

NeighborWorks America “BEST PRACTICE” AWARD The NHS “Turnkey” New Home Construction Program



2006



NHS of Richland County's New Home Construction Project

Descriptors:

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Information About Organization:

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Outcome:

Neighborhood Housing Services of Richland County (NHSRC), Wisconsin, seeking funds for its New Home Construction Program, has created a successful partnership with the Wisconsin Housing and Economic Development Authority, which has spread to include other NeighborWorks organizations in the state as well.

Background:

NHSRC, established in 1983, is a rural city program in Richland Center, Wisconsin, that offers countywide NeighborWorks Full-Cycle Lending services, including house rehabilitation and construction, pre- and postpurchase education, counseling, and financial assistance. It also offers rental apartments for senior citizens.

NHSRC created the New Home Construction Program in 1995 after a market study determined a need for new and affordable “starter” or “workforce” homes. NHSRC felt this program would help meet the local housing needs, plus empower homeowners to build assets while supporting local economic development.

The New Home Construction Program began with contractor-built construction, followed by 20 self-help housing projects. In 2002, NHSRC ended the self-help housing component to focus solely on contractor-built, new home construction. At this point, NHSRC developed a relationship with the Wisconsin Housing and Economic Development Authority (WHEDA) to fund the program.

Components:

Partnership Building. The partnership between NHSRC and WHEDA began in 2003, when discussions revealed that NHSRC's need for new home construction financing matched WHEDA's access to comparable financing. This unexpected, yet favorable, match was the start of a cooperative and straightforward building agreement between the two agencies. In 2004, WHEDA gave NHSRC \$200,000 in construction financing at 0 percent. NHSRC used the funds to build three new homes.

NHSRC then discussed the partnership with staff members from three other NeighborWorks organizations in Wisconsin, who also needed affordable financing for new home construction programs. The agencies decided to approach WHEDA as a group and request financing that would include all NeighborWorks organizations in the state. WHEDA agreed to the request and offered \$1.8 million at 2 percent, to be divided evenly among the four NeighborWorks organizations, meaning each received \$450,000 for 2005-2006.

The New Home Construction Program. NHSRC's New Home Construction Program is offered throughout Richland County. Each home is stick built and ranges from 1,150 to 1,450 square feet. Most have two-car garages, three bedrooms, and one bathroom. A development team at NHSRC carries out the planning and logistics for each home, and NHSRC's construction manager supervises all development. Construction is subcontracted to local or regional builders and takes place from May to November. Houses go on the market in the spring. Eligible households must be at or below 115 percent of the area median income (AMI).

Buyer Financing. Buyers obtain first mortgages from various lending sources, including WHEDA, the Wisconsin Bureau of Housing, USDA Rural Development, and local lenders. Down-payment and closing cost-assistance loans of up to \$40,000 are available through NHSRC.

Program Costs. New home construction costs include staffing, building expenses, marketing, lot costs, materials, permits, and appraisals. Construction costs are between \$100,000 and \$110,000 for each home. Additional lot costs range from \$15,000 to \$20,000. Developing the partnership with WHEDA cost nothing but minimal staff time.

Funding. In addition to WHEDA financing, NHSRC also receives HOME funding to purchase lots and receives about \$100,000 a year from NeighborWorks America for construction. All other costs are covered through NHSRC's operating budget, and are recovered when the homes are sold.

Results:

The partnership between NHSRC and WHEDA is beneficial for all involved. It offers WHEDA a reliable source for its available financing, and gives it access to customers who can tap into its purchase-assistance loans. For NHSRC, the benefits include affordable construction financing, plus a stronger working relationship with WHEDA and other NeighborWorks organizations in the state.

NHSRC's relationship with WHEDA has strengthened its status as a funding contender with other financing sources. Since the partnership began, NHSRC has seen an increase in both state and local support.

NHSRC builds an average of three new contractor-built homes a year, and will build four in 2006 with WHEDA's assistance.

Lessons Learned:

- **Make the Request.** Don't be afraid to reach out to new or untapped resources for financing assistance. It may seem unusual to approach certain sources, but taking the time to try can uncover innovative and valuable options. Staff must persist, even if the process seems complicated or inflexible. It also helps to get elected officials involved to show their support and promote the partnership.
- **Consider the Whole Picture.** Coordination with other NeighborWorks organizations in the state may make the program more appealing to the funding source, as long as the process is clear and straightforward. Be sure to request enough funding to fulfill all program needs.
- **Offer Recognition.** Strengthen relationships by giving credit where credit is due. Recognizing the efforts of program funders will encourage their continued support. Strong partnerships are necessary for program success.

Agency interview on 4-06-06 with: Terry Testolin, Executive Director

