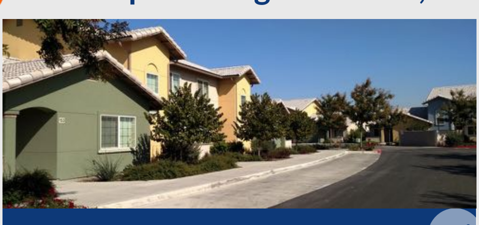
Self-Help Housing in Goshen, California



KEY LEARNING POINTS

- 'Self-help' housing can be an effective way of delivering truly affordable family homes at scale and pace provided it is properly organised and facilitated
- The 'self-help' model can promote stronger communities and civic pride and help lower-income families access home ownership. It can also support local jobs and economies and improve the skills of home owners
- Councils planning a serviced plot scheme can sell off larger plots at a higher cost per sq m, to cross subsidise the plots for affordable homes. The homes themselves can be delivered by working in partnership with housing associations or organisations like the Community Self Build Agency

SUMMARY

More than 50,000 low-income families in the United States have built their own affordable homes through an innovative 'self-help' ('sweat equity') housing programme. The Park Village project in Goshen is typical and provides 77 detached homes. Families are given pre-construction training and on-site building supervision. Each household has to contribute a minimum of 40 hours a week for up to 12 months; in return their homes cost about 20 to 25% less compared to equivalent market housing. The 'sweat equity' they contribute effectively replaces the need for a deposit.

Initiator: Other

Scale: Large

Site: Rural

Affordability: Low Cost

Opportunity: Individual

Built Form: Detached, Semi-detached and Terraced

Country: USA

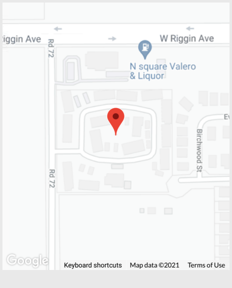
KEY STATISTICS

Completed June 2015

No. Units 77

Typical house size 120-140 sq m

Typical house cost $140,000 to $180,000 (£98,000 to £126,000)



DEFINITIONS

For the purposes of this Toolkit we have made the following definitions:

Click here to open/close

INTRODUCTION

Throughout the United States tens of thousands of low-income families have built their own affordable homes via a nationwide 'self-help' housing programme.

The Park Village project in Goshen is a classic example of a large scale self-help development. A local not-for-profit community support organisation, Self Help Enterprises, secured 16 hectares of agricultural land from local landowners. It then applied for planning permission to build the homes in partnership with low-income families that would otherwise not be able to rent or own a home in the area.

Almost 80 families built their own detached owner occupied homes on this site using this procurement model.

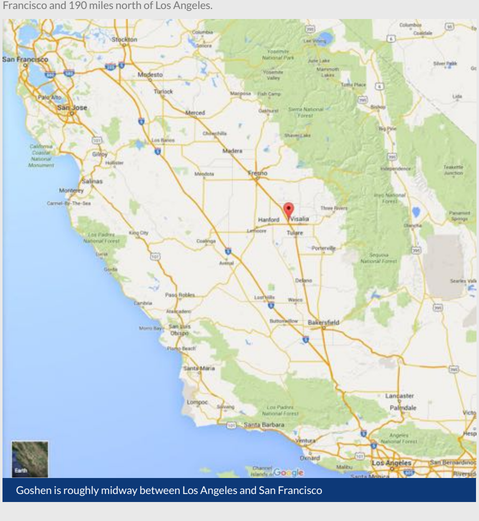
The approach typically involves an approved not-for-profit organisation commissioning local contractors to service a site, and then facilitating groups of eight to 12 low income families and first-time homebuyers to buy the plots and work together to collectively build their own homes.

By doing much of the construction work themselves the families typically reduce the costs of their homes by between 20 and 25 per cent, so their labour input effectively replaces the need for a deposit. Eligible families can also access mortgages available under the Mutual Self-Help Housing programme and use these to buy the plot, and pay for construction materials or any subcontractors that are required.

On this site the homes were built 20 per cent below market value at a cost of between $140,000 and $180,000 (£98,000 to £126,000).

LOCATION

Goshen is a small rural town located in Tulare County on the north-western edge of the City of Visalia in the agricultural San Joaquin Valley of California, approximately 230 miles south east of San Francisco and 190 miles north of Los Angeles.



Goshen is roughly midway between Los Angeles and San Francisco

The development lies just east of Highway 99, south of West Riggin Avenue and consists of two parts: –

- **Goshen Village I –** an apartment community of 64 homes for social rent that was completed in 2002
- **Park Village –** a newer community of 133 homes completed in 2015. The 77 self-help homes form part of this site

Self Help Enterprises funded and oversaw the construction of both parts.

The completed Park Village site comprises three linked parcels of land, including 77 detached 'self-help' owner occupied homes (shown on the right in the image above)

THE SITE

The site extends to about 16 hectares (40 acres) and comprises three linked parcels of land: Goshen Village II (56 terraced low income homes for social rent), 77 detached 'self-help' owner occupied homes built by groups of private homebuilder families and about four hectares of public open space with a children's playground.

The self-help homes are built on large plots of around 2,000 sq m. The homes generally have three to four bedrooms with a two-car garage and landscaped gardens set well back from the adopted public highway. All are timber framed and many have renewable energy features.

A further 16 hectare extension is planned to the east of the site. This will include a further 89 self-help single-family homes of a similar size, along with 100 to 140 social rent apartments.

SELF HELP ENTERPRISES

Self-Help Enterprises is one of about 100 non-profit community support organisations operating in the United States who are approved by the US Department of Agriculture (USDA) under the national Mutual Self-Help Housing programme. Further details of the programme are included in Annex 1.

Self-Help Enterprises is based in Visalia. In the last 50 years, it has helped more than 6,000 low-income families build their own homes in the area.

THE 'SELF-HELP' CONCEPT

California faces a significant affordable housing challenge. More than two thirds of families are unable to afford to buy an average priced home and the State currently needs to build about one million more homes for low and middle income Californians over the next 10 years.

State resources to provide affordable housing are currently heavily constrained, so mutual 'self-help' housing, where homes are built wholly or partly by their owners, offers one way of delivering affordable home ownership for low-income families.

Tulare county has a poverty rate of nearly 25 per cent and housing costs are increasing.

Under the Mutual Self-Help Housing programme Self-Help Enterprises identifies and acquires suitable land, applies for planning permission to zone (allocate) the land for housing and then co-ordinates the development. This involves using local contractors to service the site and then facilitating groups of eight to 12 low-income households to come together to buy plots and collectively build their own homes.

Self-Help Enterprises provides an on-site construction superintendent and a construction support team who guide the families through the build process.

No construction experience is needed. Before starting work, families are taught all the necessary financial and construction skills needed for their project. Training is also available during the construction process.

The self-help homes are built under the USDA mutual self-help method of construction. Participants choose from a range of house plans drawn up for each site by Self-Help Enterprises depending upon the size of their family, affordability and plots size. Modified house plans are available for those households with special needs.

Each family is required to work a minimum of 40 hours a week on all the homes across the group for typically nine to 12 months. Over the course of the whole project a family will contribute about 1,600 hours of labour. Family hours can be provided by future owners, any household member over 16 years of age and approved 'helpers'. Together, families pour the foundations, install the timber frames, fit the electrical wiring, hang the doors and windows, lay the roof tiles and do the decoration.

Most of the construction takes place between Tuesday and Saturday (the site is open from 8am to 5pm). For those in employment, work can be done in the evenings and on Sundays. However, as a daily labour force is essential to complete the houses on-time and on-budget Self Help Enterprises monitors participation carefully.

The organisation also assists households to secure an affordable mortgage loan from the USDA and the State of California.

The model works because Self-Help Enterprises steers the process and provides guidance/assistance to private homebuilding groups. Participating families not only work on their own home, but everyone works on all the other homes in the group. No home is occupied until all the houses are completed. This creates a sense of community and helps ensure the project is completed as soon as possible. The homes are usually all completed within a few days of each other so there are no long delays.

Participating families benefit because: –

- No deposit is required and finance is available via a USDA mortgage loan
- Monthly mortgage payments are based on each household's income
- They get access to low interest rate loans so repayments are lower than the rent on an equivalent property
- The homes are new, energy efficient and designed to match each family's needs

Prior to starting a project Self-Help Enterprises conducts meetings with participating families to explain the programme and other home ownership issues, such as taxation and insurance. It also assists families in selecting house designs that meet their needs (and are within the approved finance constraints), and it prepares estimates for the costs of construction materials and identifies suitable sub-contractors.

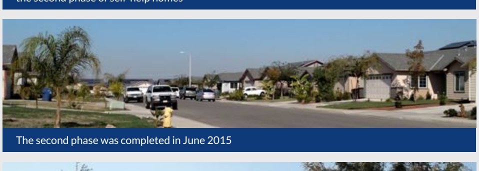
To join a self-help building group interested families have to submit an application. To qualify they must: –

- Be first time homeowners. Exceptions can however be made where an applicant has not owned a home in the past three years, has lost a home due to divorce or has a good credit status (applicants with no credit history may also be eligible)
- Meet low-income standards based on a USDA formula that factors in the number of family members and whether their combined incomes are below 80 per cent of Tulare County's average income
- Have a stable income from employment and other sources of income
- Declare that they are able and willing to meet the labour requirement for the project
- Be a permanent resident or US citizen

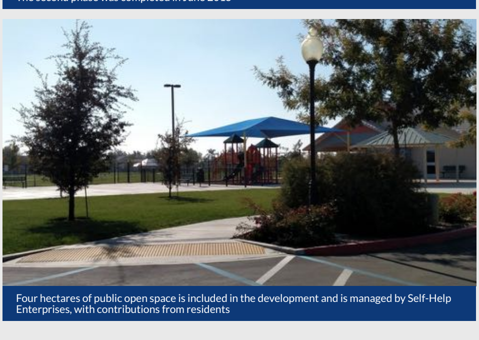
Disabled applicants and single parents can participate but there is no reduction in the required labour contributions. If someone cannot physically do construction work, they must make arrangements for additional work to be provided by designated 'helpers' approved by Self-Help Enterprises.

Homes can be sold after completion but the loan must be repaid in full at that time. Some loans also require a share of any profit earned.

The site in August 2013 showing the completed apartment complex with community and health centre (top right), associated open space (the green area in the centre) and the first phase of the detached 'self-help' housing (bottom left). In the foreground (right) serviced plots stand ready for the second phase of self-help homes



The second phase was completed in June 2015



Four hectares of public open space is included in the development and is managed by Self-Help Enterprises, with contributions from residents

TIMEFRAME

- **2002** – Goshen Village I completed
- **2009** – Park Village site acquired
- **Late 2010** – Site rezoning approved
- **Early 2011** – Groundworks commence, site servicing, open space preparation
- **Mid 2012** – Construction work begins on first phase of 'self-help' homes
- **Mid 2013** – First phase of 'self-help' homes completed
- **Mid 2014** – Construction begins on second phase of 'self-help'
- **Mid 2015** – Second phase of 'self-help' homes completed
- **Late 2015** – Rezoning for further phase to east approved for 89 self-help single-family homes and 100 to 140 social rent apartments
- **2016 onwards** – Commence next phase

LAND

Self-Help Enterprises locates and secures suitable building sites for its projects in discussion with local landowners and the local council. This is often a complicated and difficult part of the business as land that only has basic access to roads and services in California is typically used for agriculture and un-serviced. County laws often prohibit changes of use unless the land is included in settlement boundaries and even then there are often significant zoning restrictions. Land costs vary widely depending on access, location and other factors.

In the case of Goshen, the first 16 hectare parcel of land was donated by a local family. The second parcel, which will be used for an extension to the project, was partially donated and partially paid for using Self Help Enterprise's land acquisition fund. Funding for land purchase is also secured through USDA Mutual Self-Help Housing Technical Assistance Grants (see Annex 1).

Self Help Enterprises serviced the site from its infrastructure fund and the costs were recovered from plot sales and income from the rented properties.

A full-time property management team undertakes maintenance of common areas, such as the open space. Owner-occupied housing projects typically include the formation of a 'Home Owners Association' or other similar non-profit organisation that the families automatically become members of and make annual financial contributions to.

PLANNING

Self Help Enterprise submitted a rezoning application to the Tulare County Board of Supervisors who unanimously approved the application because it provided housing for low income families.

The site was rezoned under the Tulare County Zoning Ordinance from an Agricultural Zone (A-1) to a zoning which split the site into three related parts: –

- **Single-Family Residential (R-1 zone) –** allowing detached homes not exceeding two and one-half stories in height (10.7m) and garages for no more than three cars. The building line requires a set-back distance of 25 per cent of the plot depth. Garden restrictions are also specified. A minimum plot area of about 2,000 sq m is specified. The zone also specifies standards for manufactured homes, including age, roof overhang, materials and elevational treatment
- **Two-Family Residential (R-2 zone) –** allowing semi-detached homes not exceeding two and one-half stories in height (10.7m) and garages for no more than four cars. Building heights, set back distances of the building line and garden specifications are the same as in the R-1 zone. A minimum plot area of about 1,000 sq m per home is also specified
- **Recreation (O zone)**

The new zoning provided certainty that the site servicing could commence and detailed permission for new homes and supporting finance could be secured. This meant the development could proceed without delay.

Detailed planning permissions (permits) for the new homes were secured by Self Help Enterprises on behalf of individual private homebuilders.

TOP TIP

Support 'self-help' projects on Exception Sites

If a project meets local policies and supports low-income families to build their own homes, it could be supported as an Exception. This will help enablers secure land at affordable prices and pass this on to local people

FINANCE

As an approved 'grantee', Self Help Enterprises usually secures finance from a federal grant available from the USDA (provided the site is in a qualifying rural area). In non-rural communities, costs are recovered from the sale of plots and homes.

Self Help Enterprises often includes social rented accommodation in its projects as these benefit from a larger pool of financial assistance and can help pay for site infrastructure costs. Rented housing is typically funded through a Limited Partnership, in this case with Wells Fargo Bank. The Bank initially funds 99 per cent of the capital and maintains 99 per cent of the ownership for 15 years. The Partnership benefits from the California State Tax Credit Process, and Wells Fargo Bank receives a nine per cent credit on its State taxes as profit. After 15 years the ownership of the project reverts to Self Help Enterprises and the partnership with Wells Fargo Bank is dissolved.

Self-Help Enterprises typically pays for the site servicing for the self-help plots (and the construction of any social rented low-income housing) from its own funds and may also acquire loans and use tax credits for building low-income housing to finance the project.

Financial assistance can also be accessed from the California Department of Housing and Community Development's HOME programme funding, the State Low Income Housing Tax Credit (LIHTC) programme, the National Equity Fund, the California Community Reinvestment Corporation, and Neighbour works America (see below).

The self-help housing is constructed with the help of mortgages secured by participating families, available by application from the USDA Regional Agency. This mortgage is used to buy the plot of land, construction materials, and pay for any subcontractors.

As each lender has individual requirements, each housing site may have differing loan criteria. Participants are also required to pay for a credit report and hand tools, which together cost around $300. At the end of construction, there will be mortgage arrangement fees payable and estimates of these costs are made by Self Help Enterprises on project commencement with families saving this money in a designated account while the house is built.

Interest rates are based on income and can be as low as one per cent . Monthly payments vary based on family's income and the terms of the loan.

Self-Help Enterprises often also makes additional homebuyer assistance funding available to participants. This comes in the form of a zero per cent interest 30 year fixed term deferred payment loan to help reduce the size of the mortgage, and the loans are secured from a variety of local, state and federal sources.

COST OF THE HOMES

Finished self-help homes at Goshen's Park Village site were built for between $140,000 and $180,000 (approximately £98,000 to £126,000). This is about 20 per cent below the average value of an equivalent property in the area. On top of this construction cost the self-help builders contributed their 'sweat equity', which was valued at between ten and 20 per cent of the end value of the homes.

DEMAND

Goshen has an acute need for affordable housing and there hasn't been a lot of development locally to meet this need. There are many low-income families in the town and an absence of newer, energy efficient affordable homes. This has forced many people out of the area and there is currently a waiting list of about 75 families who are looking for affordable 'self-help' housing opportunities.

Demand for affordable housing in Goshen is representative of the wider County of Tulare and California more generally. California's Regional Housing Needs Assessments are undertaken every four years and have consistently highlighted that the current pace of construction of low-income housing is only meeting 30 per cent of the actual demand.

Tulare County's own Housing Needs Assessment identifies a 30 per cent population growth in communities such as Goshen over the next nine years. To accommodate this level of growth the Assessment recommends that the county allocates land for more than 2,500 new, lo or very low income homes (or about 261 homes per year). This is why Tulare County supports the rezoning of land to accommodate 'self-help' projects like Goshen Village.

TOP TIP

Consider supporting 'self-help' projects to meet affordable housing need

Charities and other not-for-profit organisations can play an important role in helping local people on lower incomes to access affordable privately built housing

MARKETING

Self Help Enterprises did the marketing for the project in-house. This included a website, printed brochures and flyers, and some local media advertisements. The organisation also has a presence at many community events and generates a lot of enquiries through the successful completion of projects such as Goshen Village and word of mouth.

OTHER SIMILAR PROJECTS

The national Mutual Self-Help Housing programme has facilitated more than 50,000 low-income families to build their own homes through non-profit self-help housing organisations. Nearly one third of the self-help homes are located in California. Other states with active self-help programmes include Arizona, Washington, Oklahoma and Florida which collectively account for 28 per cent of all self-help homes since the programme was introduced in 1966. Wisconsin, Colorado, Arkansas, Mississippi, and Utah are also all quite active.

There are presently about 100 self-help 'grantee' organisations located throughout the United States. Some operate multiple projects. All operate on similar principles to Self Help Enterprises and apply the criteria of the Mutual Self-Help Housing programme.

TOP TIP

Consider different types of 'sweat equity' models

There are many approaches to 'self-help' housing. For example a 'light sweat equity' build option can accelerate construction by limiting the amount of work the private homebuilders does

TOP TIP

Consider the Council's role to promote 'self-help' housing

'Self-help' housing can be facilitated directly by councils by working with other housing providers, lenders and organisations like the Community Self Build Agency

Peoples' Self-Help Housing on California's Central Coast

Peoples' Self-Help Housing (PSHH) is a national award-winning private community based non-profit organisation that creates affordable housing on California's Central Coast, covering San Luis Obispo, Santa Barbara, and Ventura Counties.

Like Self Help Enterprises at Goshen, PSHH's 'sweat equity' Owner Builder Self-Help Housing Programme enables qualifying participants to take part in the construction of their homes. Their 'sweat equity' contribution also means they don't require a deposit to access home ownership.

Peoples' Self-Help Housing has assisted almost 1,200 first time low-income homeowners to build their own homes using 'sweat equity'

PSHH currently has two new neighbourhood 'self-help' projects in the pipeline -one in San Miguel and the other in Atascadero. These two projects will bring forward some 35 new homes. For families to be able to participate they need to: –

- Have an annual income between $34,000 and $65,000 (roughly £23,750 and £45,400). For example, the income for a four person household cannot exceed $61,700 (£43,100)
- Show a good credit and rental history
- Commit to work 40+ hours a week to building their own, and other homes, in their building group
- Be a US Citizen or permanent resident

The homes will be single storey with three or four bedrooms, two baths and two-car garages, ranging in size from 110 to 150 sq m. Homes will be energy efficient, meeting the Energy Star Certified Homes National Programme standard.

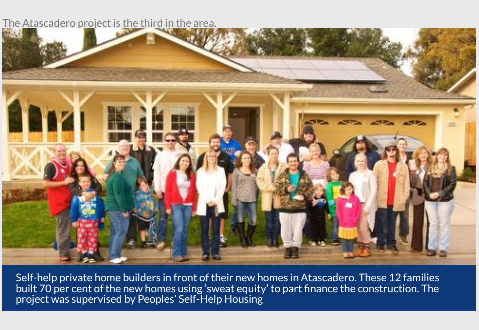
The homes are estimated to cost between $285,000 (£199,000) to $300,000 (£210,000) including land. There is no deposit payable as this will be covered by the 'sweat equity' contribution by each family. Repayments (including mortgage, interest, taxes and property insurance), are about $1,100 to $1,200 per month (roughly £770 to £840). Participating families will be able to apply for USDA approved construction and mortgage loans through local banks.

Successful applicants will be expected to perform 65 to 70 per cent of the building work. Two adults per household are required to work on the build for at least 20 hours each per week. A single person household would need to find a friend or relative to help. Construction will take between 12 and 15 months as homeowners work around their full-time jobs. Participating families will prepare the foundations, erect timber frames, do roofing and the interior finishes and landscaping under supervision of a PSHH on-site representative. More technical work such as plumbing, heating and air conditioning, electrical, drywall lining and rendering is undertaken by subcontractors employed by PSHH.

The **Atascadero** project is enabling 11 first time low-income families to build their own affordable homes on a triangle-shaped parcel of land at Atascadero and San Andres avenues. PSHH began the groundworks site servicing in early 2015 and home construction started in October 2015.

Site servicing for the next 'self-help' housing project in central Atascadero by Peoples' Self-Help Housing

The Atascadero project is the third in the area.



Self-help private home builders in front of their new homes in Atascadero. These 12 families built 70 per cent of the new homes using 'sweat equity' to part finance the construction. The project was supervised by Peoples' Self-Help Housing

The **San Miguel** project will provide 24 homes and is due to start construction in early 2016.
More than 130 local people queued in Atascadero to apply to take part. As with other PSHH projects, applications are entered into a draw to determine the order they will be processed.

PSHH also offers a 'light sweat equity' build option to accelerate construction. In **Oceano** self-help private homebuilders built six large two-storey energy efficient homes with double garages in 2014. Under this model the private homebuilders did not work on the foundations, erect timber frames or do roofing; instead their work was limited to installing windows, doors and completing the interior fit out, painting and flooring. They also undertook the landscaping.

Neighbor Works Great Falls

In the 1970s and 1980s, over 1,000 homes have been assisted in purchasing their homes through the "self-help" housing method since 1970, and seven of them that 35,7 Million have been completed.

Neighborhoods Great Falls is one of more than 200 non-profit community based organizations that are members of the Neighborhood Reinvestment Network. Neighborhoods Great Falls, Montana, provides technical assistance, training and other resources to local neighborhoods.

Mission Statement: Neighborhoods Great Falls is a non-profit, self-help, grassroots, community-driven organization that works with people and their neighborhoods to improve their quality of life and to bring together people and resources to create a Great Falls that is safe and healthy.

Support for self-help housing by local councils

Self-help housing is also the mainstay of the Housing Authority in Santa Ana, in Tequesville, Washington County, Utah, and Fort Bragg in California. Each year, the Self-Help Housing Program in Santa Ana, California, assists about 100 families in building their own homes. The program is sponsored by the City and County of Santa Ana.

PCAC provides typically support group projects that build six houses. Qualifying families spend 30 hours per week for 6 months working on each other's homes, and 40 hours per week working on their own homes. The families work together under the guidance of a construction supervisor and are given at least 65 per cent of the construction work done.

Self-Help Housing Program in Santa Ana, California, has saved the cost of construction. The laws and construction is managed by PCAC. When the house is completed, the construction cost is determined by the family as a loan from HUD. Each family has a cost-effective tailor-made loan package. Monthly payments are based on the family's ability to pay, and the loan is for a period of 33 years between 33 and 38 years. Payments include principal, interest, taxes, and insurance.

Fort Bragg, California, Self-Help Housing is a program of the Mendocino County Housing Authority. Photo by Jim Wilson, The New York Times.

THANKS TO...

This case study was compiled with references to the following resources:

Ben Kimball - Deputy Executive Director, Tulare County Association of Governments, Visalia, California

United States Department of Agriculture

Self-Help Housing Program, Visalia, California

Peoples Self-Help Housing, San Luis Obispo, California

Neighborhoods Great Falls, Great Falls, Montana

Plus County Association of Governments, Utah

CREDIT

Text: Mutual Self-Help Housing Program Organizations
Photos: Mutual Self-Help Housing Program Organizations
Design and Layout: Mutual Self-Help Housing Program Organizations
Cover photo: Mutual Self-Help Housing Program Organizations
Copyright: Public Domain

FURTHER READING

A full history of Mutual Self-Help Housing is available at the Mutual Self-Help Housing Program Council Research Report, 2012

http://www.selfhelphousing.org/ | selfhelphousing.org/ | Research Report

ANNEX 1: KEY UNITED STATES GOVERNMENT SUPPORT PROGRAMMES

Background to the Mutual Self-Help Housing programme

The United States mutual self-help housing programme is now more than 50 years old. In 1965, Congress introduced legislation as the Office of Economic Opportunity and HUD jointly provided loans to groups of families who were willing to work together to build their own homes. Since then, the programme has grown and now has over 1,000 participating groups.

Self-Help Housing Program Council, Inc. (SHHPC) is a non-profit, tax-exempt, 501(c)(3) organization that supports self-help housing construction projects and provides technical assistance and training to local self-help housing groups.

Self-Help Housing Program Council, Inc. (SHHPC) is a non-profit, tax-exempt, 501(c)(3) organization that supports self-help housing construction projects and provides technical assistance and training to local self-help housing groups.

- Average cost to build a self-help home through the construction savings is about $75,000
- Average cost to build a self-help home through the contractor is about $150,000
- Highest-quality construction of self-help housing homes and the lowest-cost housing
- Average family income of self-help housing families and the lowest income
- Almost 40 per cent of self-help participants are single households and 77 per cent have children under the age of 18
- Since the start of all participants are minority households, who had to wait four years before they could start building their own homes
- Every 100 homes built under the programme results in the creation of 320 new jobs. The homes built by self-help housing groups are built to the highest standards of quality and are built to meet HUD housing standards and design construction requirements required for self-help housing
- Evidence is self-help households are more likely to be active in their communities, graduate from high school, and have better health than non-participating families
- In 2012, the average loan approved under the programme was less than $120,000 (approx. £75,000)
- Self-Help Housing families with linked mortgages, have default rates under the programme, and only one child-illness was reported by the participating mortgage lender

ELIGIBILITY AND APPLICATION PROCESS

Families who want to participate in self-help housing must be able to pay their own mortgage. Families have to complete an application form that details the sponsoring organization administering the scheme to check they are eligible, and their credit-worthiness.

If the application passes initial scrutiny, the next stage involves comparing a German loan funding a mortgage with a US mortgage lender. Each family has to be able to show that they can afford the mortgage. Where to their assets. All applications are filed in order of date of receipt. Once a prospective sponsorship has been agreed, the scheme is given a 'group' and maximum loan and will provide contact details of the sponsoring agency.

Each owner-builder refers to a loan and sponsoring plan the "housing mortgage" and "sponsoring plan". At this stage the sponsoring organization checks the loan to ensure the house layout chosen, the plan and the loan are in accordance with the programme rules. Once the loan is approved, the sponsoring organization will inform the owner-builder and the lender that the loan is approved and the sponsoring agency.

Self-Help Housing Program Council, Inc. (SHHPC) is a non-profit, tax-exempt, 501(c)(3) organization that supports self-help housing construction projects and provides technical assistance and training to local self-help housing groups.

Mutual Self-Help Housing Technical Assistance Grants

OBJECTIVE AND SCOPE

This programme provides grants and loans to qualified organizations to help them carry out local self-help housing construction projects. Recipients (grantees) use and provide technical assistance to self-help groups as they construct their own homes.

Self-Help Housing Program Council, Inc. (SHHPC) is a non-profit, tax-exempt, 501(c)(3) organization that supports self-help housing construction projects and provides technical assistance and training to local self-help housing groups.

ELIGIBILITY

Eligible applicants include:

- Government non-profit organizations
- Federally recognized Tribes
- Private non-profit organizations

Applicants must demonstrate that:

- There is a need for self-help housing in the area
- The applicant has the qualified organization to carry out the organization's responsibilities under the programme
- Funds for the proposed project are available if tentative awards

Self-Help Housing Program Council, Inc. (SHHPC) is a non-profit, tax-exempt, 501(c)(3) organization that supports self-help housing construction projects and provides technical assistance and training to local self-help housing groups.

ELIGIBLE AREAS

Open to all eligible rural areas in USDA Income and Property Eligibility website.

FUNDING AMOUNT

Applicants must determine ceiling for the proposed lending sites in the locality. Technical assistance grants are limited to $50,000 per year. Technical assistance grants are limited to $50,000 per year and provide Grants range from approximately $200,000 to more than $1 million per year. Self-Help Housing Program Council, Inc. (SHHPC) is a non-profit, tax-exempt, 501(c)(3) organization that supports self-help housing construction projects and provides technical assistance and training to local self-help housing groups.

Site Options 2010 Loans are also available to enable grantees to establish revolving funds so they can take out options on suitable land. At 0% loan is also provided when sites cannot be made available for other reasons. The interest rate is three per cent.

USE OF FUNDS

Grant funding can be used to help provide staff help technical guidance and supervisory assistance to groups of families who are working together to build their own homes. Grant funds can also be used to provide other related activities to enable them to participate. Grants are also used to pay salaries, rent, and office expenses of the sponsoring organization.

Loan funds can be used to purchase land, construct infrastructure and for the participants, to be used as gifts for building materials, similarly the grants can be used to purchase the materials for the family's homes. Loans can be used for the land purchase, or to fund operative training.

Self-Help Housing Program Council, Inc. (SHHPC) is a non-profit, tax-exempt, 501(c)(3) organization that supports self-help housing construction projects and provides technical assistance and training to local self-help housing groups.

Site Options 2010 Loans are also available to enable grantees to establish revolving funds so they can take out options on suitable land. At 0% loan is also provided when sites cannot be made available for other reasons. The interest rate is three per cent.

USE OF FUNDS

Grant funding can be used to help provide staff help technical guidance and supervisory assistance to groups of families who are working together to build their own homes. Grant funds can also be used to provide other related activities to enable them to participate. Grants are also used to pay salaries, rent, and office expenses of the sponsoring organization.

Loan funds can be used to purchase land, construct infrastructure and for the participants, to be used as gifts for building materials, similarly the grants can be used to purchase the materials for the family's homes. Loans can be used for the land purchase, or to fund operative training.

Self-Help Housing Program Council, Inc. (SHHPC) is a non-profit, tax-exempt, 501(c)(3) organization that supports self-help housing construction projects and provides technical assistance and training to local self-help housing groups.

ELIGIBLE AREAS

Generally, rural areas with a population below 20,000 inhabitants are eligible. Details are set out in the USDA Income and Property Eligibility website.

USE OF FUNDS

Loans can be used to help low-income households build or purchase homes in rural areas. The finance can be employed to build, repair, renovate or relocate a home, or to purchase and prepare sites.

SCALE OF GRANT

Self-Help Housing Program Council, Inc. (SHHPC) is a non-profit, tax-exempt, 501(c)(3) organization that supports self-help housing construction projects and provides technical assistance and training to local self-help housing groups.

Site Options 2010 Loans are also available to enable grantees to establish revolving funds so they can take out options on suitable land. At 0% loan is also provided when sites cannot be made available for other reasons. The interest rate is three per cent.

USE OF FUNDS

Grant funding can be used to help provide staff help technical guidance and supervisory assistance to groups of families who are working together to build their own homes. Grant funds can also be used to provide other related activities to enable them to participate. Grants are also used to pay salaries, rent, and office expenses of the sponsoring organization.

Loan funds can be used to purchase land, construct infrastructure and for the participants, to be used as gifts for building materials, similarly the grants can be used to purchase the materials for the family's homes. Loans can be used for the land purchase, or to fund operative training.

Self-Help Housing Program Council, Inc. (SHHPC) is a non-profit, tax-exempt, 501(c)(3) organization that supports self-help housing construction projects and provides technical assistance and training to local self-help housing groups.

ELIGIBLE AREAS

Generally, rural areas with a population below 20,000 inhabitants are eligible. Details are set out in the USDA Income and Property Eligibility website.

USE OF FUNDS

Loans can be used to help low-income households build or purchase homes in rural areas. The finance can be employed to build, repair, renovate or relocate a home, or to purchase and prepare sites.

SCALE OF GRANT

Self-Help Housing Program Council, Inc. (SHHPC) is a non-profit, tax-exempt, 501(c)(3) organization that supports self-help housing construction projects and provides technical assistance and training to local self-help housing groups.

Site Options 2010 Loans are also available to enable grantees to establish revolving funds so they can take out options on suitable land. At 0% loan is also provided when sites cannot be made available for other reasons. The interest rate is three per cent.

USE OF FUNDS

Grant funding can be used to help provide staff help technical guidance and supervisory assistance to groups of families who are working together to build their own homes. Grant funds can also be used to provide other related activities to enable them to participate. Grants are also used to pay salaries, rent, and office expenses of the sponsoring organization.

Loan funds can be used to purchase land, construct infrastructure and for the participants, to be used as gifts for building materials, similarly the grants can be used to purchase the materials for the family's homes. Loans can be used for the land purchase, or to fund operative training.

Self-Help Housing Program Council, Inc. (SHHPC) is a non-profit, tax-exempt, 501(c)(3) organization that supports self-help housing construction projects and provides technical assistance and training to local self-help housing groups.

Self-Help Homeownership Opportunity Program

OBJECTIVE AND SCOPE

Self-Help Homeownership Opportunity Program helps dealers support low and moderate income families to acquire homes in rural areas. The objective is to increase homeownership in rural areas by creating homeownership opportunities and improve the quality of life in rural areas.

The programme consists of 10 per cent grant programme is approximately equal to reduce the risk to participating lenders.

ELIGIBILITY

Applicants must meet:

- Low and moderate income for the area in which they want to live. This varies depending on the county and the number of persons in the household. For example, in Shasta County, California, the maximum low income for a family of four is an at $28,950 (about £20,000). A 'low income' for the same family in Tulare County, California, is $19,350 (about £13,000). Self-Help Housing Program Council, Inc. (SHHPC) is a non-profit, tax-exempt, 501(c)(3) organization that supports self-help housing construction projects and provides technical assistance and training to local self-help housing groups.
- Be a US Citizen, a US non-citizen national or "Qualified Alien"
- Have a credit-worthy income to repay the mortgage loan
- Have not been suspended or debarred from a loan programme
- Demonstrate willingness to meet the credit obligations in a timely manner
- Have not been convicted of a felony in the last 10 years

ELIGIBLE AREAS

Generally rural areas in USDA Income and Property Eligibility website.

USE OF FUNDS

Loan funds can be used to purchase sites on land for:

- Metal or sealing standard panels to be used as a permanent residence
- Repair and rehabilitation of existing structures for residential use
- Repair and rehabilitation where accounted with the purchase of an existing home
- Purchase of a site for a manufactured home
- Special design features or permanently installed equipment to accommodate a household member with a disability
- Reasonable and customary connection fees, connection fees for the connection of utilities such as water, sewer, electricity, and gas
- Purchase of a site for a manufactured home, the property at the time of underlying the loan. Costs can be allowed for the establishment of new wells or repair of an existing well and repair and final inspection premiums
- Purchase of permanently equipment such as well or septic, wiring, gas lines, heating and cooling equipment
- Purchase and installation of energy efficiency measures (e.g. insulation, double glazing and solar panels)
- Installing flood breakwater services to the home
- The purchase of materials for building accessories, foundations, hard and soft landscaping and fences

APPLICATION PROCESS

Loans are administered through agent-lenders.

KEY LEARNING POINTS

- Self-help housing can be used to provide good-quality, cost-effective family homes at scale and can provide both in property ownership and facilitated
- The self-help model can provide an intermediate step for people who have low-income families across home ownership. It can also support local jobs and economies and improve the skills of participants
- Councils planning a new-build plan scheme can sell off larger sites at a higher cost per sq m to cross-subsidise the plots for affordable homes. The homes themselves can be delivered by working a partnership with a housing association or a private developer with Self-Help Housing

INTRODUCTION

This case study is based on the experiences of a thousand self-help homes built from zero affordable homes through a "non-conventional" self-help housing programme. The Plan Village project in Durham is a classic example of a large-scale self-help development. A local, not-for-profit, community support organization, Self-Help Enterprises, received 10 hectares of agricultural land from the government. It then qualified the planning permission to build the homes in partnership with three lenders. Families that would otherwise not be able to rent or own a home in the area, qualified for a mortgage.

The organization also helped the local community to build a village hall and community centre, and the local community groups used it for meetings and for low-income families, and for time-banksources to buy the plots and match together to collectively build their own homes.

By the end of the project, the local community had seen the families transfer into the area. The homes built in the last 25 per cent, or their labour input, effectively replaces the need for a deposit. Eligible families can also access mortgages available under the Mutual Self-Help Housing programme and use them to buy a home. The mortgage is secured on the property and repayable over a period of up to 33 years.

In this case, the lenders have made a loan to the owner-builder and as a result of HUD and USDA 502 and 504 Loans.

LOCATION

Durham is a small town located in Tulare County on the north-eastern edge of the City of Visalia in the agricultural San Joaquin Valley of California. Durham is approximately 5 miles from the City of Visalia and 5 miles from the City of Tulare.

Durham is roughly midway between Los Angeles and San Francisco

- Population: Village population is approximately 1,000 people
- Area: Village covers 1 square mile
- Land Ownership: Land is owned by the Government. The 75 self-help homes that are part of this city

Self-Help Enterprises helped and oversaw the construction of both parts.

The completed Plan Village site comprises 1 new street and 1 cul-de-sac, including 75 "standard" self-help houses and supplemental houses on the right-hand side of the street.

SUMMARY

Durham is a small town located in the Southern Central Valley of California. Self-Help Enterprises built these affordable homes through an innovative "self-help" housing model. Participating families spent 30 hours per week for 6 months working on each other's homes, and 40 hours per week working on their own homes. Families were able to own their own homes because they were able to access a mortgage through the Mutual Self-Help Housing Program. The "sweat equity" they contributed effectively replaces the need for a deposit.

Addition: Other

Skills: Large

Site: Rural

Affordability: Low Cost

Opportunity: Individual

Built from: Detached, Semi-detached and Terraced

Country: USA

KEY STATISTICS

Completed Units: 1,000

No. Units: 75

Typical Income: £20,000 - £40,000

Typical Income: £20,000 - £40,000 (£18,000 - £36,000 in 2,000)

DEFINITIONS

Click here to open a glossary of terms and acronyms used in this case study

Click here to open a glossary

- **self-help** (self-help) **housing** A programme commonly coupled with a public sector or a mortgage scheme. Also referred to as 'sweat equity' housing. Many projects also build the homes, or at least the shell, with the participants working on their own homes and those of their neighbours.
- **non-conventional** Usually, or at least, not a conventional housing scheme. Non-conventional schemes are those that are not part of a mainstream housing scheme. Non-conventional schemes are those that are not part of a mainstream housing scheme.
- **Self-Help Homeownership Opportunity Program** A programme that helps families to buy a home.

THE SITE

The site chosen for Annex 1 is Annex 1 is a large-scale, mixed-use, self-help scheme in Bristol, a city of 400,000. Easton Village is 3 hectares in size (means 7 per ha) and 1.75 hectares of land, 1.25 hectares of land, 0.5 hectares of land, 0.5 hectares of land, 0.5

The second phase was completed in June 2015

Four hectares of public open space is included in the development and is managed by Self-Help Enterprises, with contributions from residents

TIMEFRAME

- 2002 Goshen Village I completed
- 2009 Park Village site acquired
- Late 2010 Site rezoning approved
- Early 2011 Groundworks commence, site servicing, open space preparation
- Mid 2012 Construction work begins on first phase of 'self-help' homes
- Mid 2013 First phase of 'self-help' homes completed
- Mid 2014 Construction begins on second phase of 'self-help'
- Mid 2015 Second phase of 'self-help' homes completed
- Late 2015 Rezoning for further phase to east approved for 89 self-help single-family homes and 100 to 140 social rent apartments
- 2016 onwards Commence next phase

Load More…

LAND

Self-Help Enterprises locates and secures suitable building sites for its projects in discussion with local landowners and the local council. This is often a complicated and difficult part of the business as land that only has basic access to roads and services in California is typically used for agriculture and un-serviced. County laws often prohibit changes of use unless the land is included in settlement boundaries and even then there are often significant zoning restrictions. Land costs vary widely depending on access, location and other factors.

In the case of Goshen, the first 16 hectare parcel of land was donated by a local family. The second parcel, which will be used for an extension to the project, was partially donated and partially paid for using Self Help Enterprise's land acquisition fund. Funding for land purchase is also secured through USDA Mutual Self-Help Housing Technical Assistance Grants (see Annex 1).

Self Help Enterprises serviced the site from its infrastructure fund and the costs were recovered from plot sales and income from the rented properties.

A full-time property management team undertakes maintenance of common areas, such as the open space. Owner-occupied housing projects typically include the formation of a 'Home Owners Association' or other similar non-profit organisation that the families automatically become members of and make annual financial contributions to.

PLANNING

Self Help Enterprise submitted a rezoning application to the Tulare County Board of Supervisors who unanimously approved the application because it provided housing for low income families.

The site was rezoned under the Tulare County Zoning Ordinance from an Agricultural Zone (A-1) to a zoning which split the site into three related parts: –

- **Single-Family Residential (R-1 zone) –** allowing detached homes not exceeding two and one-half stories in height (10.7m) and garages for no more than three cars. The building line requires a set-back distance of 25 per cent of the plot depth. Garden restrictions are also specified. A minimum plot area of about 2,000 sq m is specified. The zone also specifies standards for manufactured homes, including age, roof overhang, materials and elevational treatment
- **Two-Family Residential (R-2 zone) –** allowing semi-detached homes not exceeding two and one-half stories in height (10.7m) and garages for no more than four cars. Building heights, set back distances of the building line and garden specifications are the same as in the R-1 zone. A minimum plot area of about 1,000 sq m per home is also specified
- **Recreation (O zone)**

The new zoning provided certainty that the site servicing could commence and detailed permission for new homes and supporting finance could be secured. This meant the development could proceed without delay.

Detailed planning permissions (permits) for the new homes were secured by Self Help Enterprises on behalf of individual private homebuilders.

TOP TIP

Support 'self-help' projects on Exception Sites

If a project meets local policies and supports low-income families to build their own homes, it could be supported as an Exception. This will help enablers secure land at affordable prices and pass this on to local people

FINANCE

As an approved 'grantee', Self Help Enterprises usually secures finance from a federal grant available from the USDA (provided the site is in a qualifying rural area). In non-rural communities, costs are recovered from the sale of plots and homes.

Self Help Enterprises often includes social rented accommodation in its projects as these benefit from a larger pool of financial assistance and can help pay for site infrastructure costs. Rented housing is typically funded through a Limited Partnership, in this case with Wells Fargo Bank. The Bank initially funds 99 per cent of the capital and maintains 99 per cent of the ownership for 15 years. The Partnership benefits from the California State Tax Credit Process, and Wells Fargo Bank receives a nine per cent credit on its State taxes as profit. After 15 years the ownership of the project reverts to Self Help Enterprises and the partnership with Wells Fargo Bank is dissolved.

Self-Help Enterprises typically pays for the site servicing for the self-help plots (and the construction of any social rented low-income housing) from its own funds and may also acquire loans and use tax credits for building low-income housing to finance the project.

Financial assistance can also be accessed from the California Department of Housing and Community Development's HOME programme funding, the State Low Income Housing Tax Credit (LIHTC) programme, the National Equity Fund, the California Community Reinvestment Corporation, and Neighbour works America (see below).

The self-help housing is constructed with the help of mortgages secured by participating families, available by application from the USDA Regional Agency. This mortgage is used to buy the plot of land, construction materials, and pay for any subcontractors.

As each lender has individual requirements, each housing site may have differing loan criteria. Participants are also required to pay for a credit report and hand tools, which together cost around $300. At the end of construction, there will be mortgage arrangement fees payable and estimates of these costs are made by Self Help Enterprises on project commencement with families saving this money in a designated account while the house is built.

Interest rates are based on income and can be as low as one per cent . Monthly payments vary based on family's income and the terms of the loan.

Self-Help Enterprises often also makes additional homebuyer assistance funding available to participants. This comes in the form of a zero per cent interest 30 year fixed term deferred payment loan to help reduce the size of the mortgage, and the loans are secured from a variety of local, state and federal sources.

COST OF THE HOMES

Finished self-help homes at Goshen's Park Village site were built for between $140,000 and $180,000 (approximately £98,000 to £126,000). This is about 20 per cent below the average value of an equivalent property in the area. On top of this construction cost the self-help builders contributed their 'sweat equity', which was valued at between ten and 20 per cent of the end value of the homes.

DEMAND

Goshen has an acute need for affordable housing and there hasn't been a lot of development locally to meet this need. There are many low-income families in the town and an absence of newer, energy efficient affordable homes. This has forced many people out of the area and there is currently a waiting list of about 75 families who are looking for affordable 'self-help' housing opportunities.

Demand for affordable housing in Goshen is representative of the wider County of Tulare and California more generally. California's Regional Housing Needs Assessments are undertaken every four years and have consistently highlighted that the current pace of construction of low-income housing is only meeting 30 per cent of the actual demand.

Tulare County's own Housing Needs Assessment identifies a 30 per cent population growth in communities such as Goshen over the next nine years. To accommodate this level of growth the Assessment recommends that the county allocates land for more than 2,500 new, lo or very low income homes (or about 261 homes per year). This is why Tulare County supports the rezoning of land to accommodate 'self-help' projects like Goshen Village.

TOP TIP

Consider supporting 'self-help' projects to meet affordable housing need

Charities and other not-for-profit organisations can play an important role in helping local people on lower incomes to access affordable privately built housing

MARKETING

Self Help Enterprises did the marketing for the project in-house. This included a website, printed brochures and flyers, and some local media advertisements. The organisation also has a presence at many community events and generates a lot of enquiries through the successful completion of projects such as Goshen Village and word of mouth.

OTHER SIMILAR PROJECTS

The national Mutual Self-Help Housing programme has facilitated more than 50,000 low-income families to build their own homes through non-profit self-help housing organisations. Nearly one third of the self-help homes are located in California. Other states with active self-help programmes include Arizona, Washington, Oklahoma and Florida which collectively account for 28 per cent of all self-help homes since the programme was introduced in 1966. Wisconsin, Colorado, Arkansas, Mississippi, and Utah are also all quite active.

There are presently about 100 self-help 'grantee' organisations located throughout the United States. Some operate multiple projects. All operate on similar principles to Self Help Enterprises and apply the criteria of the Mutual Self-Help Housing programme.

Peoples' Self-Help Housing on California's Central Coast

Peoples' Self-Help Housing (PSHH) is a national award-winning private community based non-profit organisation that creates affordable housing on California's Central Coast, covering San Luis Obispo, Santa Barbara, and Ventura Counties.

Like Self Help Enterprises at Goshen, PSHH's 'sweat equity' Owner Builder Self-Help Housing Programme enables qualifying participants to take part in the construction of their homes. Their 'sweat equity' contribution also means they don't require a deposit to access home ownership.

Peoples' Self-Help Housing has assisted almost 1,200 first time low-income homeowners to build their own homes using 'sweat equity'

PSHH currently has two new neighbourhood 'self-help' projects in the pipeline -one in San Miguel and the other in Atascadero. These two projects will bring forward some 35 new homes. For families to be able to participate they need to: –

- Have an annual income between $34,000 and $65,000 (roughly £23,750 and £45,400). For example, the income for a four person household cannot exceed $61,700 (£43,100)
- Show a good credit and rental history
- Commit to work 40+ hours a week to building their own, and other homes, in their building group
- Be a US Citizen or permanent resident

The homes will be single storey with three or four bedrooms, two baths and two-car garages, ranging in size from 110 to 150 sq m. Homes will be energy efficient, meeting the Energy Star Certified Homes National Programme standard.

The homes are estimated to cost between $285,000 (£199,000) to $300,000 (£210,000) including land. There is no deposit payable as this will be covered by the 'sweat equity' contribution by each family. Repayments (including mortgage, interest, taxes and property insurance), are about $1,100 to $1,200 per month (roughly £770 to £840). Participating families will be able to apply for USDA approved construction and mortgage loans through local banks.

Successful applicants will be expected to perform 65 to 70 per cent of the building work. Two adults per household are required to work on the build for at least 20 hours each per week. A single person household would need to find a friend or relative to help. Construction will take between 12 and 15 months as homeowners work around their full-time jobs. Participating families will prepare the foundations, erect timber frames, do roofing and the interior finishes and landscaping under supervision of a PSHH on-site representative. More technical work such as plumbing, heating and air conditioning, electrical, drywall lining and rendering is undertaken by subcontractors employed by PSHH.

The **Atascadero** project is enabling 11 first time low-income families to build their own affordable homes on a triangle-shaped parcel of land at Atascadero and San Andres avenues. PSHH began the groundworks site servicing in early 2015 and home construction started in October 2015.

Site servicing for the next 'self-help' housing project in central Atascadero by Peoples' Self-Help Housing

The Atascadero project is the third in the area.

Self-help private home builders in front of their new homes in Atascadero. These 12 families built 70 per cent of the new homes using 'sweat equity' to part finance the construction. The project was supervised by Peoples' Self-Help Housing

The **San Miguel** project will provide 24 homes and is due to start construction in early 2016.

More than 130 local people queued in Atascadero to apply to take part. As with other PSHH projects, applications are entered into a draw to determine the order they will be processed.

PSHH also offers a 'light sweat equity' build option to accelerate construction. In **Oceano** self-help private homebuilders built six large two-storey energy efficient homes with double garages in 2014. Under this model the private homebuilders did not work on the foundations, erect timber frames or do roofing; instead their work was limited to installing windows, doors and completing the interior fit out, painting and flooring. They also undertook the landscaping.

Peoples' Self Help Housing offered a 'light sweat equity' option on this development in Oceano

NeighborWorks Great Falls

In the State of Montana, more than 14,000 rural families have been assisted in purchasing their homes through the 'self-help' housing model since 1970, and loans of more than $1.7 billion have been facilitated.

NeighborWorks Great Falls is one of more than 240 non-profit community-based organisations that are members of the federally funded NeighborWorks America network. Each member benefits from grants, technical assistance, training and other resources through NeighborWorks America.

In **Great Falls, Montana** the organisation has helped 'self-help' private homebuilders complete almost 100 homes in Black Eagle. The programme usually focusses on groups of ten families who apply to work together to construct their homes over a year.

Support for self-help housing by local councils

Self-help housing is also offered by some councils in the United States. In **Toquerville**, Washington County, Utah a self-help programme is provided under the national Self Help Housing Programme through the Five County Association of Governments (FCAG) – a voluntary association of local governments from the five south western counties of Utah.

FCAG projects typically support group projects that build six houses. Qualifying families spend 30 hours per week constructing their own homes and they all contribute to building the other homes in the project. The families work together under the guidance of a construction supervisor and perform at least 65 per cent of the construction work required.

USDA provides an initial loan that covers the plot purchase and the cost of construction. The loan and construction is managed by FCAG. When the home is completed, the construction loan is rolled over to the family as a direct loan from USDA. Each family has a cost-effective tailor-made loan package arranged for them. The USDA direct loan is provided at a four per cent or lower interest rate fixed between 33 and 38 years. Payments include principle, interest, taxes, and insurance.

One of the children of a family participating in the programme at the ground breaking ceremony in Peachtree Drive, Toquerville, Utah in January 2015

TOP TIP

Consider different types of 'sweat equity' models

There are many approaches to 'self-help' housing. For example a 'light sweat equity' build option can accelerate construction by limiting the amount of work the private homebuilders does

TOP TIP

Consider the Council's role to promote 'self-help' housing

'Self-help' housing can be facilitated directly by councils by working with other housing providers, lenders and organisations like the Community Self Build Agency

THANKS TO…

This case study was compiled with reference to the following sources:

Ben Kimball – Deputy Executive Director, Tulare County Association of Governments, Visalia, California

United States Department of Agriculture

Self-Help Enterprises, Visalia, California

Peoples' Self-Help Housing, San Luis Obispo, California

NeighborWorks Great Falls, Great Falls, Montana

Five County Association of Governments, Utah

FURTHER READING

A brief history of Rural Mutual self-help housing in the United States, Housing Assistance Council Rural Research Report, 2014

http://www.ruralhome.org/sct-information/mn-hac-research/mn-rrr/565

Orwell Housing Association – affordable self-finish

Broadhempston CLT, Devon

Third sector private homebuilding projects

Projekthaus, Potsdam

Cohousing Vinderhoute and other Cohousing projects

Spreefeld Genossenschaft, Berlin

Gutleutmatten

CREDIT

The NaCSBA Research & Development Programme is funded by the Nationwide Foundation and aims to promote the self-build and custom build sector as an affordable route into housing for a greater number of people in the UK.

For further information, please visit:www.nacsba.org.uk or www.selfbuildportal.org.uk

ANNEX 1: KEY UNITED STATES GOVERNMENT SUPPORT PROGRAMMES

Background to the Mutual Self-Help Housing programme

The United States mutual self-help housing pogramme is now more than 50 years old. In 1961, Congress introduced legisaltion so that the US Department of Agriculture (USDA) could provide loans to agricultural workers to finance the building materials needed to construct 'self-help' homes.

Self-help (sometimes also called 'sweat equity') means homes built wholly or partly by their purchasers. Self-help housing is exclusively targeted at low-income working families who can't access decent and affordable housing. Under the self-help model families join together to build each other's homes, earning equity, reducing construction costs, and making lasting investments in their community.

The Mutual Self-Help Housing Programme combines 'sweat equity' home ownership opportunities with technical assistance and affordable loans.

The USDA self-help model began in Goshen, California in 1963 when the first three homes were built there.

FACTS

Key programme facts include: –

- Some 50,000 self-help housing families have built their own homes under the programme in 37 States
- 50,000 families are currently on local waiting lists to access the programme
- Average income of a participant is $27,360 (about £19,100)
- Average equity built into a self-help home through the construction savings is about $27,600
- About 1,000 hours of labour is typically spent by each family
- Nighty five per cent of self-help housing families are first time homeowners
- Almost 40 per cent of self-help participants are single households and 77 per cent have children living at home
- More than half of all participants are minority households, who typically face greater barriers to accessing affordable housing
- Every 100 homes built under the programme results in the creation of 324 local jobs. The homes also inject $21.1m (£14.75m) into the local economy, and generate $2.2m (£1.54m) in tax revenues
- Self-help housing promotes stronger communities compared to market housing
- Children in self-help households are more likely to be active in their communities, graduate from high school, attend higher education and become homeowners themselves
- In 2012, the average loan approved under the programme cost less than $7,200 (about £5,000) to administer.
- Despite serving families with limited means, loan default rates under the programme are nearly one-third the rate compared to the commercial mortgage market

ELIGIBILITY AND APPLICATION PROCESS

There are strict criteria for those that want to become a 'self-help' private homebuilder. Families have to complete an application form that enables the sponsoring organisation administrating the scheme to check they are eligible, and their credit histories.

If the application passes initial scrutiny, the next stage involves completing a formal loan funding application to the Rural Development Office of USDA. It typically processes loan applications within three to four weeks. All applications are filed in order of date of approval. Once participants are approved they are linked up to form a 'group' and mandatory pre-loan and pre-construction training starts.

Each owner/builder selects a house and decorating plan (the 'housing package') and reserves a building plot. At this stage the sponsoring organisation double checks to ensure the house type chosen, the plot and the loan are all affordable; the formal loan offer is then made and agreed. Each owner/builder then has to purchase construction insurance and undertake their build under strict supervision from the sponsoring agency.

Each family has different loan terms as determined by the best loan package that can be arranged for them by the sponsoring agency.

Mutual Self-Help Housing Technical Assistance Grants

OBJECTIVE AND SCOPE

This programme provides grants and loans to qualified organisations to help them carry out local self-help housing construction projects. Recipients ('grantees') supervise and provide technical assistance to self-help groups as they construct their own homes.

The objective is for the Government to work in partnership with trusted local organisations to help very low and low-income families get affordable and safe homes of their own in rural areas.

ELIGIBILITY

Eligible applicants include: –

- Government non-profit organisations
- Federally-recognised 'Tribes'
- Private non-profit organisations

Applicants must demonstrate that: –

- There is a need for self-help housing in the area
- They have or can hire qualified people to carry out the organisation's responsibilities under the programme
- Funds for the proposed project are not available from other sources

Applications from organisations to help very low-income families living in substandard housing are prioritised.

ELIGIBLE AREAS

Details are set out on the USDA Income and Property Eligibility website.

FUNDING AMOUNT

Applicants must demonstrate a need for the proposed building sites in the locality. Technical Assistance Grants are directly correlated to the number of homes the grantee proposes to construct in a two-year period. Grants range from approximately $200,000 to more than $1m, with an average of approximately $500,000. Pre-development grants up to $10,000 can also be applied for.

Site Option (SO) Loans are also available to enable grantees to establish revolving funds so they can take out options on suitable land. An SO loan is only provided when sites cannot be made available by other means. The interest rate is three per cent.

USE OF FUNDS

Grant funding can be used to help provide self-help technical guidance and supervisory assistance to families. It can also be used to recruit participants, help them complete loan applications and carry out other related activities to enable them to participate. Grants are also used to pay salaries, rent, and office expenses of the sponsoring organisation.

Grants cannot be used for hiring people to do construction work for the participants, to buy land, or pay for building materials; similarly the grants cannot be employed to clear debts, expenses or other costs incurred by the participants, or to fund employee training.

Loans may be used to purchase and develop land in rural areas. The land must be subdivided into building plots and sold on a non-profit basis to low and moderate income families. Generally, a land loan must result in at least ten new plots, and these can only be sold to families that are building homes by the self-help method.

APPLICATION PROCESS

Applications can be made at any time to the Local Development Office of USDA.

Single Family Housing Direct Home Loans

OBJECTIVE AND SCOPE

The USDA Direct Loan Programme supports low and very low-income families who have no other way to make affordable home ownership a reality. The objective is to promote prosperity, create thriving communities and improve the quality of life in rural areas.

Also known as the 'Section 502 Direct Loan Program', these short term loans can be used to reduce the mortgage payments of an applicant. The amount of assistance depends on the family's income.

ELIGIBILITY

A number of factors are considered when determining an applicant's eligibility for Single Family Direct Home Loans. At a minimum, applicants must have an adjusted income that is at or below the applicable low-income limit for the area where they wish to buy a house and they must demonstrate a willingness and ability to repay debt.

Applicants must: –

- Be without decent, safe and sanitary housing
- Be unable to obtain a loan from other resources on terms and conditions that can reasonably be expected to be met
- Agree to occupy the property as a primary residence
- Have the legal capacity to incur a loan obligation
- Meet citizenship or eligible non-citizen requirements
- Not be suspended or debarred from participation in Federal Programmes

Properties financed with direct loan funds must: –

- Generally be about 180 sq m or less
- Have a market value below the local area loan limit
- Not have on-site swimming pools
- Not be designed for business or income generating purposes

Applicants must also meet the income eligibility criteria for a direct loan for the State in which they propose to live (see the Single Family Housing Guaranteed Loan Programme example below).

ELIGIBLE AREAS

Generally, rural areas with a population below 35,000 inhabitants are eligible. Details are set out on the USDA Income and Property Eligibility website.

USE OF FUNDS

Loans can be used to help low-income households build or purchase homes in rural areas. The finance can be employed to build, repair, renovate or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities.

SCALE OF LOANS

The maximum loan depends on the applicant's ability to repay the loan. This takes account of various factors such as income, debts, assets and the amount of payment assistance applicants may be eligible to receive. Regardless of repayment ability, applicants cannot borrow more than the Area's Loan Limits (plus certain costs allowed to be financed) for the county in which the property is located.

INTEREST AND REPAYMENT PERIOD

Borrowers are required to repay the loan when the property is sold or the borrower is no longer living in the home.

Loans are subject to a fixed interest rate up to 33 years, although a 38 year rate is available for those on very low incomes.

Interest is based on current market rates. The interest as of 1 December 2015 was 3.25 per cent for low and very low -ncome borrowers. Rates can be modified and can be as low as one per cent.

SIZE OF REQUIRED DEPOSIT

No deposit is usually needed. Applicants with assets may be required to use some of these.

TIMING AND APPLICATION PROCESS

Applications can be lodged at any time with the Local Development Office of USDA.

Processing times vary depending on funding availability and programme demand.

Single Family Housing Guaranteed Loan Programme

OBJECTIVE AND SCOPE

This affordable home ownership programme helps lenders support low and moderate income families living in rural areas who want to own a home. The objective is to promote prosperity, create thriving communities and improve the quality of life in rural areas.

The programme provides a 90 per cent loan guarantee to approved lenders to reduce the risk to lenders who participate in the programme.

ELIGIBILITY

Applicants must: –

- Have eligible incomes for the area in which they want to live. This varies depending on the county and the number of persons in a household. For example for Visalia-Porterville, California a 'very low' income for a family of four is set at $28,950 (about £20,200); a 'low income' for the same family is set at $46,300 (£32,350) and a 'moderate income' is $75,650 (£52,850)
- Agree to personally occupy the home as their primary residence
- Be a US Citizen, a US non-citizen national or 'Qualified Alien'
- Have the legal capacity to incur the loan obligation
- Have not been suspended or debarred from participation in federal programmes
- Demonstrate a willingness to meet the credit obligations in a timely manner
- Purchase a property that meets all programme criteria

ELIGIBLE AREAS

Details are set out on the USDA Income and Property Eligibility website.

USE OF FUNDS

Funds backed by loan guarantees can be used for: –

- New or existing residential property to be used as a permanent residence
- The purchase of a site, building a new home or buying an existing home
- Repairs and rehabilitation when associated with the purchase of an existing home
- Refinancing of eligible loans
- Special design features or permanently installed equipment to accommodate a household member who has a physical disability
- Reasonable and customary connection fees, assessments or the pro rata instalment cost for utilities such as water, sewer, electricity and gas
- A pro-rata share of any payable land taxes on the property at the time of confirming the loan. Funds can be allowed for the establishment of escrow accounts for land taxes and/or hazard and flood insurance premiums
- Essential household equipment such as wall-to-wall carpeting, white goods, heating and cooling equipment
- Purchase and installation of energy efficiency measures (e.g. insulation, double glazing and solar panels)
- Installing fixed broadband services to the home
- Site preparation costs, including groundworks, foundations, hard and soft landscaping and fences

APPLICATION PROCESS

Loans are administred through approved lenders.

Copyright 2021 © NaCSBA

WEBSITE BY OXYGEN AGENCY

Follow @RighttoBuildTF