



# **FEASIBILITY HANDBOOK**

*PROVIDED BY REGIONAL T&MA CONTRACTORS  
SECTION 523 MUTUAL SELF-HELP PROGRAM*

## Disclaimer

A handbook for grantees of the USDA Section 523 Self-Help Housing Program

Developed jointly by the Self-Help Housing Technical and Management Assistance (T&MA) Contractors:

*Florida Non-Profit Housing, Inc. (FNPH)*

*Little Dixie Community Action Agency, Inc. (LDCAA)*

*National Council of Agricultural Life and Labor Research Fund, Inc. (NCALL)*

*Rural Community Assistance Corporation (RCAC)*

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### **Region I**

Florida Non-Profit Housing, Inc.

P.O. Box 1987

Sebring, Florida 33871-1987

(863) 385-2519

[sbrown@fnph.org](mailto:sbrown@fnph.org)

### **Region II**

Little Dixie Community Action Agency, Inc.

209 North 4<sup>th</sup> Street

Hugo, Oklahoma 74743

(580) 326-5165

[www.littledixie.org](http://www.littledixie.org)

### **Region III**

NCALL Research, Inc.

363 Saulsbury Rd.

Dover, Delaware 19904

(302) 678-9400

[info@ncall.org](mailto:info@ncall.org)

### **Region IV**

Rural Community Assistance Corporation

3120 Freeboard Drive, Suite 201

West Sacramento, California 95619

(916) 447-2854

[www.rcac.org](http://www.rcac.org)

Refer to the Introduction chapter of this handbook to identify the appropriate T&MA Contractor to contact for your area. After receipt of consent and conditions letter you may copy and distribute the manual in accordance with such terms and conditions as set and approved by the T&MA Contractors.

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## **INTRODUCTION TO FEASIBILITY**

This workbook is intended to help organizations determine the feasibility of Mutual Self-Help Housing and/or the Self-Help Rehab Program for use by their organization in their area. Both of these are funded under Rural Development's Section 523 Program. The entire process to obtain a 523 TA grant can take 9-18 months and a considerable financial investment from an organization. Before undertaking this lengthy and costly task, this guide will assist organizations to assess their eligibility and capability to administer this program, the need for self-help housing, interest and desire of potential participants, availability of building sites, and the level of community support. For returning grantees, it is important to periodically reassess the market feasibility and that of the program and product you are offering.

Each section provides Rural Development's regulatory requirements that will impact the answers to the feasibility questions. General guidelines, best practices and information will assist in conducting the study, and questions will help lead organizations through an analysis of feasibility for a self-help program in your designated area. The handbook provides guidance about where to find the answers beside several of the questions. Additionally, the T&MA Contractors are available to help with the process. Please do not hesitate to contact us.

This feasibility handbook is designed to ask questions in each section to enable organizations to make definitive decisions about the potential of operating a successful Self-Help Housing Program. For refunding grantees, the questions will help them to get back to basics and to refocus on the important program issues.

The following guide breaks down the feasibility process into two phases. Phase I looks at the organization itself. The self-help housing program is complex. The more experienced and capable an organization is, the more likely the program will be successful. Phase I will walk the organization through a capacity assessment and help them to analyze their level of capacity. Phase II of the feasibility process deals with program feasibility. It looks at the area demographics, housing market, participants, self-help design and cost, community support and assesses which program emphasis is the best match (new construction, acquisition rehab and/or owner-occupied rehab. At the end, there is a summary sheet that will help you to draw conclusions on the viability of a program and to begin determining what that program might look like.

# PHASE I - Organizational Capacity

## REGULATORY REQUIREMENTS

- Organizations must be a private nonprofit corporation, public body, federally recognized Tribe, or rural town.
- The purpose of the organization must include “the production of affordable housing...”
- Organizations must have the financial, legal, administrative, and actual capacity to assume and carry out the responsibilities of the grant agreement by:
  - \* Having the necessary background and experience with proven ability to perform responsibly in self-help housing or other business management or administrative ventures which indicate an ability to perform responsibly; OR
  - \* Be sponsored by an organization with background experience and ability, which agrees in writing to help the applicant carry out its responsibilities. *(This method is not used often. Please discuss this with your T&MA Contractor if this method is being considered.)*
- Organizations must legally obligate themselves to administer TA funds, provide adequate accounting of the expenditure of TA funds, and comply with the grant agreement and Rural Development regulations.
- For the application, organizations must submit their organizational documents and financial statements. These documents include:
  - \* Copy of an accurate reference to the specific provisions of state law under which the organization was created
  - \* Articles of Incorporation
  - \* Bylaws
  - \* Tax Exempt 501(c)(3) certificate (if a nonprofit)
  - \* Certificate of Incorporation
  - \* Evidence of Good Standing from the State
  - \* Proof of 5 or more Board members (The Board can consist of 3 members if the staff of the organization is less than 5.)
  - \* Recent financial statement and audit

## GENERAL GUIDELINES

- Strong organizational capacity to carry out a self-help program comes from having experience in housing, real estate activities, and site development. Also, it includes having discretionary funds available to invest in the pre-development and ultimately the operation of the Self-Help Housing Program. Developing an application can take 6-18 months, with additional costs to the applicant that varies by organization but can be significant and can range upwards of \$30,000.
- The study is broken into two phases with Organizational Capacity being Phase I. It would not be advisable to spend time to figure out if the area is right for the program if the organization does not have the capacity to operate a self-help housing program.

- Each section of the Organizational Capacity phase has a rating. At the end of the entire Phase I, the organization will rate themselves and decide whether to continue pursuing the program.

## **Organizational Capacity - Questions**

**Structure and Staffing** *Look at how the nonprofit is organized and staffed.*

Documents to review: Organizational chart, applicable position descriptions and staff resumes, annual report, strategic plan.

1. Does the current level of staffing allow for adding a self-help housing program? What staffing positions would need to be added? Where would Self-Help Housing fit?
2. Are there staff in key areas of leadership, finance, and program management?
3. Are lines of supervision clear and appropriate?
4. Do staff members have expertise in their area?
5. Has the staff been increasing or decreasing in size and why?
6. Is there administrative and support staff for the organization (accounting, HR, operations)?
7. Where is the organization in its life cycle? (Start-up, Growth, Maturity, Decline)

Rating:

/\_\_ / Strong   /\_\_ / Healthy   /\_\_ / Adequate   /\_\_ / Weak

Comments - Strengths to build on, weaknesses to improve, issues requiring a deeper review:

**Financial Health and Management:** *Look at the organization's finances and how well it manages them.*

Documents to review: Current financial report, audits, and management letters from last 2-3 years, financial trends for last 5 years, financial policies, list of funders, Board minutes.

1. What is the organization's current net worth or net income (assets – liabilities)? Organizations with a greater net worth/income tend to have better success in solving problems and taking advantage of opportunities.
2. What do the recent audits and financial trends for revenue and expenses show?
3. Does the organization have a Board approved annual budget and is it used for regular financial reporting?
4. Has the organization experienced gains (surpluses) or losses (deficits) over past 2-3 years?
5. Are there audit findings or management letter recommendations? If so, is a corrective action plan in place and progress being made?
6. What financial policies exist?
7. Is there an indirect cost rate in place or does the organization use a direct cost allocation plan? Who is the cognizant / approval agency for the indirect cost rate?
8. What automated accounting system is utilized?
9. Are internal controls in place to protect assets, customers, government?
10. Does fund development achieve core, stable, long-term funding resources?
11. Are there a variety of funders that support the organization?
12. Is the organization growing?

Rating:

/\_\_ / Strong   /\_\_ / Healthy   /\_\_ / Adequate   /\_\_ / Weak

Comments - Strengths to build on, weaknesses to improve, issues requiring a deeper review:

**Governance, Board and CEO Leadership:** *Look at how the Governing Board and the CEO operate.*

Documents to review: Board minutes for past year, Bylaws, current Strategic Plan, Board list and matrix, insurance summary, annual budget, organizational policies, succession plan.

1. How long has the organization been in business?
2. Is there a Mission and Vision in place and when was it last revisited?
3. Does the Board seem to take an active role in leading the organization?
4. Does the Board provide oversight of the organization's finances?
5. Does the Board approve the organization's annual budget?
6. Is strategic and operational planning conducted by the Board?
7. Are key policies in place and approved by the Board: Personnel, Financial, Operations, etc.
8. Does the Board have a diverse variety of skills and representations on it?
9. Are annual meetings and elections conducted each year?
10. Does the Board meet regularly and devote time and energy to the organization?
11. How does the CEO report to the Board?
12. Is the CEO evaluated annually by the Board?
13. Is the Board involved in risk management (policies, training, insurance, etc.)?
14. Is staff training and development budgeted for?
15. How long has the CEO been in the role and is there a succession plan?

Rating:

/\_\_ / Strong   /\_\_ / Healthy   /\_\_ / Adequate   /\_\_ / Weak

Comments - Strengths to build on, weaknesses to improve, issues requiring a deeper review:



**Experience and Program Development:** *Look at whether the organization develops programs (lines of business) to achieve its Mission.*

Documents to review: List of programs, business plans, organizational chart, performance indicators and impact, program assessments, program budgets, interview with CEO.

1. What programs does the organization operate and do they align with the Mission?
2. Are there real estate development and affordable housing development/construction programs and experience?
3. Are the programs compatible with each other?
4. What federally funded programs does the organization operate?
5. Does each program have a business plan?
6. Are staff assigned to each program?
7. Are there key performance indicators and data tracking for each program?
8. Are programs achieving their goals and having the desired impact?
9. Are regular program assessments done and modifications/improvements made?

Rating:

/\_\_ / Strong   /\_\_ / Healthy   /\_\_ / Adequate   /\_\_ / Weak

Comments - Strengths to build on, weaknesses to improve, issues requiring a deeper review:

**Community Engagement:** *Look at how well the organization knows/serves and connects to its customer community.*

Documents to review: customer demographics, customer communications, Board and staff list, stakeholder interview, community partner list, organization’s social media, interview with CEO.

1. Does the organization have consumers or customers on the Board of Directors and/or Staff?
2. How well is the organization linked to the community?
3. Who are community partners of the organization? Evidence of collaboration(s)?
4. Does the organization have volunteers? If so, how many and for what?
5. What are the demographics of the organization’s customer base? Would they be similar to that of a self-help housing program? How does the organization communicate with potential customers? (Social media, email list, public meetings, surveys, etc.)
6. Does the organization advocate for its customer base? If so, how? (For example, does the organization advocate for governmental funding, work with state and local government on programs, encourage the implementation of good policies to benefit its customers?)
7. Does the organization have a “customer service” oriented environment?
8. How might current customers of the organization relate to a self-help housing program?

Rating:

/\_\_ / Strong /\_\_ / Healthy /\_\_ / Adequate /\_\_ / Weak

Comments - Strengths to build on, weaknesses to improve, issues requiring a deeper review:

**Operational Infrastructure:** *Look at the internal infrastructure that facilitates day to day operations. How are important functions performed, staffed or contracted?*

Documents to review: Personnel policies, organizational chart, purchasing/procurement policies, interview with CEO.

1. Is there a healthy culture of common, basic beliefs and motivators?
2. Are there regular staff meetings?
3. Are there regular management meetings?
4. Are time and attendance sheets used for payroll?
5. Do staff work multiple programs?
6. Who performs the HR function within the organization?
7. How well is HR able to recruit, manage, develop, and retain staff?
8. Are Personnel Policies updated regularly?
9. How is the purchasing/procurement function performed within the organization?
10. Are items/services to be purchased bid and shopped routinely?
11. Status of the financial department (staffing, experience, software, policies)?
12. How is technology used to facilitate operations? Adequacy of equipment/software?
13. How is the IT function performed within the organization for databases, websites, hardware, software, etc.?
14. How is the administrative function performed within the organization?

Rating:

/\_\_ / Strong   /\_\_ / Healthy   /\_\_ / Adequate   /\_\_ / Weak

Comments - Strengths to build on, weaknesses to improve, issues requiring a deeper review:

**Effectiveness and Evaluation:** *Look at what the organization accomplishes, how it collects and uses data, measures outcomes, and improves itself.*

Documents to review: Strategic plan, annual goals, CEO reports to the Board, reports to major funders, Board/staff evaluation schedule, databases, Board minutes, interview with CEO.

Accomplishments

1. How well does the organization achieve its mission?
2. Is the number of people/households served and units developed increasing?
3. Do the accomplishments align with the mission?
4. What does the CEO list as recent major accomplishments?
5. How long has each line of business been in place?
6. What new lines of business or program efforts does the strategic plan point to?
7. What new or next projects are on the horizon for the organization?
8. Does the organization exhibit growth, stability, or decline?

Evaluative Framework

1. Does senior leadership value and prioritize evaluation?
2. Does the organization establish annual goals overall and by line of business?
3. Is progress and impact tracked, reported on, and measured?
4. Does the organization collect key customer data and demographics?
5. Are staff and CEO evaluated annually?
6. How often does the Board assess itself? Results?
7. Is progress on accomplishing the Strategic Plan reviewed at staff and Board meetings?
8. Ability of the organization to measure, learn, modify, improve, and pivot?
9. Does the organization seem to evaluate itself, its progress, and its personnel?

Rating: \_\_/\_\_/ Strong /\_\_/ Healthy /\_\_/ Adequate /\_\_/ Weak

Comments - Strengths to build on, weaknesses to improve, issues requiring a deeper review:

# PHASE I Conclusion

## Mini-SWOT Analysis:

STRENGTHS TO BUILD ON:

WEAKNESSES TO IMPROVE OR RESOLVE:

OPPORTUNITIES FOR THE ORGANIZATION TO TAKE ADVANTAGE OF:

THREATS FOR THE ORGANIZATION TO MANAGE OR OVERCOME:

## CAPACITY ASSESSMENT CONCLUSIONS

	<b>Strong</b>	<b>Healthy</b>	<b>Adequate</b>	<b>Weak</b>
Structure and Staffing:	/__/	/__/	/__/	/__/
Financial Health and Management:	/__/	/__/	/__/	/__/
Governance, Board & CEO Leadership:	/__/	/__/	/__/	/__/
Experience & Program Development:	/__/	/__/	/__/	/__/
Community Engagement:	/__/	/__/	/__/	/__/
Operational Infrastructure:	/__/	/__/	/__/	/__/
Effectiveness and Evaluation:	/__/	/__/	/__/	/__/
<b>Total how many under each category:</b>	_____	_____	_____	_____

**Overall Assessment Rating:** =====

Does the organization reach the capacity thresholds for starting and implementing a self-help housing program?     /\_\_\_/ Yes     /\_\_\_/ No

Are there unique aspects or circumstances that should be considered for this situation?

What would need to happen for the organization to become ready for self-help housing?

Is it reasonable to believe that a development plan to become ready for self-help housing could be successful within: /\_\_\_/ 3 months     /\_\_\_/ 6 months     /\_\_\_/ 12 months     /\_\_\_/ 12-24 months     /\_\_\_/ Never

If the conclusion is that the agency could be a good candidate to administer a self-help housing program, continue on to Phase II of the feasibility study.

# PHASE II – Program Feasibility

## Area Demographics

### REGULATORY REQUIREMENTS

- Narrative description of area is required for the application.
- Site must be designated as a rural area.
- Rural Area Designation: (Visit <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do> for eligible areas.)
  - \* Open country and communities up to a population of 10,000, OR
  - \* Cities between 10,000 and 20,000 population, outside Metropolitan Statistical Areas (MSA's) that have a lack of mortgage credit, OR
  - \* Any area that was once classified as “rural” or “rural area” and lost its designation due to the 1990, 2000, or 2010 Census may still be eligible if the area’s population does not exceed 35,000; the area is rural in character and the area has a serious lack of mortgage credit for low- and moderate-income families.
- Participants must meet county income limits for low and very low income, which can be found on Rural Development’s website. (See Appendix A: *Supplemental Resources*.)

### GENERAL GUIDELINES

- Chamber of Commerce (COC) and the office of local government are good sources for this information.
- Census data provides information for area demographics. (See Appendix A: *Supplemental Resources* for more information.)
- The US Census data can pull reports for more than one county area, allowing for a comparison of data. This should be used when looking at the feasibility of a large area or a multiple county service area.
- The Housing Assistance Council (HAC) also maintains a Rural Data Portal that is good for pulling information. ([www.ruralhome.org](http://www.ruralhome.org))
- At a minimum the US Census reports that you pull should include the following data:
  - \* Social Characteristics
    - Total households
    - Total population
  - \* Economic Characteristics
    - Total employed
    - Total households
    - Numbers that commute to work
    - Travel time to work
    - Employment by industry
    - Income by industry



- Number of households by income ranges
- \* Household Characteristics
  - Total housing units
  - Housing units occupied
  - Homeowner vacancy rates
  - Rental vacancy rates
  - Age of units
  - Value of owner-occupied units
  - Monthly owner costs
  - Owner cost as % of household income
  - Gross rents
  - Gross rents as % of household income

## Area Demographics – Questions

1. What county/counties or towns are you looking to target?
2. Is this area within your organization’s designated service area or footprint of operation?
3. Is that area RD eligible? *(RD website)*
4. What are Rural Development’s income limits for low and very low income in that county?  
*(RD Website)*

# in Household	VLI	LI
1 –4 Person Household		
5-8 Person Household		

5. What is the area population?                      County?                      Town? *(US Census)*
6. What is the population of low and very low income in the target area? What is the percentage of that population? *(US Census)*
7. Has there been a general stability, growth or decline of population in recent years? *(US Census)*
8. What is this growth or decline attributed to? *(Local government or COC)*
9. What is the economic climate of the area? *(COC)*
10. Has there been a general economic stability, strengthening or decline over past years? *(COC)*

11. What is the economic forecast? *(COC)*
12. What is the area unemployment rate? *(US Census)*
13. How many live and work in the county? *(US Census)*
14. How many live in the county and work elsewhere? *(US Census)*
15. How many live outside the county but work inside the county? *(US Census)*
16. Who are the major employers by industry? *(US Census)*
17. Who are the major employers by name in the area? *(COC)*

Rating:

/\_\_ / Strong   /\_\_ / Adequate   /\_\_ / Weak

Comments - Positives to build on, difficulties, issues requiring a deeper review:

## Area Housing Market

### REGULATORY REQUIREMENTS

- Evidence of need for self-help housing in the target area is required for an application.
- Housing conditions of low-income households in the area and reasons why households need self-help assistance is required for an application.
- If census materials, local planning studies, and surveys indicate a need in the area for the type and cost of housing that can be provided by the Self-Help Program, then it can be included in the application.
- Equivalent value of modest housing (EVMH) is the typical cost of a recent (within 12 mos.) contractor-built RD 502 financed house in the area plus actual or projected costs of site and site development. This is established by Rural Development.
- If there have been no Rural Development 502 financed contractor-built homes within the past 12 mos., the value will be established by Rural Development. Sometimes the area loan limit is used.
- In order to determine if the program is feasible, determine how much the maximum grant can be per unit (called the TA cost). The typical grant for new construction is determined by:  $EVMH \times 15\% = TA \text{ Cost}$   $TA \text{ Cost} \times \# \text{ of Homes Planned} = \text{Grant Amount}$

### GENERAL GUIDELINES

- Study the area housing market, both rental and ownership.
- Local Realtors, ministers, bankers, developers, local government, and the local Housing Authority are useful sources of information.
- Current census materials, local planning studies, and surveys are additional sources of information. (See *Supplemental Resources* for more information.)
- Local need may be shown when the vacancy rate is extremely low, available rents are too expensive for people with low incomes, or if available rental units are substandard.
- Existing home stock should also be examined for affordable, quality homeownership opportunities.
- Need may also be established when low-income households are unable to afford the median priced home in the area or when people are unable to afford financed contractor-built homes.

## MORTGAGE AFFORDABILITY FORMULA

1. Enter maximum adjusted income limit for 1 person VLI into the all formulas.
2. Calculate the monthly PITI at 24% of adjusted income.
3. Enter estimated mortgage amounts into the 1% of Mtg. formula until the Mo. PITI at 1% is within \$1 of the PITI at 24% of adjusted income.

### Self-Help Mortgage Amounts Needed for Affordability of a:

<b><u>1 P VLI @ 38 yr. Term</u></b>	Adj. Inc. 1 P VLI \$ _____ x.24/12	= \$ _____ Mo. PITI
	Estimated Mtg. Amt \$ _____ x.00264 + Mo. Tx&Ins. = \$ _____	Mo. PITI
<b><u>1 P VLI @ 33 yr. Term</u></b>	Adj. Inc. 1 P VLI \$ _____ x.24/12	= \$ _____ Mo. PITI
	Estimated Mtg. Amt \$ _____ x.00297 + Mo. Tx&Ins. = \$ _____	Mo. PITI

## Area Housing Market Questions

1. What is the Area Loan Limit? *(RD Website)* \_\_\_\_\_
2. What is an affordable mortgage amount for low and very low-income families in your area? *(Formula on Page 17)*
3. What are the comprehensive housing strategies in the area for the upcoming year? *(State or local housing study)*
4. Assess the current local housing stock. (Include information on age, number, type of housing, size, and condition.) *(Realtor, US Census, Multiple Listing (MLS))*
5. How many existing homes are on the market in your affordability range? *(MLS)*
6. What are the prices of homes that are for sale, especially at the lower end of the market? *(Realtor, US Census, MLS)*
7. Is there substandard or existing housing on the market in need of repair? *(Realtor, MLS)*
8. Are there standard quality homes available and affordable for low and very low-income households to purchase?

9. What rents are being charged in the different areas of the community (including public or subsidized housing units)? *(Realtor, US Census)*
10. What is the average rent on the lower end of the market? *(Realtor, US Census)*
11. What is the current rental vacancy rate? *(State or local housing study)*
12. Is there a waiting list for assisted rental housing? How long? *(State or local housing study)*
13. What are the market rents currently being paid by the income group you want to serve? *(US Census)*
14. What is the condition of rental properties, especially at the lower end of the market? *(Realtor)*
15. What is the current supply of available, adequate, and affordable rental housing (including public or subsidized housing) for low and very low-income households? *(Realtor)*
16. How many RD 502 homes were built last year by contractors? *(RD Local Office)*
17. Is there an active 502 contractor building program in the target area? *(RD Local Office)*
18. What is the cost of new contractor-built single-family units? *(Realtor, RD Local Office)*
19. What is the housing cost at the lower end of the ownership market? *(Realtor, MLS)*
20. How many single and multi-family units were built during the past year? *(Local Government)*
21. What is the general level of housing construction activity in the community? *(Realtor)*
22. What county, counties or towns are you going to target?

Rating:

/\_\_ / Strong   /\_\_ / Adequate   /\_\_ / Weak

Comments - Positives to build on, difficulties, issues requiring a deeper review:

## Land

### REGULATORY REQUIREMENTS

- There is not specific limitation to the size of the site, provided it is not large enough to be subdivided under local subdivision regulations.
- Subdivisions must have local approvals (i.e. city/county government, planning committee).
- Sites must have direct access to street, road or driveway that is maintained by a public body or homeowner's association.
- A preliminary survey of available lots and projected costs of the sites is required for the application.
- The appropriate Rural Development official will review each site, developed or undeveloped, to determine if it is acceptable.
- Each site will be reviewed with the appropriate level of environmental review.

USDA Rural Development requires Environmental Reviews (ER) for housing projects prior to approving financial assistance. The ER must be done in accordance with RD Instruction 1970 and the National Environmental Policy Act (NEPA), a law that supports efforts to stimulate the health and welfare of humankind while safeguarding their environment. The level of review depends on the type of project. Typically, if the project involves four (4) or more housing units on undeveloped land a higher-level environmental review is required and must be completed prior to the disturbance of land. It is the responsibility of the grantee to provide the necessary information to Rural Development to determine what type of review is required and to complete their review. Rural Development can guide you through the process.

- Market value of lot cannot exceed 30% of appraised value of total house and lot package.
- Scattered sites are acceptable.

### GENERAL GUIDELINES

- Desirable Site Features:
  - \* Flat or mildly sloped land
  - \* Appropriate zoning
  - \* Accessible to public services (schools, shopping, hospitals, churches etc.)
  - \* Access to public roads which are hard surface and publicly maintained
  - \* Existing public water and sewer lines
  - \* Reasonable tap and impact fees
  - \* Soil suitable for on-site septic systems, if necessary
  - \* Adequate ground water supply for wells, if necessary
  - \* Adequate community garbage and trash service
  - \* Sidewalks and street lighting

- Undesirable Features
  - \* Site in flood plain or wetlands
  - \* Steep terrain
  - \* Forested lands or prime farmland
  - \* Site adjacent to or near airports, railroads, major highways, factories, landfills
  - \* Soil unsuitable for on-site septic systems or construction in general
  - \* Underlying rock
  - \* Existing easements through the site which could restrict, interfere or be detrimental to the proposed project
  - \* Previous land use which raises environmental concerns
- Be aware of the local zoning and variance requirements.
- Subdivision development is not encouraged for the first self-help grant unless the organization has the experience and financial capacity for subdivision development.
- A “best practice” is to keep scattered sites of a building group within a 10-mile radius.

## Land - Questions

1. What is the supply of developed lots? What is the cost of such lots?
2. Is this an adequate quantity of lots for the construction of moderately priced homes?
3. If there is not an adequate supply of developed lots, what is the inventory of undeveloped sites?
4. Will land need to be developed?
5. What are the county requirements to develop raw land for single family housing construction?
6. If you need to develop the lots, estimate the total site cost to the participant.
7. How long do you anticipate the site development process to take prior to construction start?
8. Who will be doing the development?
9. If it is your organization, do you have the staffing and funding resources available to cover development and carrying costs for the lots?
10. Has this organization done land development in the last five years?
11. Does the organization own any land currently?
12. Are subdivisions approved by local entities?

13. Is public water and sewer available?
14. Is the cost for land/lots within acceptable ranges for moderately priced homes?
15. Will it be necessary for your organization to purchase or acquire land/lots for immediate use and/or future availability?
16. Will the groups build within a subdivision or on scattered sites?
17. If sites will be scattered, how large of an area would be feasible for a group of participants to travel?
18. Do the locations of available sites meet the needs and desires of your target households (distance from work, school, family, etc.)?

Rating:

/\_\_ / Strong   /\_\_ / Adequate   /\_\_ / Weak

Comments - Positives to build on, difficulties, issues requiring a deeper review:



## Participants

### REGULATORY REQUIREMENTS

- Participants must have a total annual adjusted income that does not exceed the maximum set by Rural Development.

In general, Adjusted Income is:

Annual Household Income		\$ _____
# of Children x \$480 each	(minus)	- _____
Actual Annual Day Care Expense	(minus)	- _____
Elderly Family (\$400 Deduction)	(minus)	- _____
Elderly Family's Medical Expenses (excess of 3% of annual income)	(minus)	- _____
Adjusted Annual Income	(equals)	= _____

- The grant is required to serve at least 40% very low income households with the remaining being low. Very Low and Low income are defined in the glossary of Handbook 1-3550 as “An adjusted income limit developed in consultation with HUD under 42 U.S.C. 1437a(b)(2)(d)”
- Evidence of demand is demonstrated by a list of potential participants whose adjusted incomes do not exceed limits and who are willing to contribute labor for self-help housing. This list is required for the application.
  - Applicants must have dependable, adequate income for loan repayment.
- Repayment is based on a total debt to gross income ratio of 41% for all applicants and a PITI ratio of 29% for VLI and 33% for LI applicants [See 3550.53(g)(1)-(5)].
- Applicant must be a citizen of United States or US territories, or a non-citizen legally admitted for permanent residence.
- Applicants must occupy the house on a permanent basis.
- Applicants must be of legal age and capacity (or have a court appointed guardian) to incur a loan obligation.
- Applicants must have a credit history indicating an ability and willingness to meet obligations [See 3550.53(h)(1)-(3)]. Applicants with credit scores of less than 640 may still qualify with additional documentation.
- Housing payments, PITI, will be based on the higher of:
  - \* The mortgage at 1% interest rate + taxes and insurance OR
  - \* 24% of annual adjusted income
  - \* But, never higher than the mortgage amount at the note rate.
- Homebuyer education is required for all first-time homeowners prior to loan closing.
- Section 8 (Housing Choice) Vouchers can be applied to the self-help program.

## GENERAL GUIDELINES

- A list of potential applicants, that meet the basic eligibility requirements and are at least three times the number of the homes planned, should be provided with the application. When credit issues affecting potential applicants are considered, mortgage-ready applicants often occur at a rate of about 1 in 20. Demographic information on potential clients should be kept. Rural Development will need name, number in household, annual income, along with race and ethnicity information for their civil rights compliance review.
- Contact the local RD office to determine if they are working with potentially eligible participants.
- Local housing authorities, social service agencies, and employers are also a source for potentially interested households.
- Self-help organizations will be working with clients with fears of job loss, foreclosure, declining house values, all lending programs and predatory lenders.

## Income Affordability Formula

### Minimum Annual Repayment Income Needed to Qualify for 33yr. Mortgage @ 1% Interest

= Est. new construction mortgage amt. x .00297 + mo. taxes + mo. Ins. x 12 mos. / .29

= Est. purchase/repair mortgage amt. x .00297 + mo. taxes + mo. Ins. x 12 mos. / .29

## Participants - Questions

1. What are the income ranges in the target area? (*US Census*)
2. Does their income fit within income guidelines for the area? (*Refer to Table on Page 14*)
3. What are the household characteristics (family size, etc.) for low and very low-income households?
4. How many households are on the local housing authorities' waiting lists? (*Refer to Area Housing Market, Page 18*)
5. What is the income of households who can afford the houses on the lower end of the housing market? (*See formula on Page 23*)
6. What are the rents of the income group that you wish to serve? (*See Area Housing Market, Page 18*)
7. Are there any similar programs (housing and/or services) in the area that are attracting the same pool of households?
8. How many low and very low-income households are homeowners? (*US Census*)
9. What is the general condition of their housing? (*See Area Housing Market, Page 18*)
10. How many low and very low-income households are renters? (*US Census*)
11. What is the general condition of their housing? (*See Area Housing Market, Page 18*)
12. What is the income of households who can afford housing costs at 1% plus taxes and insurance? (*See Affordability Formula, Page 23*)
13. Which industries' pay schedules provide a target market? (*US Census*)
14. Which employers' pay schedules provide a target market? (*COC*)

15. Is the minimum annual gross income calculated from above comparable to the income in the area(s) you are projecting to serve? *(See Area Demographics, Page 14)*
16. How many households are within this income category? *(See Area Demographics, Page 14)*
17. Do households exist with low and very low incomes who live in substandard housing and/or are not homeowners and who wish to be homeowners?
18. Are there many homeowners that live in homes that need repair?
19. What problems do low and very low-income households encounter in obtaining decent adequate housing?
20. Are there enough households who meet the income guidelines and can afford the projected housing payments for new construction? Yes or No How many?

Rating:

/\_\_ / Strong /\_\_ / Adequate /\_\_ / Weak

Comments - Positives to build on, difficulties, issues requiring a deeper review:

## **Self-Help Design & Cost (New Construction)**

### **REGULATORY REQUIREMENTS**

- Participants will be required to perform 65% of construction tasks as outlined in 1944-I, Exhibit B-2.
- § 1944.424 Dwelling construction and standards. All construction will be performed in accordance with Subpart A of Part 1924. The planned work must meet the building requirements of 7 CFR part 3550 and meet the Development Standards as defined in subpart A of part 1924 and in any local codes. Sites and site developments must conform to the requirements of subpart C of part 1924.
- Houses must meet the development standard, consisting of building, plumbing, mechanical and electrical codes, adopted by Rural Development for use in the state/jurisdiction in which the development is proposed, in accordance with the following: meet the building codes formally adopted by your state/jurisdiction.
- Homes are limited to 2000 sq. ft. unless a larger home is needed to accommodate a specific family due to family size or a disability.
- Ideally the appraised value should not exceed the area loan limit, to ensure that the house is modest and affordable. This could happen to cover some of the closing costs or if special accommodations were needed to serve a large family or one with special needs but would need approval from RD.

### **GENERAL GUIDELINES**

- House design and type will depend largely on climate, neighboring properties, local housing market and skill level of the construction group and supervisory staff.
- The best plans are those that are basic and easy to build. Design details that require additional skill, time, and materials should be kept to a minimum.
- Plans should be as consistent as possible from model to model in order to reduce the learning time for group members.
- The "best practice" is to have an average house size of 1350 sq. ft. or less (for a 3-bedroom).
- Another "best practice" is to consider designing all homes to meet Energy Star ratings.
- Large groups of volunteers building self-help houses does not meet the requirement or intent of the mutual self-help program.
- Stick built or unsheathed modular construction allows for 65% of construction tasks to be accomplished by participants.

## Self-Help Design & Cost - Questions

1. What style of basic home design is typical for the target area?
2. Are basements and/or garages typical in the area?
3. What type of construction is appropriate for the area?
4. What foundations are appropriate for the area: slab, crawlspace, or basement?
5. What is the estimated self-help cost to build? *(Could use Marshall Swift or other estimating method, less estimated sweat equity.)*
6. What are the local zoning ordinances (i.e. setbacks, side yards, typical lot frontage, minimum sq. ft. requirements, etc.)?
7. What is the average property tax cost for a typical area house design and type?
8. What is the average cost for homeowner's insurance for the size and location of the home being considered?
9. What are the housing needs of your target households? Family size, family composition, age, handicapped accessibility?

Rating:

/\_\_ / Strong    /\_\_ / Adequate    /\_\_ / Weak

Comments - Positives to build on, difficulties, issues requiring a deeper review:

## **Self-Help Rehab Program**

### **(Acquisition Repair and/or Owner-Occupied Rehab)**

#### **REGULATORY REQUIREMENTS**

- 1944-I, 1944.403 (l) defines Self-Help Housing (not mutual self-help) as the construction method by which an individual family utilizes their labor to reduce the construction cost of their home without an exchange of labor between participating families. (owner occupied or acquisition rehabilitation).
- For rehabilitation type grants, participating families must complete a minimum of 10 labor hours for every \$1,000 in project costs that are not completed by a sub-contractor.
- The TA grant amount for self-help rehab is a negotiated amount. This amount should be less than or equal to the estimated cost savings per unit. There are three methods to determine the cost savings. See 1944-I, Exhibit K-2 for more information.
- § 1944.424 Dwelling construction and standards. All construction will be performed in accordance with Subpart A of Part 1924. The planned work must meet the building requirements of 7 CFR part 3550 and meet the Development Standards as defined in subpart A of part 1924 and in any local codes. Sites and site developments must conform to the requirements of subpart C of part 1924.
- It is the responsibility of the Section 523 Mutual Self-Help applicant/grantee to provide adequate documentation to support the proposal for rehab projects. When a home has been identified for rehab, the grantee will need to assess the project's feasibility.
- Rehab projects may be on scattered sites and the construction supervisor travel cost, as well as oversight requirements for each task, should be accounted for in a grantee's feasibility analysis.
- The grantee must also determine if an identified home is suited for the program. Extreme consideration should be given to any hazardous materials, lead, mold, and asbestos identified during the inspection. The scope of work for any project must, at a minimum, ensure that construction meets the standards in RD Instruction 1924-A and local codes for Acquisition Rehab; while Owner Occupied Rehab projects will typically need to meet Agency decent, safe, and sanitary requirements and local codes, if applicable. For this reason, a whole house inspection from a state-licensed inspector that addresses all items in Handbook HB-1-3550, paragraph 5.7 (A), is required for Acquisition projects. For Owner Occupied Rehab projects, the Agency can accept an inspection from the grantee's qualified staff. State offices will determine the qualification of the grantee's staff and may require a third-party inspection on a case-by-case basis. Based on the inspector's findings, the grantee will prepare the project application docket described above.

#### **GENERAL GUIDELINES**

This feasibility study should help determine whether the grant should build new construction, purchase repair, owner-occupied rehab, or a combination of these.

Extreme caution should be considered when homes have the presence of lead (Pre-1978), mold and asbestos.

#### For Acquisition Rehab:

- Seek homes-built post January 1, 1978, within the area affordability price range not to exceed the area loan limit, up to 2000 sq. ft. in size. The home should be structurally sound and environmentally safe.
- Each home will be inspected (by a state-licensed home inspector) on an individual basis with repairs needed that will no doubt vary. These may include but is not limited to:
  - \* Energy-rated furnace
  - \* Duct cleaning and wrapping
  - \* Electrical
  - \* Plumbing
  - \* Energy-rated water heater
  - \* Stools, sinks and faucets
  - \* Roof replacement
  - \* Exterior and/or interior paint
  - \* Floor covering
  - \* Windows
  - \* Insulation
  - \* Fill dirt
- Average repair costs will vary. The project should have a goal of creating a cost savings that is equal to or greater than the average grantee's Technical Assistance per equivalent unit cost and it is encouraged to have at least 10 hours per \$1,000 of the project costs that are not completed by a sub-contractor.
- Repairs will be completed by the new homeowner and average approximately 8-12 weeks, with Technical Assistance provided by the Self-Help Construction Manager, Project Manager, and administrative staff.
- The mortgage funding for this program is usually the same as new construction. Participants apply for a 502 loan to buy the home and pay for repairs. It is helpful if additional funding can be brought in to help with costs.

#### For Owner-Occupied Repair:

- Seek low and very low-income homeowners who have home repair needs. The homes should be structurally sound and environmentally safe.
- Each home will be inspected (by the grantee staff) on an individual basis with repairs that will vary. These may include:
  - \* Accessibility
  - \* Health & Safety Issues
  - \* Energy Efficiency Issues
- Repairs will be completed by the homeowner and take an average of approximately 4-8 weeks, with Technical Assistance provided by the Self-Help Construction Manager, Project Manager, and administrative staff.



- The funding for the repairs varies. The use of RD's 504 loan and grant program for very low applicants is highly encouraged as a first choice. Other repair program funds like weatherization, or the RD 502 loan for repairs may be sought. It is helpful if additional funding can be brought in to help with costs.

## Questions for Acquisition Repair

1. The Area Loan Limit is \$ \_\_\_\_\_ . *(RD Website)*
2. Is this a high-cost area?
3. How many quality, lower-cost existing homes are on the market that fall within the mortgage affordability range, determined on Page 8? (Within the appropriate age range, the type of needed repairs, that meet the size guidelines and within the area loan limit.) *(MLS)*
4. What is the cost of existing houses in need of repair?
5. What would the cost/value of such homes be with repairs?
6. Are lower mortgage amounts needed to serve very-low and low-income prospective participants than new construction could provide?
7. Has there been new construction activity within the last three years? *(See Area Housing Market, Page 9)*
8. How much activity? *(See Area Housing Market, Page 18)*
9. What type of housing (cost)? *(See Area Housing Market, Page 18)*
10. Is the estimated cost of self-help new construction considerably higher for new homes vs. existing housing? *(See House Design and Cost, Page 27)*
11. How does that impact cost of real estate tax?
12. Do you anticipate Realtor support?
13. Does your staff have experience with renovating/ rehabilitating homes?
14. Will you set guidelines to determine if a home fits the Self-Help Rehab model (property eligibility) will the home have sufficient amount of repairs to establish equitable value?

Extreme caution should be considered when homes have the presence of lead (Pre-1978), mold and asbestos.

15. Which funding sources do you intend to utilize to make the needed repairs? What if any leveraging of additional funding sources do you have access to?
16. Does your agency have access to cost estimating software? How will you generate cost estimates?
17. Do you think the anticipated cost savings to the participants would be close to a sufficient grant amount for your organization?
18. Are there enough households who meet the income guidelines and can afford the projected housing payments for purchase/repair? Yes or No How many?

Rating:

/\_\_ / Strong /\_\_ / Adequate /\_\_ / Weak

Comments - Positives to build on, difficulties, issues requiring a deeper review:

### Questions for Owner-Occupied Rehab

1. Does your area have a large percentage of existing homes that need repairs?
2. What age are these homes?
3. What types of repairs are needed on these homes?
4. Is there work that can be done by the participant or is it mostly contractor work?
5. How much would these typical repairs cost? (It would help to work through a sample to determine feasibility. Your T&MA Contractor can help with this if needed.)
6. Which funding sources do you intend to utilize to make the needed repairs? What if any leveraging of additional funding sources do you have access to?
7. Do the average needed repairs fall within the range of the funding that will be used for the repairs?
8. Are current homeowners willing to take out loans on their properties and can they afford to make the loan repair payments?

9. Are the current homeowners elderly or disabled? Will they be able to provide labor in the repairs or will they need family or friends to provide the labor?
10. Does your staff have adequate experience with renovating/ rehabilitating homes?
11. Will the homes have enough repairs to create a cost saving to the participant?
12. Does your agency have access to cost estimating software? How will you generate cost estimates?
13. Are there enough households who meet the criteria for owner-occupied rehab? Yes or No  
How many?

Rating:

/\_\_ / Strong   /\_\_ / Adequate   /\_\_ / Weak

Comments - Positives to build on, difficulties, issues requiring a deeper review:

Does one of the Self-Help Rehab programs seem to work for your area?

If so, which one? Both?

## Community Support

### REGULATORY REQUIREMENTS

- Letters of community support for Self-Help Housing from local officials, individuals and community organizations must be provided in the application.

### GENERAL GUIDELINES

- Potential Sources to Contact for support letters within the Target Area:
  - \* Town and local governments
  - \* Congressional staff
  - \* Social service agencies
  - \* Church and religious groups
  - \* Civic organizations
  - \* Other nonprofit organizations
  - \* Employers
  - \* Realtors and Bankers (*with Purchase/Repair*)
- How to Obtain Community Support:
  - \* Distribute organization's brochures and program fact sheets
  - \* Talk to community leaders
  - \* Develop a relationship with local media
  - \* Hold community (public) meetings and forums
  - \* Solicit and recruit community leaders to serve on Board of Directors

## Community Support - Questions

(See Appendix for Benefits for the Community When Establishing a Self-Help Housing Program)

1. Do you anticipate local government support in the targeted communities?
2. Do you anticipate sufficient Rural Development support?
3. Do you anticipate sufficient support from other nonprofits and community agencies?
4. Do you anticipate community opposition that will need to be addressed/overcome before proceeding with the process?
5. Can local resources handle the influx of people?

### Rating:

/\_/ Strong   /\_/ Adequate   /\_/ Weak

Comments - Positives to build on, difficulties, issues requiring a deeper review:

# PHASE II – Program Feasibility Assessment Conclusions

Rate each section of the probability of self-help housing being successful in your intended market area.

	Strong	Adequate	Weak
Area Demographics:	/_/_/	/_/_/	/_/_/
Area Housing Market:	/_/_/	/_/_/	/_/_/
Land:	/_/_/	/_/_/	/_/_/
Participants:	/_/_/	/_/_/	/_/_/
Self-Help Design & Cost:	/_/_/	/_/_/	/_/_/
Self-Help Rehab:	/_/_/	/_/_/	/_/_/
Community Support:	/_/_/	/_/_/	/_/_/

Total how many under each category:      \_\_\_\_\_      \_\_\_\_\_      \_\_\_\_\_

Overall Assessment Rating:      =====

# PHASE III – Capacity & Feasibility

## Conclusion

Congratulations, you have completed the organizational capacity and program feasibility assessment!

What is the result of your assessment? What is your conclusion?

1. Suitability of the organization to apply to be a self-help housing grantee.

Suitable now:

Steps to become suitable:

2. Suitability and compatibility of the self-help housing program to address the affordable housing needs of your community and customers.

Suitable now:

Further research to determine suitability and feasibility:

3. If suitable now, how would planning and predevelopment decisions and efforts culminate in an application and ultimately a grant?

- Where would you operate the self-help housing program?
- What would the program look like? (new construction, purchase repair, owner-occupied rehab, number of homes, staffing, etc.)
- Who within the organization would do predevelopment tasks (families, land, budget, and application)?
- What resources can be deployed to apply and get to grant closing?
- When are you looking at moving forward and what is your schedule?

More detailed information about the steps and requirements of making application for self-help housing can be found in the Application Handbook.

## Supplemental Resources

### Direct Loan Income Limit Guidelines

<https://www.rd.usda.gov/files/RD-DirectLimitMap.pdf>

From there, select your state to obtain income guidelines for your county.

### Rural Development Area Loan Limits

<https://www.rd.usda.gov/files/RD-SFHAreaLoanLimitMap.pdf>

From there, select your state to obtain the area loan limits for your county.

### Rural Development Property Eligibility

<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfpd>

This site will allow you to look up a map of eligible areas for your location.

For more information on the 502 Direct Loan Program, look up the Rural Development handbooks on the program (HB-1-3550 & HB-2-3550).

<https://www.rd.usda.gov/publications/regulations-guidelines/handbooks>

### To obtain census data, here are some web resources to use:

The US Census Bureau:

<https://www.census.gov/>

HAC's Rural Data Portal:

<http://www.ruraldataportal.org/>

# **BUSINESS PLAN TEMPLATE FOR ADDING SELF-HELP HOUSING AS A NEW LINE OF BUSINESS FOR YOUR ORGANIZATION**

## **FOR: ORGANIZATIONS CONSIDERING SELF-HELP HOUSING**

### **WHAT IS SELF-HELP HOUSING?**

USDA's Self-Help Housing program is an affordable housing program that uses sweat equity from participants to make homeownership achievable for rural households at the RD banded low-income limit or below. Families can build new homes in groups of more than 4 providing 65% of the construction tasks working on each other's homes or they can purchase a home that needs repairs and provide those repairs along with subcontracted labor. USDA/RD provides a two-year Section 523 Technical Assistance Grant to the nonprofit corporation for staff, benefits, travel, and support to deliver construction oversight, 502 loan packaging, program management, and accounting functions. USDA/RD can also provide the Section 502 Direct Loans for new construction, rehabbing an existing home or purchasing and repairing a home.

Self-Help Housing is a tried and true program that was first funded by USDA in 1968. More than 57,000 self-help homes have been built across the nation. It enjoys support from Congress and has been funded every year giving the program amazing stability and longevity. There are currently between 90 and 100 self-help housing grantees throughout the country.

### **WHY CONSIDER SELF-HELP HOUSING FOR YOUR ORGANIZATION?**

Self-Help Housing:

- can help achieve your mission
- can provide the organization with a new revenue stream and stable funding
- provides a unique administrative grant coupled with affordable 502 loans for families
- has new program flexibility to do new construction or purchase repair
- provides new excitement, partners, and stakeholders
- presents an opportunity to provide staff support and new positions
- helps build capacity and may complement your other programs
- yields a unique and exciting impact!



## BUSINESS PLAN TEMPLATE

### OPPORTUNITY

Organizations know the needs and challenges faced by their community. Lines of business within nonprofits offer services, programs, and products to address community needs and problems. To assess whether self-help housing offers an opportunity as a new line business, the organization's leadership must articulate local needs/problems, see if self-help is a viable opportunity, and determine if a robust market exists for a self-help solution. Be specific about your community.

**PROBLEMS** - Many rural communities have difficulty addressing the need for affordable housing for low to moderate income households. Often incomes are too low, housing costs are too high, there is a lack of programs offered, or there are other difficult barriers to overcome. Rural residents sometimes face substandard housing, rent burden, and too few or no housing choices.

**OPPORTUNITIES / SOLUTIONS** - Self-help housing offers an affordable homeownership program designed to serve low and very low-income rural households. This may be an opportunity for organizations that have an affordable housing mission and work in an area where insufficient affordable homeownership opportunities exist. Organizations can consider this opportunity, learn about the program, and see if it is feasible and a good match. Self-help housing may not address all community housing needs, but it can be an important contributor, and part of the solution.

**THE MARKET TO BE SERVED** - Self-help housing by statute serves rural households at low and very-low income. RD strives to have 40% of the households served by self-help to be at or below 50% of AMI (very low income). The program is geared towards families without access to other mortgage credit and typically families who are currently renting. USDA has designed a program with very affordable mortgages and nonprofit grant support to assist the families through the process of applying for a 502 loan, learning construction skills, overseeing construction, purchasing supplies, and loan and grant accounting. If affordable housing needs in your community have not been fully addressed, there may be a market for self-help.

**THE SELF-HELP PRODUCT TO BE OFFERED** – Self-help housing homeownership serving low and very low-income households would be offered as new construction homes, purchased and repaired homes, or a combination of the two.

Some questions to help complete the Opportunity section of the Business Plan:

- Does a market exist for low and very low-income homeownership in your service area?
- Do you have a flow of customers who could benefit from and qualify for self-help?
- How significant in size is the potential market for self-help homes?
- Would families be willing to contribute labor to be able to own a home?
- Is there more of a market for new construction homes or purchase/repair efforts?
- Is self-help a match with the market and customers?

Summarize why self-help represents an opportunity for your organization.

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## OPERATIONS

**SELF-HELP HOUSING IS A COMPLEX PROGRAM THAT REQUIRES PERFORMANCE OF A NUMBER OF FUNCTIONS TO ACHIEVE SUCCESS. THE TA GRANT PROVIDES FUNDING FOR STAFF AND OPERATIONS TO UNDERTAKE THE FOLLOWING FUNCTIONS AND ASSIST THE FAMILIES:**

- Recruiting Participants/Group Work/Loan Packaging: Securing applicants, assessing their financial condition, packaging loan applications, training families and providing housing and financial counseling. (Groupworker)
- Finding land to develop, lots to purchase, or properties to acquire and repair: For new construction – find and secure land/lots to build on, development or preparation of land/lots for groups of families to purchase and build on. For purchase/repair - find and secure properties to acquire for families to repair and purchase. (Project Director or delegate)
- Preparation for and supervision of home construction: Planning all construction phases, securing house plans, material descriptions and cost estimates, purchase materials and services, and on-site supervision of family group construction and work of subcontractors for new construction. For purchase/repair assess rehabilitation needs of existing homes, develop work plans, material lists and cost estimates, purchase materials and services, and onsite supervision of rehabilitation by families and subcontracted labor. Assure construction is high quality, meets local codes, and has all inspections and Certificate of Occupancy. (Construction Supervisor)
- Project Management and Governance: Effectively manage personnel, resources, and program to achieve project goals in a timely and cost-effective manner. Assure organizational governance by the Board of Directors. (Project Director, Executive Director / CEO, Board of Directors)
- Financial Management and Grant/Loan Accounting: Have financial controls in-place and have capacity to assure Grant/Loan accounting is done, resulting in accurate reporting and clean audits. (Finance Office, Bookkeeper)

Positions usually funded by a TA Grant can include portion of an Executive Director, Project Director, Construction Supervisor, Group Worker, and Finance Manager. Other eligible budget items can assist with facilities rental, benefits, travel, insurance, audit, etc. The organization will develop a two-year budget with the positions and costs necessary to achieve the number of homes built or rehabilitated that it applies for. RD will approve the budget on a case by case basis.

Questions:

- Is there organization capacity to achieve these functions with appropriate resources?
- Does the organization have a desire to provide these functions?
- Are self-help functions a good match with the organization?
- Does staff positions, leaders, and organizational infrastructure exist?

Summarize why the operation of self-help housing, the necessary functions, and the staffing of a self-help team would be compatible with the organization.

## THE ORGANIZATION

**MISSION AND STRATEGIC PLAN COMPATIBILITY** - It is important that a new and significant program such as self-help housing, align well and be in synch with the organization's Mission and Strategic Plan. Self-help should be compatible with other lines of business and programs/services the organization offers. Self-help is best suited to organizations that desire to grow and increase their services, while having the internal capacity for expansion.

**REAL ESTATE DEVELOPMENT AND CONSTRUCTION EXPERIENCE** - Whether selecting new construction, purchase/repair, owner-occupied rehab or a combination of these, real estate development and construction experience will be helpful, almost imperative, for new self-help grantees. Sometimes service oriented nonprofits have difficulty moving into construction and development lines of business unless they can recruit experienced staff.

**ORGANIZATIONAL CAPACITY AND INFRASTRUCTURE** – Self-help housing is a multi-faceted federal program that has many moving parts to achieving success. It is important that the organization have the capacity to undertake a complicated program like this. Capacity and infrastructure in areas such as development, construction, project management, data and reporting, and finance are important prerequisites.

**ORGANIZATION TYPE:** Typical organization types for self-help housing have been nonprofit Housing Development Corporations, Community Action Agencies, Habitat for Humanity chapters, etc. Sometimes such organizations are affiliates of intermediaries such as NeighborWorks America, Habitat International, Rural LISC, and others. These intermediaries can provide important support to a new self-help housing effort.

**SWOT ANALYSIS** – When assessing whether the organization is ready and has the capacity and depth to take on self-help housing, it may be helpful to do a candid, honest SWOT analysis.

- **STRENGTHS:** Look at organizational strengths to build on and see if strengths fit with self-help.
- **WEAKNESSES:** Assess organizational weaknesses which need improvement and see how they could negatively impact self-help housing efforts until they are addressed.
- **OPPORTUNITIES:** See what opportunities exist in the current environment that could advance the organization and its Mission. Does self-help housing fall into this category?
- **THREATS:** See what threats the organization is facing and must overcome or mitigate in the foreseeable future. Do the threats impact potential self-help housing efforts?

Summarize why the organization's mission, experience, and capacity poise it for self-help housing and why it is a good match.

## **FINANCIAL FEASIBILITY**

It is important that the organization be financially stable as self-help housing should not be used as a means to rescue an organization in trouble. The stronger the balance sheet and statement of activities the organization has, the greater the assets, revenue, and net assets are available to take advantage of opportunities and solve problems. A strong, stable financial foundation with a diverse funder base is ideal for self-help housing.

An organization that applies and is approved for a Section 523 TA Grant becomes a Self-Help Housing Grantee. The grant amount is determined by a budget developed by the applicant to operate all aspects of a two-year program. The dollar amount of TA Grants nationwide varies from \$250,000 and up. The associated TA Cost metric is determined by the grant amount divided by the number of units to be built/repaired. Program size in terms of units to be built or repaired ranges from 10 and up.

The organization must look at how many units/homes it plans to build/rehabilitate, the staffing that will be needed, the functions to be performed, and develop a two-year budget as part of their Section 523 TA Grant application. The program that is developed should be financially feasible for the organization. RD can provide 100% of the self-help operations funding during the grant period. The organization should determine that it can do all that is required within the approved budget and resources provided by RD in order to be feasible. If a grant is not finished on time or additional expenses are necessary, the organization may have to come up with additional, outside revenue. To assure financial feasibility start by determining the number of homes to be built, the staff needed to execute the program, the budget needed to employ staff and operate the program, and determine the size of TA Grant needed and the resulting TA Cost per unit. For instance, an organization that wants to do 16 homes for a TA Grant budget of \$480,000 over two-years, would have a TA Cost Per Unit of \$30,000.

Often organizations undertaking self-help housing for the first time will have some up-front or start-up costs or staff time to get to the grant approval and closing stage where RD money can flow. This could be preparing the application, securing the first properties, working with the initial families to have them determined eligible, etc. It is helpful if an organization recognizes this and sets-aside some funding or secures some predevelopment funding to get off to a strong start.

As a federal program, accurate and timely accounting and financial management is required for both the TA Grant and the participant construction loans. It is important that the organization have financial staff, controls, and a system that is up to the task for regular reporting and audits.

Summarize current financial status, what self-help could bring to the organization, and how a TA Grant could be financially feasible and a benefit to the organization.

## **BENEFITS FOR YOUR COMMUNITY WHEN ESTABLISHING A SELF-HELP HOUSING PROGRAM**

**Affordable housing opportunity:** Most communities need a variety of affordable housing options to serve their population and workforce. Self-help housing is a highly affordable homeownership model which serves households at low income.

**Includes affordable mortgages with it:** USDA/RD couples the self-help housing program with its 502 Direct Loans to keep participant monthly payments very affordable. USDA combines low interest rates with 33 to 38-year terms and payment assistance if needed, making it the most affordable mortgage available.

**Homeownership increases the local tax base:** Rural towns and communities are often hoping to increase or stabilize their tax base. Self-help as a homeownership program results in new homes and/or rehabilitated existing homes, both which have a positive impact on the community's tax base.

**Brings a federal grant and mortgages to the community:** A self-help program in your community brings a grant to administer the program and 502 Direct mortgages for families. This funding usually turns over several times in the community resulting in a factor seven times the funding.

**Improved housing stock:** Self-help provides either new construction homes or rehabilitated existing homes. Adding new housing stock or improving existing housing stock improves the community's housing infrastructure. Self-help purchase repair activities can also benefit community redevelopment efforts.

**Contributes to the local economy:** The purchase of land and properties, construction materials, subcontracted labor, and the operation of a self-help program, all benefit the local economy, usually with a multiplied impact.

**Many participants can own a home for what it costs to rent:** Self-help housing represents the most affordable means for a low or very low-income family to purchase and own a home. With sweat equity as the down payment, and monthly mortgage costs as low as most rentals, self-help becomes a way for more families to achieve the American Dream and prosper.

**Participants learn construction and maintenance skills:** Providing labor on their new or rehabilitated home, families learn a variety of construction skills which can open new employment opportunities and help assure the homes are well maintained.

**Self-help builds household equity and wealth:** Participant families start their housing journey with equity provided by their labor. This equity/net worth, along with appreciation of the value of their homes, can help provide for other family needs such as retirement, education, etc.

**USDA/RD involvement may lead to other opportunities:** USDA has a variety of programs to assist rural communities with housing, infrastructure, community facilities, and business development. Having self-help housing in the community may lead to the local government connecting with these valuable programs.

## **BENEFITS FOR YOUR NONPROFIT ORGANIZATION WHEN ESTABLISHING A SELF-HELP HOUSING PROGRAM**

**Help in achieving your mission:** Self-help housing provides affordable homeownership to low and very low-income households. Self-help can provide an important tool in your organization's belt in addressing the housing needs of your customers.

**A new revenue stream and stable funding:** Self-help housing has been a federal program since 1968 and Congress has been supportive of providing funding in the federal budget each year. Self-help housing can provide a new revenue source and 2-year funding.

**A unique Administrative Grant coupled with affordable 502 Loans to families:** Section 523 Self-Help TA Grants provide the funding for staff and administering the operation of the program, while families receive 502 Direct Loans for property, materials, and subcontracting.

**Program flexibility:** With Self-Help Housing grantees have the option to do new construction, purchase/repair, owner occupied rehab, or a mixture depending on their market.

**New program excitement, partners, and stakeholders:** Self-Help provides new excitement for organizations and their staff, boards, partners, and participants. There is nothing like a new site groundbreaking, a home dedication, or a build day to yield excitement and publicity.

**Opportunity to provide staff support and new positions:** Staff and Personnel related costs may be charged to the 523 grant. Positions typically supported by the grant include project director, construction supervisor, group worker/loan packager, administration and accounting. A self-help housing grant could solidify your staff, help retain staff, add important new positions, and support the organization's capacity.

**Add a complementary line of business to what the organization already does:** Perhaps your organization already builds homes, rehabilitates homes, does other forms of construction, packages 502 loans, provides housing counseling, educates on financial fitness, or has families it serves that need affordable homes. Look at how self-help housing might fit in with your other programs and how it could address the needs of your customers.

**Build organizational capacity:** Undertaking self-help housing with a new revenue source, stable two-year funding, and adding new staff positions, could help grow the organization, its services, its impact, and its overall capacity for the future. Self-help housing is such a high visibility, impactful program – it can really put an organization on the map.