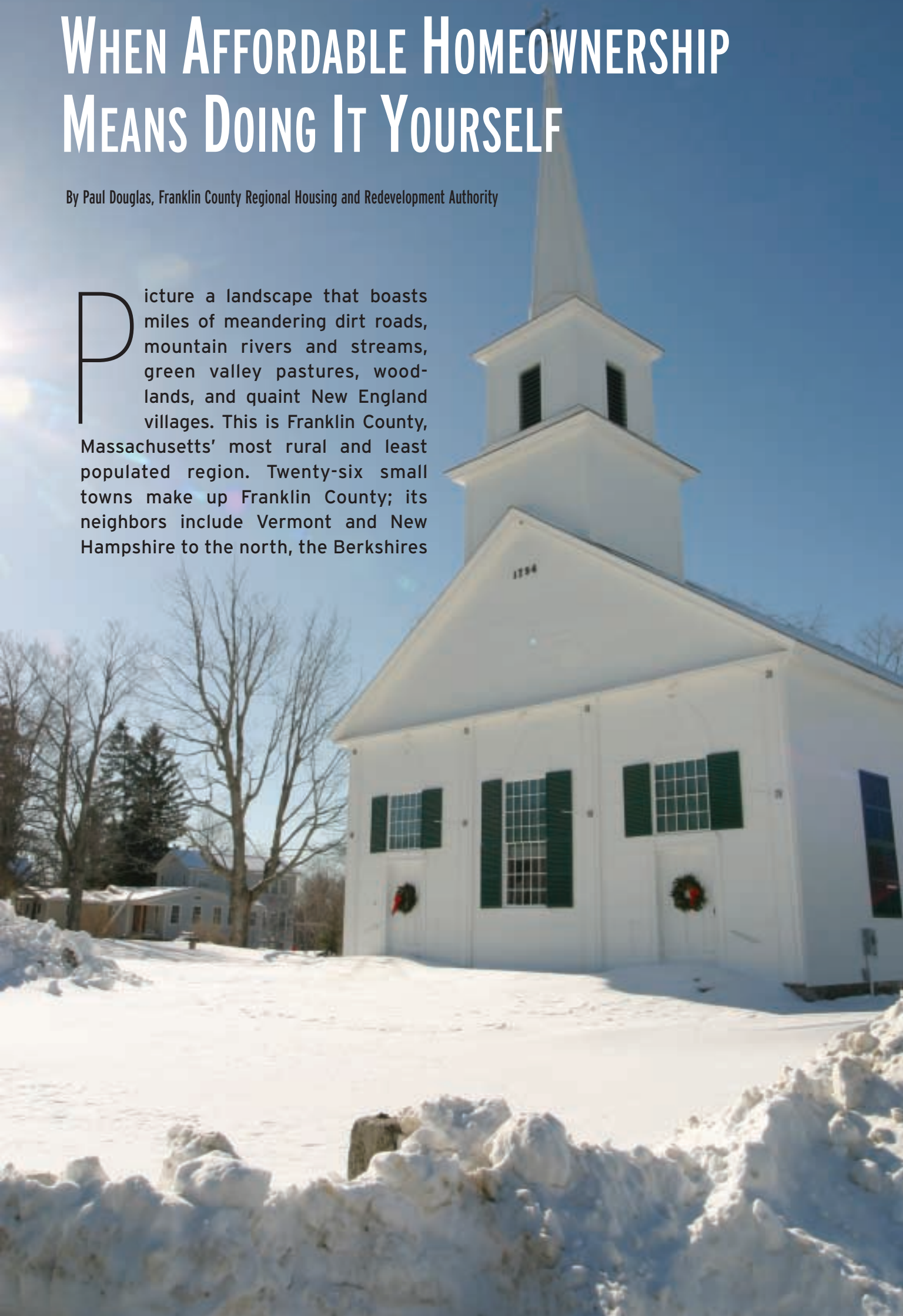


WHEN AFFORDABLE HOMEOWNERSHIP MEANS DOING IT YOURSELF

By Paul Douglas, Franklin County Regional Housing and Redevelopment Authority

Picture a landscape that boasts miles of meandering dirt roads, mountain rivers and streams, green valley pastures, woodlands, and quaint New England villages. This is Franklin County, Massachusetts' most rural and least populated region. Twenty-six small towns make up Franklin County; its neighbors include Vermont and New Hampshire to the north, the Berkshires



to the west, and the Quabbin Reservoir to the east. Franklin County is a quiet, peaceful, and friendly place to live, enjoy the outdoors, and raise a family. But it is also among the poorest counties in the Commonwealth. The region's historic economic staples

prices are increasing faster. Franklin County's stock of predominately single-family homes may seem affordable when contrasted with Boston's real estate market, but there is a definite affordability gap when factoring in resident income. Households

1987, when it and the Franklin Community Action Corporation commissioned a study on the region's housing situation, the HRA had witnessed a growing gap between what the average-income family in Franklin County could afford to pay for a single-family home and what was available. In 1987, the gap was \$17,000; by the early 1990s, the gap had widened so much that the HRA concluded it had to do something about it.

THE SELF-HELP HOUSING PROGRAM WORKED – BUT NOT WITHOUT EXACTING A TOLL ON PARTICIPATING FAMILIES.

of farming, logging, and industrial milling have faded away. So too has the county's prominence as America's home of the tool and die industry. Today, Franklin County is struggling to find new underpinnings to support economic growth.

Despite the region's sluggish economy, the thriving five-college area in Hampshire County to the south has placed significant pressure on Franklin County's housing market. Existing home prices are rising three to five percent each year, and land

earning less than 80 percent of median area income find it difficult to afford even a modest home.

Making Affordable Homeownership Mission One

Despite its efforts over the years to help families obtain affordable housing, the Franklin County Housing and Redevelopment Authority (HRA) thought more could and should be done to make affordable homeownership a reality for the county's low- and moderate-income families. Since

In 1993, the HRA created a nonprofit spin-off called Rural Development, Inc. (RDI) as a vehicle to produce quality, affordable single-family housing. The new organization would support homeownership as a means for families to become more empowered in their lives and equity stakeholders in their communities. To date, the program has led to the creation of over 60 affordable homes.

By Their Construction Bootstraps

Looking for a reliable program to offer and funds to operate it, RDI turned to the U.S. Department of Agriculture's Rural Development division (known formerly as the Farmers Home Administration) to offer the Self-Help Housing Program. Self-help housing enables low-income families, through the value of their collective labor, or "sweat equity," to own homes that would normally be beyond their financial means. Families work together in small groups of five to eight households to build their own and one another's homes under the guidance of a construction supervisor. None of the families can move into their homes until all the houses are ready, and together the families have to invest about 65 percent of the construction labor for one another's homes.

RDI knew of USDA's Self-Help Housing Program from past efforts by nonprofits in neighboring Worcester County and on Cape Cod. The program began in the early 1970s and, with more than 13,000 houses built, it was credited as being the number one producer of single-family homes in rural areas throughout the United States. RDI decided this was the program to bring to Franklin County.

A BEGINNING IN MIND... AND ON PAPER

In the early 1970s, Franklin County's commissioners agreed that action was needed to help meet the rural area's housing and community development needs. They envisioned creating a regional entity with the professional capacity to serve as a multifaceted resource for all the towns and their residents. In 1973, legislation created the Commonwealth's first regional public housing authority, the Franklin County Regional Housing Authority. In 1997, its role was expanded, and it became the state's sole regional redevelopment authority, the Franklin County Housing and Redevelopment Authority (HRA).

Now with 30 years behind it and 30 staff members contributing to its mission, HRA has formed partnerships to bring more than \$220 million in housing and community development resources to Franklin County's communities. HRA builds and manages affordable rental housing and rental assistance programs, carries out municipal infrastructure projects, operates housing rehabilitation programs, and provides consumer counseling services, among other things.



Anne Perkins of RDI reviews blueprints for a house under construction in Wendell with RDI carpenters Wayne Briggs and Stanley Gadowski.

The program worked – but not without exacting a toll on participating families. For one, the families became worn down from working daily at their regular jobs while also laboring a year or more of nights, weekends, and most holidays on one another’s homes. In addition, the families felt enormous stress and strain from coordinating child care, accommodating the whimsy and harshness of New England’s weather, and dealing with the ups and downs of group dynamics throughout a long construction process. When asked in a wrap-up interview about the most challenging part of the program, one person said, “Spending 20 hours a week with people you didn’t get along with – a lot of people didn’t pull their weight.”

RDI was cognizant of the merits of self-help housing but knew there had to be a more effective way to

streamline, expedite, and improve the process. It envisioned a program with homeownership just as affordable as the existing program, especially for single-parent households. It also wanted the families’ labor contribution and time commitment to be reduced substantially, more homes to be constructed in a shorter period of time, and the construction quality to be first-rate. There had to be a way, and there was.

Appropriating the GC’s Hat

To make the entire process easier and more efficient, RDI gravitated away from the self-help group model of construction and tried hiring local general contractors to build the homes. But when the real estate market got hot, even with guarantees to build a certain number of houses, the general contractors took on other work and RDI’s houses lagged. RDI learned quickly that it could retain greater control of costs,

quality, and the construction timeline by becoming the general contractor itself. As it turns out, the general contractor RDI was looking for was already in-house.

RDI’s Director of Homeownership, Anne Perkins, had worked in the building trades for over two decades as a carpenter, building inspector, vocational carpentry teacher, and building contractor. Under her supervision, RDI hired a crew of two highly skilled carpenters and two carpenter assistants to do all the rough and finish carpentry on 11 single-family homes each year. A twelfth house is now constructed annually by supervised students of the Franklin County Technical School.

Aggressively Pursuing Savings

RDI’s biggest challenge has been the rising cost of, and competition for, suitable land. An undeveloped par-

THE HOUSE THE TECH SCHOOL STUDENTS BUILT



Building this house in Erving is a project “just the right size to be done in a school year” says Franklin County Technical School carpentry teacher Kenny Vautrin (third from left in picture at bottom). The class of 35 students began work on this three-bedroom home in September, once the foundation was finished. The “free labor” provided by the students helps RDI with cost savings.



Inside the home pictured above, students Sara Jenny and Robert Eagles (at sides) get first-hand experience in the work of constructing a house. Below, the teachers take a break to talk with Anne, RDI's Director of Homeownership. From left to right: Bill Gallant (electrical), Anne Perkins (RDI), Kenny Vautrin (carpentry) and Paul Doran (plumbing and heating).



cel of land that went for \$20,000 two years ago today costs \$30,000 or more. As people from more affluent regions to the south “head to the hills” in search of affordable housing, it becomes increasingly difficult to develop housing for residents with low incomes.

To quickly identify and access available land, RDI works with a dedicated group of real estate agents who

actively seek building lots for its homeownership program. Whenever an affordable parcel of land is listed in Franklin County, local agents forward the information immediately to RDI staff, who then quickly assess the possibilities. RDI also works with communities to acquire donated parcels and is currently seeking U.S. Department of Housing and Urban Development HOME Program certification to become a priority purchaser

at foreclosure sales of blighted HUD homes. RDI will either restore the homes for affordable homeownership or remove them and build new.

Another way RDI lowers costs is by securing goods and services at below-market rates. Using its volume purchasing power, RDI has negotiated agreements with local lumberyards to acquire construction materials and supplies at sizable dis-

PUTTING TECHNOLOGY AND CREATIVITY TO WORK

Rural Development Inc. (RDI) is committed to constructing and renovating high quality, energy efficient homes. Interest in sustainable development models is increasing across the country, and Franklin County is no exception. RDI employs some creative measures when developing affordable homes:

Energy Star Homes

In 1999, RDI partnered with the Energy Star Homes program and local utility companies to make RDI's single-family homes Energy Star compliant, with a minimal increase in cost. Construction now incorporates tight building envelopes, fans with timer controls, an indirect hot water heater, and outdoor intake to the boiler. Combined with other detailing, the houses consistently pass all Energy Star inspections. (Financial assistance comes from the Western Massachusetts Electric Company and the Massachusetts Electric Company.)

Renewable Energy Technologies

Because of the perceived extra costs, RDI had not tried until recently to incorporate renewable energy technologies in the development of its affordable homes. In July

2002, however, RDI obtained a \$20,000 grant from the Massachusetts Technology Collaborative Renewable Energy Trust's Green Building Initiative to assess the feasibility of using various “green” building options, including solar power. As a pilot project, RDI hopes that two of the twelve homes to be built in 2003 will incorporate renewable energy technologies. These technologies will also become part of the curriculum for the Franklin County Technical School students who work with RDI.

Adapting Houses for People with Disabilities

RDI recently altered one of its standard housing plans to accommodate a home buyer with a physical disability. With down payment assistance from the Citizens Housing and Planning Association, a Massachusetts non-profit focused on affordable housing, RDI was able to hire a subcontractor to install attractive fencing around the home's perimeter so the legally blind mother could more safely supervise her young toddler. Additional lighting and windows were also added to the home. RDI is currently working with a potential home buyer who suffers from multiple chemical sensitivity, and is examining the possibility of affordably constructing a nontoxic home.



Elizabeth Rivera, Ariel Medina, and Norman Medina appreciate their RDI-built home in Orange. Extra windows and lighting help Elizabeth, who is legally blind, care for Ariel.

LEVERAGING FINANCIAL RESOURCES

It takes many resources to make an affordable homeownership program possible. Because of RDI's partnerships, its homes sell at reduced prices, carry below market rate mortgages, and do not require down payments. RDI's partners include:

Massachusetts Department of Housing and Community Development's Private Housing Division

The department has awarded RDI \$2 million in six allocations of federal HOME funds to develop 46 homes. The reduction in the homes' sales prices made possible by the HOME funds is crucial to RDI's success; the houses become truly affordable with this reduction.

USDA, Rural Development

The agency awarded RDI a Rural Home Partnership Initiative for set-aside Section 502 mortgages for the past two years, and it has loaned Section 502 mortgages to every RDI home buyer to date. These mortgages are available to families and individuals with good credit and incomes below 80 percent of median area income. These 33- or 38-year mortgages are subsidized based on a household's income and family size to an effective interest rate as low as 1 percent without a required down payment.

The Housing Assistance Council

A national rural intermediary, the Council has awarded HUD Self-Help Opportunity Program (SHOP) funds each year to RDI for the acquisition and development of building lots for a total of \$586,000 to date.

Greenfield Cooperative Bank

The bank has provided RDI with a below market rate line of credit, and it provided a letter of credit for the infrastructure of RDI's first subdivision. Complementing loans from USDA Rural Development, the bank provides most RDI first-time home buyers with 30-year, market rate mortgages of \$10,000 to \$40,000.

The Life Insurance Community Investment Initiative

This consortium of Massachusetts life insurance companies, formed in response to the Commonwealth's Community Reinvestment Act, has loaned RDI \$500,000 for 5 years at 4 percent interest. These funds are used for site acquisition, site development, and construction. It has approved RDI's investing of a portion of this money to offset interest charges, thereby reducing costs that would ultimately be borne by the first time home buyer.



Andreana Garcia, son Gunnar, and husband Marty (not pictured) moved into their new, four-bedroom, two-bath home in November 2002. Andreana, who is expecting a baby soon, says the house has great space they wouldn't otherwise be able to afford.

counts. RDI also negotiates prices with area subcontractors to obtain good prices on jobs ranging from excavation to heating in exchange for their being guaranteed 11 or 12 houses worth of work per year.

And finally, getting the prospective homeowner involved in the process minimizes costs. RDI home buyers

ceremony to celebrate the students' success. Family, friends, and school faculty all take great pride in the students' accomplishment, and graduating seniors are presented with tools for their respective trades. This past year the Massachusetts Electric Company and the Western Massachusetts Electric Company each presented the technical school with

resale. This will complement downtown revitalization efforts and provide affordable housing opportunities that are closer to the region's limited commercial and public transportation centers.

As RDI enters its tenth year of operation, 63 affordable single-family homes have been built. Eight more are currently in construction, and the search for more sites continues. RDI has creatively fashioned a homeownership program that remains every bit as affordable as before, while substantially reducing the "sweat equity" demands on families. RDI will continue to assemble savings and make modifications wherever it can to expand affordable homeownership opportunities for many more county residents in the years ahead. Although building affordable housing is not easy, RDI believes, as do recent homeowners Norman, Elizabeth, and their daughter, Ariel, that "it's a wonderful thing to own your own place." ~

Paul Douglas is executive director of the Franklin County Regional Housing and Redevelopment Authority.

TARGETING DERELICT PROPERTIES PROVIDES AFFORDABLE HOUSING OPPORTUNITIES CLOSER TO THE REGION'S LIMITED PUBLIC TRANSPORTATION CENTERS.

contribute at least 200 hours of work cleaning up after subcontractors, hauling trash away, insulating, painting drywall and trim, and preparing the landscape. This sweat equity contribution is relatively easy on the prospective homeowner, saves an estimated \$5,000 on the total construction cost of each home, and vests the home buyer in the new home. In addition, RDI has found that educating its home buyers through a series of first-time home-buyer workshops is invaluable.

Apprentices in Action

Still looking for ways to reduce development costs, RDI formed a partnership in 2000 with the Franklin County Technical School. RDI would purchase all materials and students would complete one single-family home each year. School faculty instruct and supervise the students in carpentry, electrical work, plumbing, and heating. RDI earmarks 15 percent of the home's total materials cost to be paid to the school. The school can use this income for tools and training materials for students. Landscaping students of the technical school are now being incorporated into the program; they will seed grass and plant shrubs on several RDI constructed homes.

Each year after the students complete a home, RDI and the new owner sponsor an open house and

\$3,000 donations to recognize its contribution in building an Energy Star certified home. The utilities gave each of the students twenty-five foot construction tape measures.

Always Learning on the Job

RDI is pleased with the evolution of its homeownership program. More families are realizing their dream of homeownership, more quality homes are being built annually, and the program seems to be running smoothly for both families and RDI staff. But getting to this point took some on-the-job learning.

Early in the program, RDI sold land up-front to the buyer and then built the home under a construction contract. Now all homes are built as "spec houses" — produced as RDI decides for its general home-buying public. This brings the purchaser into the process after the house is under construction and reduces the administrative time RDI spends working with families. Families continue contributing "sweat equity" to their homes, but these efforts are formalized as labor agreements at the time a purchase and sales agreement is inked.

To get around the high cost of land, RDI will work with communities to target existing derelict properties (both single- and multifamily) for purchase and adaptive reuse, or demolition, new construction, and