

## **2017 Funding Application to the Affordable Housing Trust Fund**

*Applicant:* **Lawrence Habitat for Humanity (LHFH)**

*Project Name:* **2017 Habitat Workforce Housing Development**

*Primary Contact:* **Erika Zimmerman**

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*Funding Requested:* **\$75,000** (15% of project total)

*Is funding used for capital outlay:* **No**

*Funding Leverage:* **This project will achieve a funding leverage of over 1:6 including funds being raised from individual and corporate donors, business and faith based organizations and foundation grants.**

*Previously received AHTF funding?* **Yes, a \$50,000 grant to build the partnership demonstration unit was received in September 2016.**

*Impact of partial funding:* **Partial funding would eliminate underwriting for unit construction straining financial resources and potentially put production of the 3<sup>rd</sup> unit at risk.**

### *Statement of Problem/Need:*

Lawrence Habitat's Workforce Housing Development project directly addresses the City of Lawrence's Strategic Plan by improving the quality of neighborhoods through the development of affordable workforce housing for low-income families through a public/private partnership. The need for workforce housing in Lawrence is identified in the City's Strategic Plan as well as by several community advocacy groups as a significant challenge in the community and a top priority to be addressed.

For nearly 30 years, Lawrence Habitat has been developing home ownership units for low-income working families in Douglas County. LHFH maintains a constant waiting list of qualified families all of whom have household incomes under 60% of the area median income. The three proposed 2017 units have been matched with 3 families selected in 2016 who are completing their homeownership training classes and sweat equity requirements and will be eligible to close the purchase of their home in 2017. The 2017 homes will represent the 94<sup>th</sup>, 95<sup>th</sup> and 96<sup>th</sup> homes constructed in the organization's history. All eligible families are current residents of the county with solid work histories typically employed in positions in the service, hospitality, retail, transportation and social service industries among others.

Developing affordable housing for Lawrence's workforce, especially home ownership opportunities, supports the economic base of Lawrence by supporting local businesses and industries by helping to maintain a locally based pool of employees who are rooted and connected to the community. Habitat

housing offers entry level working families an opportunity to own a financial asset and improve their economic future thereby adding to the overall financial strength of the community.

Description of the Project:

LHFH is proposing to build 3 new homes in 2017 to be sold to currently qualified Habitat families with incomes below 60% of area median income. The homes will be located in the 1900 block of East 17<sup>th</sup> on lots LHFH owns. The project will consist of one 3-bedroom and two 5-bedroom homes based upon the size of the families selected for this project. Each home will be built in succession beginning spring 2017 with the final home completed in early 2018.

LHFH has raised \$386,000 of the total project cost of \$491,000,000 including \$341,000 in private funding and \$45,000 in federal HOME Funds. Three families have been fully qualified to purchase the homes and LHFH owns the 3 building lots. A funding gap of \$75,000 exists to complete the entire 3 unit project. The first unit is under construction primarily with private funds but additional funds are needed for a portion of the construction management cost. The hard construction costs for the second unit have been identified but a funding gap exists to pay off the remaining land cost so the home can be sold to the new homeowner. The third unit faces a funding gap of \$50,000 for hard construction costs. This proposal requests \$75,000 from the Affordable Housing Trust Fund to cover the development gap on the project. (please refer to the attached project costs spreadsheet)

The total value of this project is \$491,000 based upon hard construction costs, the value of in-kind volunteer construction labor and a 10% overhead and administration cost. Independent appraisals are conducted for each completed Lawrence Habitat home with values that range from \$145,000 for a 3 bedroom to \$160,000 for a 5 bedroom. Independent appraisals place the value of Habitat volunteer labor at an average of \$40,000 per unit. Total project value would indicate just over a 1:6 leverage of AHTF dollars vs. other funding committed to the project.

A broad range of funding partners has been assembled for this project including HUD funding through the City of Lawrence, a grant from the Sunderland Foundation as well as individual, corporate and faith-based funding partners. A coalition of 10 local congregations is providing significant sponsorship of one unit and the local Women Build Committee is sponsoring another unit.

Each home will be sold to a homeowner with household income less than 60% of the Area Median Income. Each partner family completes approximately 30 hours of classroom training and 200 hours of sweat equity. LHFH issues and services no interest mortgages with payments less than 27% of total income and 25-30 year affordability periods. A silent second mortgage will be recorded on each sale and secures the property during the affordability period. Property taxes are paid on the full appraised value of the home regardless of the first mortgage amount.

LHFH will serve as construction manager of the project using existing Habitat home plans. LHFH will coordinate the necessary permits, site preparation and the licensed subcontractors and community volunteers needed to build the houses within the stipulated budget. The home will be Energy Star 2.0 certified and include energy efficient specifications such as 2x6 framing, high efficiency heat and air systems, energy star rated insulation packages and appliances.

To meet the budget parameters of this project, the home will be substantially constructed using LHFH volunteers. Approximately 2,200 volunteer hours per unit will be required to complete the project. LHFH will recruit volunteers from its standard volunteer pool and from volunteers representing corporate, civic and faith-based groups. LHFH will also sponsor a "Nail Drive" (groundbreaking) event to launch the project and a Home Dedication event to celebrate the project's completion. These events will be coordinated with and involve all project partners, sponsors and donors.

Lawrence Habitat is uniquely positioned to serve low income working families with affordable yet high quality workforce housing and has been highly successful in its homebuilding and family training program for nearly 30 years. LHFH has completed the construction and sale of 93 homes in Douglas County including the most recent Partnership House funded, in part, with Affordable Housing Trust Fund dollars. LHFH raises in excess of \$250,000 in private funds and over 6,000 hours of volunteer labor each year in support of affordable housing construction and is able to repeatedly generate significant leverage of limited public funds available for such activities.

In summary, LHFH has a 28 year track record of developing affordable housing with limited public funding and providing working families with low cost, permanent housing solutions that offer ownership and increased financial stability.

*Budget Information and Narrative:*

Included with this proposal is a budget spreadsheet itemizing the sources and uses budget for each individual housing unit as well as the revenue and expense forms provided. The grant request of \$75,000 represents 15% of the total project budget. A budget narrative is as follows:

*Budget Expenses*

Personnel – the budget includes expenses for a construction manager and an in-kind value for volunteer construction labor established by an independent property appraisal.

Materials Expenses – this line item includes construction materials and the costs of subcontractors for licensed construction trades that cannot be accomplished by volunteer labor.

Operating Expenses – includes a per unit overhead and operating expense of no more than 10% of project hard costs as defined and allowed by Habitat for Humanity International to be assessed on a per unit basis.

Other – Land Costs: LHFH purchases future building lots with a bank credit line for an average cost of \$20,000 per unit. This credit line must be repaid prior to the home being sold to the new homeowner and this cost is accounted to each unit budget.

Budget Revenue:

Grants: A federal HUD HOME Fund grant of \$44,997 has been previously approved by the City of Lawrence in support of this project. A \$50,000 grant in support of this project from the Sunderland Foundation was received in the fall of 2016.

Charges for Service: Earned Income of \$21,000 that supports operating costs of this project is listed in this category. LHFH receives earned income from the operation of the Habitat ReStore and from servicing home mortgages. Earned income is used to cover operating and overhead costs for the agency. Habitat for Humanity International permits local affiliates to apply up to 10% of hard construction costs to the administrative costs related to housing unit construction.

Donations: This line item includes private contributions from individuals designated for housing unit production, partner church contributions and business or corporate contributions for the sponsorship of specific housing projects.

Fundraising events: An auction event in support of one of the housing units is scheduled for the fall of 2017 and projected revenue is listed.

Other: In-kind labor. This line item lists the value of in-kind Habitat volunteer labor and is more fully described elsewhere in this proposal.

Project Objectives:

- Three units of affordable, workforce, for sale single-family housing will be constructed and completed prior to March 1, 2018.
- Homes will be sold and under contract before December 31, 2017 to families with incomes under 60% of the area median with total housing payments less than 27% of total income.
- AHTF funds will be leveraged at least 1:6 with funding from other sources including over 75% of total funding from private sources.

**2017 Lawrence Habitat Workforce Housing Development Plan  
Submitted to the Affordable Housing Advisory Board  
Three Single Family Homes Constructed in Calendar Year 2017**

	<u>Build #1 - July 2017 (3 BR)</u>	<u>Build #2 - Sept 2017 (5 BR)</u>	<u>Build #3 - Feb 2018 (5 BR)</u>
<b>BUDGET</b>	<b>117,000</b>	<b>127,000</b>	<b>127,000</b>
<u>Uses</u>			
Construction materials, subs	75,000	85,000	85,000
Land	20,000	20,000	20,000
Construction management	10,000	10,000	10,000
Administrative costs	12,000	12,000	12,000
<u>Sources</u>			
Federal HOME Funds	15,000	15,000	15,000
LHFH Private donors	70,000	50,000	15,000
LHFH Private Funds pledged	-	15,000	30,000
Foundation Grants	20,000	20,000	10,000
Earned Income	7,000	7,000	7,000
<b>AHTF</b>	<b>5,000</b>	<b>20,000</b>	<b>50,000</b>
<b>Total</b>	<b>117,000</b>	<b>127,000</b>	<b>127,000</b>
<b>Gap</b>	-	-	-

<u>Funding Leverage</u>	
Federal Funds	45,000
LHFH Private Contributions	230,000
Earned Income	21,000
City AHTF	75,000
Volunteer labor	120,000
<b>Total Project Value</b>	<b>491,000</b>
<b>Total AHTF leverage</b>	<b>1:6.5</b>

PROJECT BUDGET FORM

<b>Project Budget</b>	<b>Request</b>	<b>Applicant Contribution</b>	<b>Cash Match</b>	<b>In-kind</b>	<b>Subtotals</b>	<b>Grand Total</b>
<b>Personnel</b>	\$5,000	\$145,000	\$25,000	\$120,000		\$150,000
<b>Fees &amp; Services</b>	NA					
<b>Estimates/Bids</b>	NA					
<b>Travel</b>	NA					
<b>Marketing</b>	NA					
<b>Cost of Materials</b>	\$50,000	\$195,000	\$195,000	0		\$245,000
<b>Operating Expenses</b>	0	\$36,000	\$36,000	0		\$36,000
<b>Other <i>Land</i></b>	\$20,000	\$40,000	\$40,000	0		\$60,000
<b>Total</b>	<b>\$75,000</b>	<b>\$416,000</b>	<b>\$296,000</b>	<b>\$120,000</b>		<b>491,000</b>

***See attached budget narrative.***

Note: As you write your budget justification, be sure to address the amount of your matching support, its source(s), and how the match reflects community interest in the project. Your budget must correspond with the plan described in your project description.

Budget Narrative – please explain the budget entries above.

1. Personnel
2. Fees and Services
3. Estimates or Bids
4. Travel
5. Marketing Expenses
6. Materials Expenses
7. Operating Expenses
8. Other (Sustainability)

PROJECT REVENUE FORM

Fill out the revenue form with the proposed project budget for which you are seeking City funds.

Revenue Source	Amount Applied For as of 5/31/17	Amount Awarded as of 5/31/17	Date of Notification of Award
City of Lawrence:	\$75,000	0	
Douglas County:	NA		
School District:	NA		
Grants (Local, State, Federal):	\$95,000	\$95,000	10/16
United Way:	NA		
Charges for Service:	\$21,000	\$21,000	On-going
Donations (Individual/Corporate):	\$168,000	\$150,000	On-going
Fundraising/Events:	\$12,000	0	10/17
<b>Total Project Revenue:</b>	<b>\$491,000</b>	<b>\$386,000</b>	

\*If you have other revenue sources, please describe: