



PENINSULA HABITAT FOR HUMANITY

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Broadens Its Expertise

SAM NEWBERG

Habitat affiliates across the country are now building multifamily properties, tackling the challenges of this very different form of development.

WHEN THEY THINK OF HABITAT FOR HUMANITY, most Americans envision a throng of volunteers happily constructing a single-family home, often side by side with former President Jimmy Carter. Increasingly, though, driven by rising land costs and a lack of sites, Habitat affiliates are turning to multifamily products and even mixed-income developments that involve partnerships, in spite of the complexity they bring.

In recognition of this, Habitat for Humanity has created an Urban Programs department to improve its ability to do such projects. Stephen Seidel, who has served as Habitat's Urban Programs director since October 2004, helps provide support and technical assistance to Habitat affiliates in the country's major metropolitan areas. Seidel explains, "We have found over the years that the Habitat model, which was really designed in a rural, one-house-at-a-time context, has had to be customized for larger and more complex urban areas."

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Habitat for Humanity International, based in Americus, Georgia, has constructed more than 200,000 homes for needy families in over 100 countries around the world. Houses are sold to families using a no-interest mortgage. Buyers invest hundreds of hours of sweat equity in their homes. The vast majority of residences that have been built under the auspices of the program in the United States have been single-family homes.

“There is a greater need to adapt designs [for cities],” says Seidel. “That has not always been our strength.” The Urban Programs department is working to establish a variety of initiatives, including a mixed-income task force, a compendium of home designs,

and best practices for affiliates. Though in their infancy, these initiatives show promise in that they will better connect affiliates across the country.

Of all the Habitat affiliates, the New York City affiliate is perhaps the most experienced with multifamily housing. It generally builds six- to 20-unit row-houses in the boroughs and rehabilitates condominium buildings in Harlem. Nonetheless, in 2006 the affiliate is starting the development of a challeng-

ing 42-unit condominium project in Brooklyn that will be unusual in several respects, including its use of environmentally friendly materials, which will minimize future operating costs.

Habitat NYC views this project as the first of many future projects with more than 40 units. According to Roland Lewis, executive director of Habitat for Humanity–New York City, the most challenging aspect of developing multifamily housing is striking a balance between volunteer labor and the professional contractors required to tackle the complexities of multifamily buildings.

Other affiliates are just beginning to tackle multifamily projects. Habitat for Humanity–Greater Greensboro, in North Carolina, is making a foray into multifamily housing with a 20-unit townhouse development. Bob Kelley, executive director of the chapter, expects the units to break ground this year, as soon as financing is resolved. “The units will be very attractive and, we believe, an asset to the community.”

Financing is a key piece of the puzzle. Affiliates generally have relied on cheap or donated land, combined with donations and mortgage payments from existing Habitat homes, to finance new residences on single-family lots. But with land costs rising faster than incomes, multiple-unit, mixed-income projects with a variety of development partners are being pursued out of necessity.

For example, Habitat for Humanity–San Francisco recently won a Community Housing Assistance Honor Award from the Sacramento-based California Chapter of the American Institute of Architects for an eight-unit infill project. The development used several partners, including the San Francisco Redevelopment Agency and the California Environmental Redevelopment Fund, which funded the cleanup of the site.

Phillip Kilbridge, executive director of Habitat for Humanity–San Francisco, is quick to explain that the project was very challenging, and that the affiliate is not likely to tackle another project like it soon. “It is very difficult to stage and manage a project like this,” he says.

Habitat for Humanity–San Francisco operates both in the city proper and in Marin County, where median home sale prices are between \$750,000 and \$1 million. The affiliate’s biggest challenge is finding available land.

More than 12,000 volunteers, in both construction and administration, worked more than 170,000 hours to complete the three-year Rolison Road project.



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Peninsula Habitat, which works south of San Francisco, also has had to deal with similar land prices and availability. It has managed to develop several multifamily projects in recent years, including the 36-unit Rolison Road townhouses, which were built between 2000 and 2003 in Redwood City.

Ed Hayes, housing director at Peninsula Habitat, indicates that the Rolison Road project raised the bar for the affiliate. "It was a big undertaking to commit to building 36 homes," he says. Many parts of the process had to be ramped up to accommodate the large project size, including fundraising, volunteer coordination, and partnering with the city, which donated the site. With Rolison Road and subsequent projects, the affiliate is reaching out to large corporations to help fund larger-scale multifamily projects.

Because of the scarcity of land in the Bay Area in general, the affiliate is not likely to build any more single-family homes. "All of our subsequent projects will probably be high density," says Hayes.

It is especially hard to find land in urban areas. "We have five projects for every site we can find," says Seidel. Habitat affiliates across the country are using several mechanisms to find sites, but often lack the sophistication to secure them. "I would love it if there were an equity fund that we could use to acquire land upfront to get some inventory to increase the number of units we do," indicates Susan Haigh, president of the Twin Cities affiliate.

One better way to find sites and increase production is to partner with a for-profit developer. In Woodbury, Minnesota, an eastern suburb of the Twin Cities, the local Habitat affiliate has partnered with two large for-profit homebuilders, Centex Homes and Heritage Development. At the Centex project, Habitat will develop 30 townhouses out of a total of 300 units planned at Bailey's Arbor. Centex is building the units and selling them to Habitat at a discount. The city of Woodbury allowed Centex a density bonus in return for the provision of affordable housing.

The Twin Cities affiliate is the fourth-largest Habitat affiliate in the United States, yet it builds only 60 units per year—which represents a tiny fraction of the demand for affordable housing. That is why for-profit developers such as Centex are so important to groups like Habitat, as they allow for an increased number of units to be constructed.

In Tucson, Habitat has gone a step further and is the master developer in a 393-unit mixed-income project.

Although entirely single-family in nature, the development, which started two years ago, is unusual because the affiliate is selling most of the lots to for-profit builders. The sale of lots to for-profit developers finances the Habitat lots on a zero-cost basis, allowing Habitat to build 50 residences in the development. Habitat originally wanted to construct 75 homes, but rising lot development costs reduced this total to 50.

The project required zoning variances to allow for increased density, something the city allowed only because of the affordable component. According to Michael McDonald, executive director of Habitat for Humanity—Tucson, the project is in effect a form of voluntary inclusionary zoning.

McDonald sees one benefit of this style of development as being able to acquire a substantial amount of land at current values. Another benefit is publicity. McDonald believes that doing a mixed-income development enhances Habitat's image in the market, giving them additional credibility among homebuilders and the public in general.

Habitat Tucson plans to do this sort of development again, as it is a way to greatly increase the affiliate's production. However, McDonald acknowledges the high level of risk incurred by being the master developer. "It may not be one's cup of risk-averse tea."

The challenges are many. Seidel and the Urban Programs are working to continue to provide affordable housing as the real estate market makes it increasingly difficult to do so. Habitat is using a variety of innovative solutions, and is faced with the issue of how to share information and lessons learned across affiliates nationwide. Going forward, Habitat will need to find more willing partners, including developers, lenders, and cities, in order to achieve its mission of eliminating poverty housing. **MFT**

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In February 2005, Habitat NYC completed 13 rowhouses in the Mott Haven neighborhood of the Bronx, and is now beginning the development of a 42-unit condominium project in Brooklyn using environmentally friendly materials.