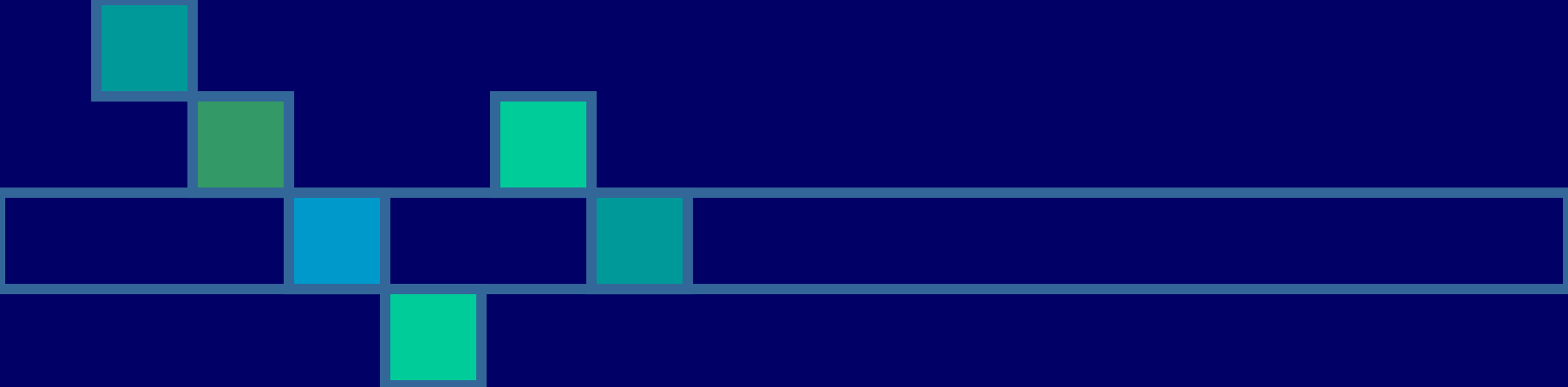


# What would make an organization not right?

- No experience in housing
  - Not willing to learn or change
  - Not enough financial capacity
  - No staff with the time to dedicate to the application process or the program
  - Can't get enough grant dollars
- 



**KEEP  
CALM  
AND  
DO YOUR  
HOMEWORK**



# Activity

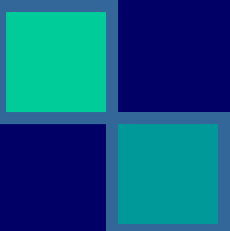



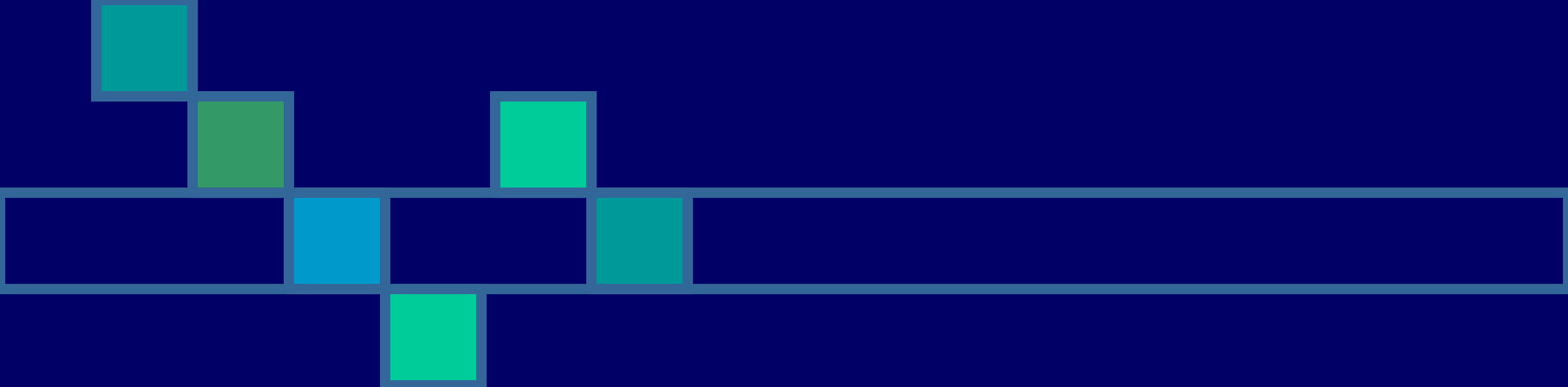
**What are some things  
you would want to know?**





# Things to Investigate

- 
- Organizational Status and Capacity
  - Area Demographics
  - Area Housing Market
  - Land
  - Self-Help Design & Cost
    - Purchase Repair Program
  - Participants
  - Community Support
  - Budget
- 




# Organizational Status and Capacity





# Organizational regulatory requirements



- Mission must include “The production of affordable housing”
  - Must be able to legally obligate itself and have adequate accounting system
  - 501 c(3) / Govt org. or other like organization
  - Have 5 or more Board members
- 



# General Guidelines


- 
- Have capacity to carry out the grant program
  - Have some discretionary funds to cover application development
- 





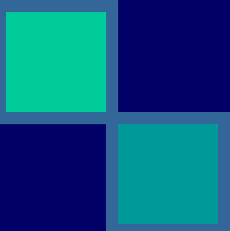

# Questions to Answer

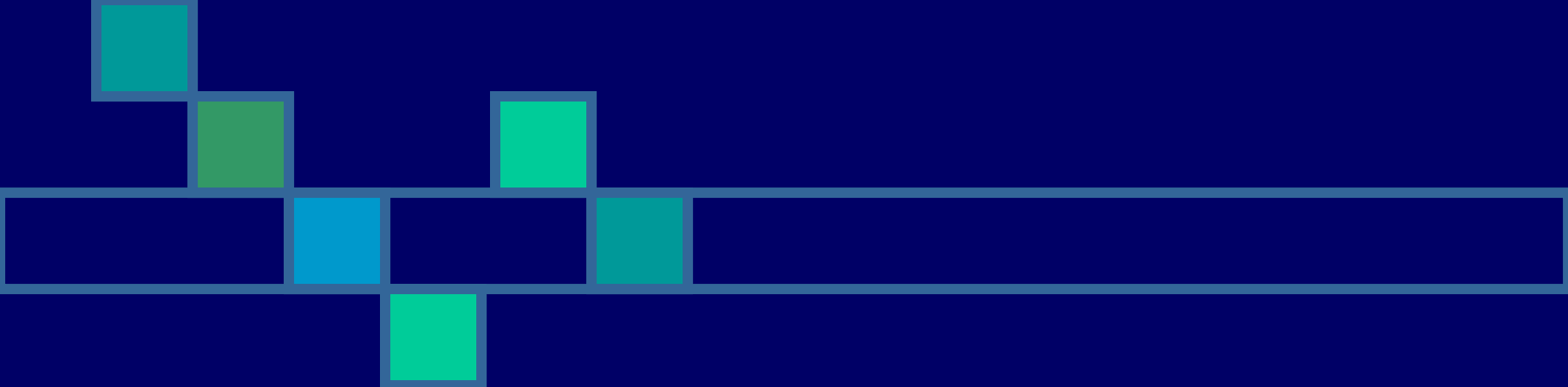


- Does the staff have experience with single family housing development?
  - Rural Development programs?
  - Is the staffing sufficient?
  - Can the org demonstrate that it has capacity/experience to operate program?
  - Can you hire for necessary positions?
- 



# Staffing

- 
- Staff can make or break a program
  - Have the right people in the right positions
    - Make sure they believe
    - Provide training and networking
  - Have adequate staffing
    - Think outside the box
- 




# Area Demographics





# Regulatory Requirements



- Narrative description of the area required
  - Site must be rural
    - Open country and communities up to 10,000 or cities between 10,000-35,000 outside MSAs that lack mortgage credit
    - USDA RD website shows eligible areas
  - Participants must meet income limits for area
- 



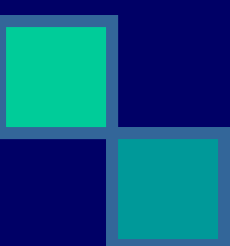

# General Guidelines

- Chamber of Commerce a good source of information
- Rural Data portal on HAC website
- US Census data – Pull social, economic and household characteristics
- Talk to USDA






# Questions to Answer

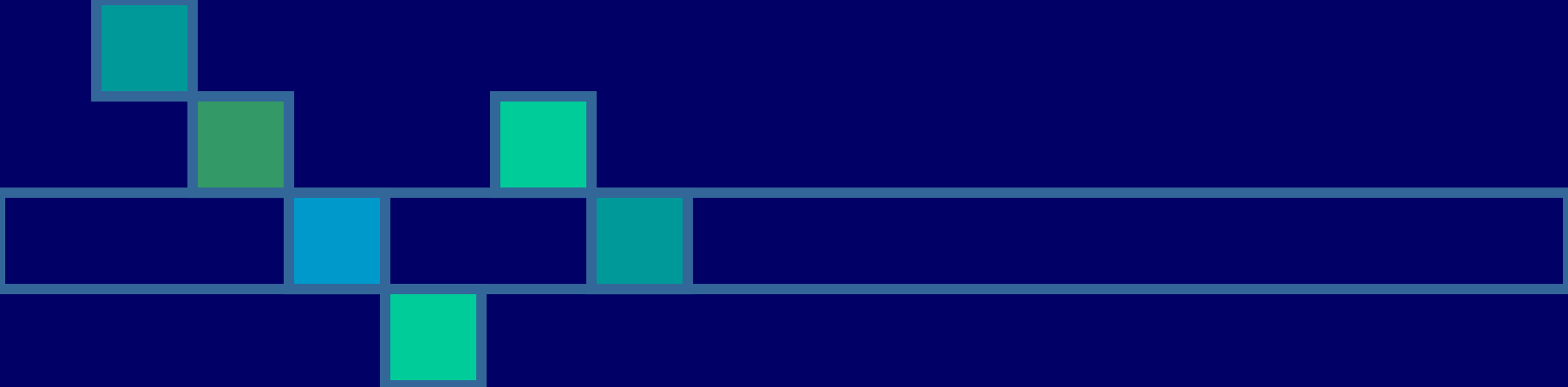
- 
- Decide target area – counties/towns.
  - Is the area eligible?
  - What are RD's income limits?
  - What is the population of low and very low income in target area?
  - Is this an area of growth or decline?
  - What are the major employers?
- 



# Questions to Answer



- Decide target area – counties/towns.
  - Is the area eligible?
  - What are RD's income limits?
  - What is the population of low and very low income in target area?
  - Is this an area of growth or decline?
  - What are the major employers?
- 



# Area Housing Market








# Regulatory Requirements




- Evidence of need for self-help housing is required
  - Housing conditions of low income households in area and why they need this program
  - Equivalent value of modest housing
  - TA Cost per EU
- 



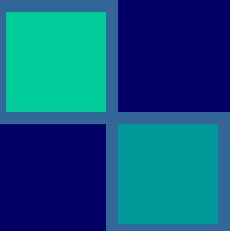

# General Guidelines



- Study housing market – rental and ownership
  - Local Realtors, Housing Authority, developers and others are good sources of info
  - Local need maybe shown when vacancy rate is low or rents too expensive
  - Have capacity to carry out the grant program
  - Examine existing housing stock
- 




# Questions to Answer

- 
- What is the area loan limit?
  - What is an affordable mortgage for a VLI family in area?
  - What is the current local housing stock?
  - Median price of homes for sale?
  - Rental prices and vacancy rates?
  - Condition of properties / units?
- 






# Regulatory Requirements

- Sites cannot be subdividable
  - Must have direct access to street, road or driveway
  - Market value of lot cannot exceed 30% of appraised value (might change in new reg)
- 



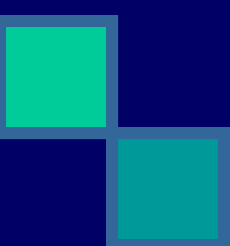

# General Guidelines



- Desirable site features:
    - Flat or mildly slopped, access to public schools and shopping, reasonable tap and impact fees, suitable soil, existing water and sewer lines
  - Be aware of local zoning requirements
  - Look for existing property - Subdivision development difficult for new orgs
  - Scattered sites should be close enough
- 



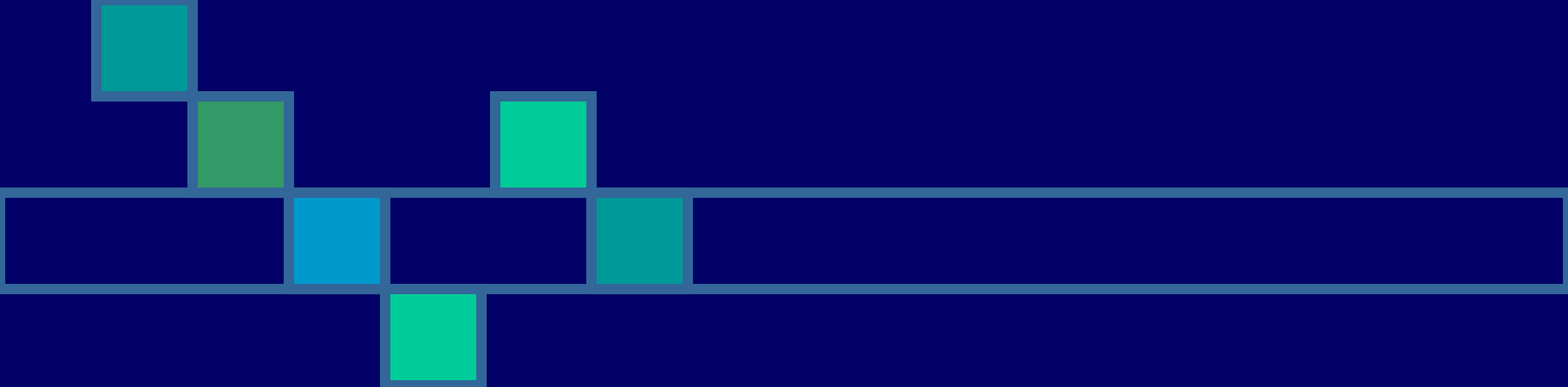
# Questions to Answer

- 
- What is the supply of developed lots?
  - Cost of a developed lot?
  - How many lots are available?
  - Who will be doing the developing?
  - Is the cost affordable for VLI?
  - Is public water and sewer available?
  - Scattered sites? How close?
- 

- Location, location, location
  - What state, county or counties?
  - What town?
    - Consider school district
  - What part of town?
- Is it desirable?
- Know local zoning requirements







# Self-Help Design & Cost



# What is our product?



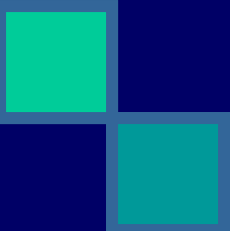



# Does this still make sense?

- 
- But....we've always done it this way!
  - New Construction or Rehab?
- 




# Regulatory Requirements

- 
- Must be modest, safe and sanitary
  - RD Reg- 2000 sq ft or less
    - NCALL's best practice is 1350 sq ft or less
  - Appraised value cannot exceed area loan limit
  - No income producing facilities
  - Can you get to 65% labor contribution
    - Roof too steep
    - House too tall
- 



# General Guidelines




- Modest plans easier to build
  - Make them energy efficient
  - Affordability!!!
    - Has to be affordable to participants
- 




# Questions to Answer



- What style of home is typical for the area?
  - Basements? Garages?
  - What is the estimated cost?
  - Know local zoning ordinances and neighborhood requirements
  - Property taxes? Insurance costs?
  - What are the needs of your target audience?
- 

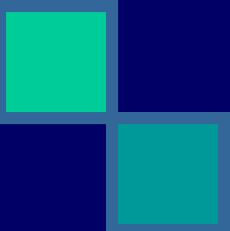



# Equity

- Participants expect to save money
  - RD likes to see significant savings
  - More than one way to save:
    - Participant labor
    - Bulk purchasing
    - Accurate cost estimates
    - RD may enact equity requirement
  - Equity not current requirement or only benefit
- 



# Affordability

- 
- Soooo important
  - Is the package affordable for your target audience?
    - How do I know?
- 



**XYZ Income Qualifier**

Area Loan Limit - Berkely County

\$251,862.00

**Adjusted Income Limits -  
Very Low Income**

Berkely	
VLI 1 person	\$ 38,100.00
VLI 4 person	\$ 38,100.00
VLI 5 person	\$ 50,300.00
VLI 8 person	\$ 50,300.00

**Adjusted Income Limits -  
Low Income**

Berkely	
Low 1 person	\$ 60,950.00
Low 4 person	\$ 60,950.00
Low 5 person	\$ 80,450.00
Low 8 person	\$ 80,450.00

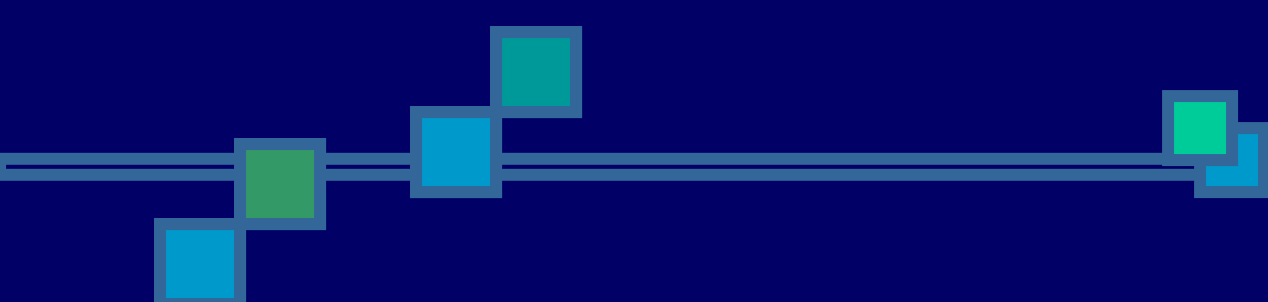
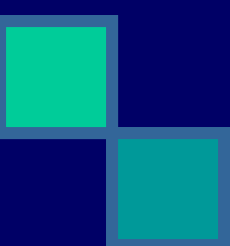

**VERY LOW INCOME**

		33 years				38 Years				Note Rate	
		SH Loan Amt.	Mo. Tax & Ins	Adjusted Income Limit	Monthly PITI @ 24%	Monthly PITI @ 1%	Repayment income needed to Qualify	Maximum other debt limit	Monthly PITI @ 1%	Repayment income needed to	3.25% + taxes and ins.
Berkely	1P/VLI	\$ 155,000.00	\$ 200.00	\$ 38,100.00	\$ 762.00	\$ 660.35	\$ 31,531.03	\$ 315.31	\$ 609.20	\$ 25,208.28	\$ 840.15
Berkely	4P/VLI	\$ 155,000.00	\$ 200.00	\$ 38,100.00	\$ 762.00	\$ 660.35	\$ 31,531.03	\$ 315.31	\$ 609.20	\$ 25,208.28	\$ 840.15
Berkely	5P/VLI	\$ 155,000.00	\$ 200.00	\$ 50,300.00	\$ 1,006.00	\$ 660.35	\$ 34,764.83	\$ 347.65	\$ 609.20	\$ 25,208.28	\$ 840.15
Berkely	8P/VLI	\$ 155,000.00	\$ 200.00	\$ 50,300.00	\$ 1,006.00	\$ 660.35	\$ 34,764.83	\$ 347.65	\$ 609.20	\$ 25,208.28	\$ 840.15

**Analysis for Marketing: 1. All VLI will pay 24% of Adj Income or Note Rate plus taxes and insurance**
**2. If Note Rate, then mortgage amount matters to reach lower VLI**
**LOW INCOME**

		33 years							Note Rate	
		SH Loan Amt.	Mo. Tax & Ins	Adjusted Income Limit	Monthly PITI @ 24%	Monthly PITI @ 1%	Repayment income needed to Qualify	Maximum other debt limit	3.25% + taxes and ins.	
Berkely	1P/LI	\$ 155,000.00	\$ 200.00	\$ 60,950.00	\$ 1,219.00	\$ 660.35	\$ 30,550.91	\$ 203.67	\$ 840.15	
Berkely	4P/LI	\$ 155,000.00	\$ 200.00	\$ 60,950.00	\$ 1,219.00	\$ 660.35	\$ 30,550.91	\$ 203.67	\$ 840.15	
Berkely	5P/LI	\$ 155,000.00	\$ 200.00	\$ 80,450.00	\$ 1,609.00	\$ 660.35	\$ 30,550.91	\$ 203.67	\$ 840.15	
Berkely	8P/LI	\$ 155,000.00	\$ 200.00	\$ 80,450.00	\$ 1,609.00	\$ 660.35	\$ 30,550.91	\$ 203.67	\$ 840.15	

**Analysis for Marketing: 1. LI always pays Full Note Rate - 3.25% plus taxes and insurance**
**2. Leveraged grant funds helps lower Note Rate PITI**

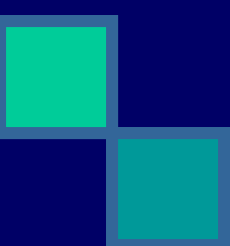

- 
- 
- 
- Can you make it more affordable?
    - Get donated land
    - Raise other funds
    - Reduce plan
    - Change locations
    - Renegotiate with subs and suppliers

# Purchase Repair / Owner Occupied Rehab Program



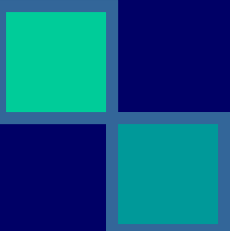



# Regulatory Requirements

- 
- Self-Help Rehab can be
    - Acquisition
    - Owner-Occupied
  - AN – 4831 now in SH reg 1944-I
  - Calculate cost savings for every house
  - Goal – Cost savings equal to or greater than TA Cost
  - Participants supply 10 hrs of labor for every \$1,000 in repairs
- 



# General Guidelines


- 
- Experience in rehab work
  - Need policies on how to choose appropriate homes for program
  - Health & safety issues first, then energy efficiency, then maybe cosmetic
  - Affordability!!!
    - Has to be affordable to participants
  - Should have a minimum # of hours in participant agreement
- 



# Questions to Answer



## Purchase Repair


- How many quality, low cost homes are on the market?
  - What is the cost of existing homes in need of repair?
  - Is the estimated cost of new construction significantly higher than existing?
- 

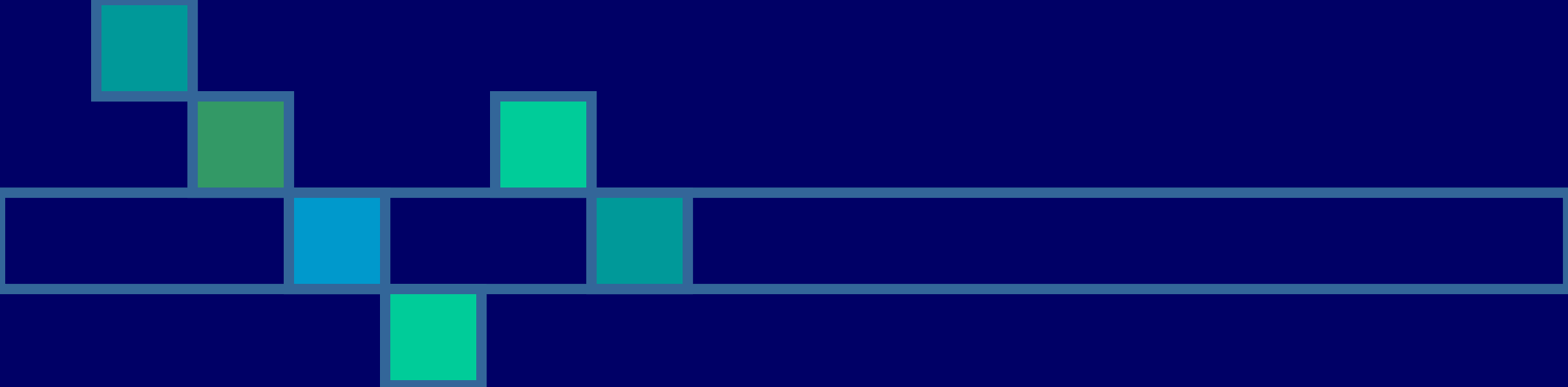


# Questions to Answer



## Owner Occupied Rehab

- Are there homeowners that need repairs?
  - Will they be willing to accept loan funds?
  - Do you have access to leveraged funding? (Weatherization, grant dollars)
- 



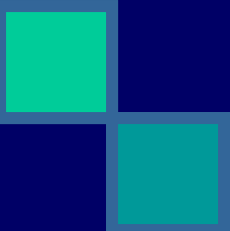

# Participants








# Regulatory requirements

- 
- Need at least 40% VLI
  - Need to show need and interest
  - Participants must:
    - Meet income guidelines
    - Have acceptable credit
    - Meet ratios
    - Occupy the home on a permanent basis
    - Provide 65% of labor
- 



# General Guidelines




- Learn the 502 direct loan program
  - Application requires first group determined eligible and a list of interest for future groups
  - To find potential participants:
    - Talk to USDA RD, other social service agencies, use social media
- 



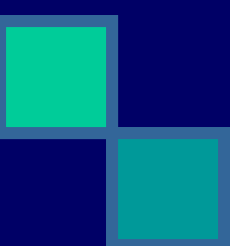

# Questions to Answer

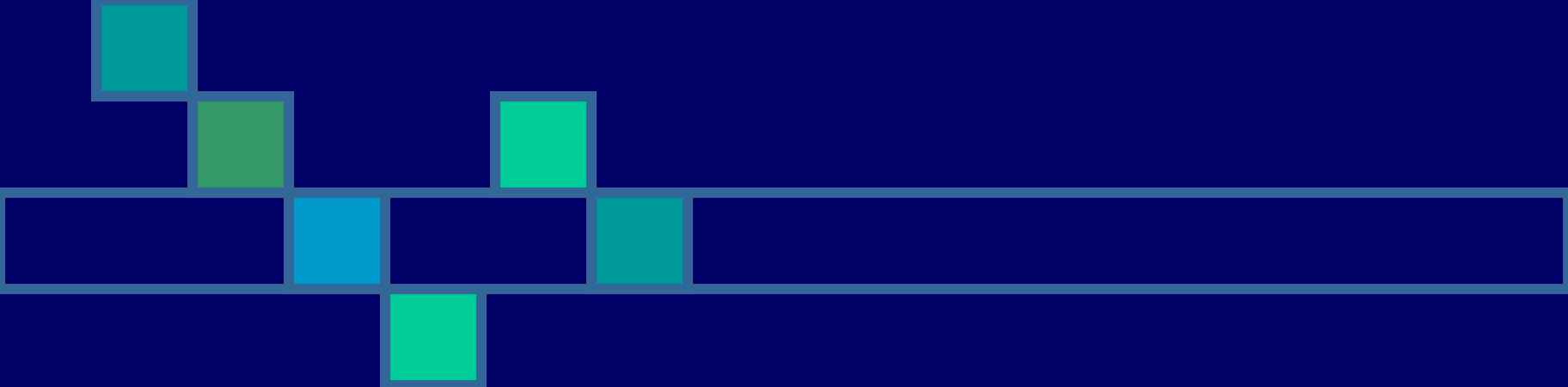


- What are the income ranges for LI & VLI in your area?
  - Can those incomes afford the homes you will build?
  - What are rents in your area? Will you be able to compete with that?
  - What industries or employers pay in that range?
  - How is credit in your area?
  - How many households are within acceptable income guidelines?
- 



# Participants

- 
- Hugely important part of program
  - Provide realistic expectations
  - Have realistic expectations
  - Have a good membership agreement
  - Enforce membership agreement
  - Have great communication
  - Two ways to ensure that all fair housing laws are being followed
    - Consistency
    - Documentation
- 



# Community Support





# Regulatory requirements


- 
- Letters of support required in application





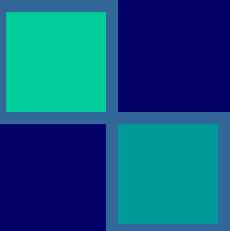

# General Guidelines



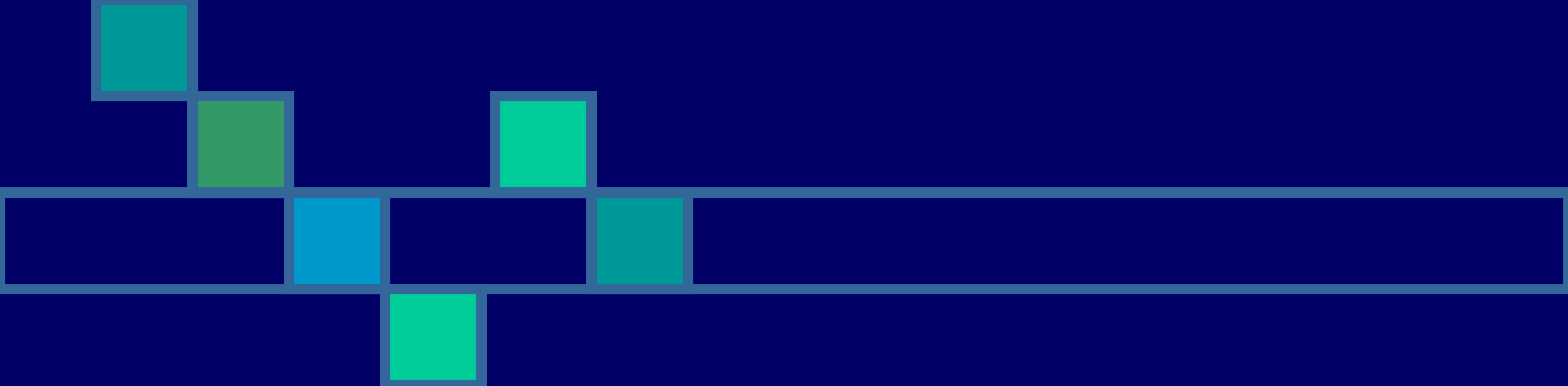
- Sources of support:
    - Town and local governments
    - Congressional staff
    - Social service agencies
    - Religious organizations
    - Other nonprofits
    - Bankers / Realtors / Employers
  - How to get support:
    - Talk to leaders, public meetings, brochures, letters, meet with employers and other agencies
- 



# Questions to Answer

- 
- Do you have governmental support?
  - Do you have good relationships with other agencies?
  - Do you anticipate community opposition?
  - Can local resources handle the influx of people?
- 






# The Budget





# Regulatory requirements



- New construction – 3 methods to calculate TA cost
    - 15% of EVMH
    - EVMH – Avg mortgage - \$1,000
    - Negotiated amount
  - Rehab TA cost
    - Goal – Lower than the avg. cost savings
    - Negotiated amount
- 

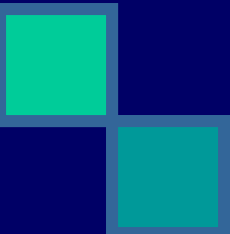

# General Guidelines

- Figure out maximum TA Cost
- Know allowable expenses
  - Salaries, benefits, rent, travel, supplies, tools, insurance (no family expenses)
- Determine needed budget



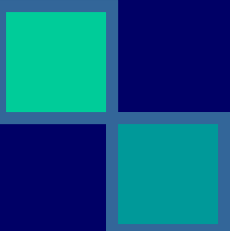



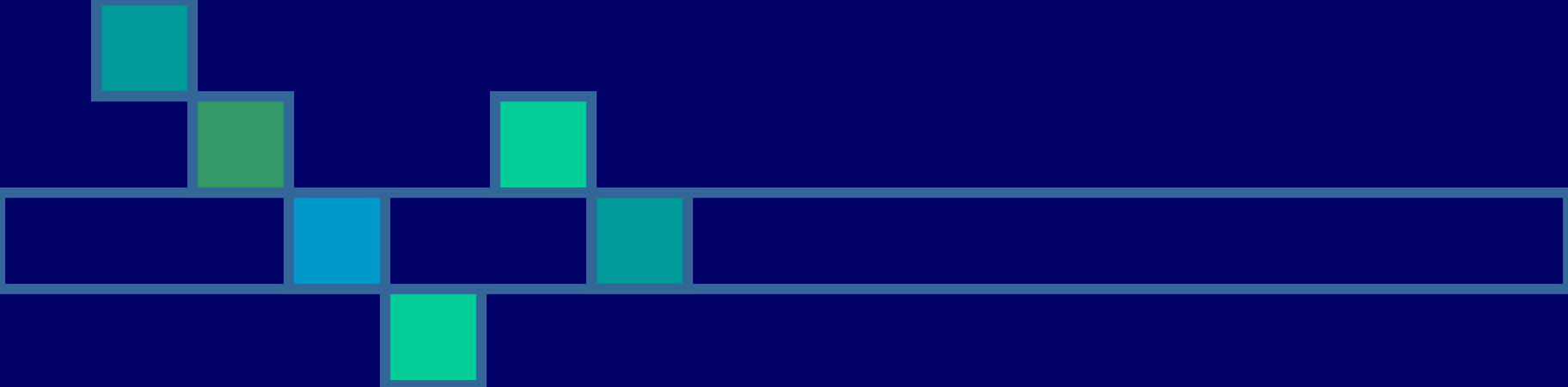
# Questions to answer

- 
- What staffing do you need?
  - Do you need to hire anyone?
  - What do those salaries look like?
  - How many homes are feasible?
  - Can you make the numbers work?
- 



# Staffing pattern

- 
- Many factors determine staffing patterns
  - Staff of four is typical
  - Positions consist of:
    - Executive Director / Project Director
    - Group Coordinator
    - Bookkeeper
    - Construction Supervisor
- 



# The End!



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