

Habitat for Humanity of Indiana Advocacy Guide & Talking Points

Background & Instructions:

The Importance of Advocacy:

Housing costs are rising because of the four “L’s”: lumber, labor, land, and laws. With little ability to impact change on the market conditions that govern lumber, labor, and land, it is imperative that Habitat engage in state and local policy discussions to cut the cost and impact of laws.

On average, local regulations account for 20%-22% of the total cost of our houses. If we could impact that even in a small way, it would be a significant savings to both Habitat and our homebuyers. Working in the world of advocacy can raise awareness about why housing is no longer affordable for first-time homebuyers. Advocacy isn’t a choice; it is an imperative.

Instructions:

This guide was created as an educational document to provide Habitat affiliates the means to meet local challenges. Our goal is to offer a comprehensive document that ensures every affiliate, no matter their experience level in advocacy, has the background knowledge, data, and tools to be successful. As a result of using this document, we hope affiliates can incrementally improve their advocacy efforts from good to better to best.

Habitat Indiana recognizes that affiliates have a variety of levels of experience in advocacy -

- **If you are new to advocacy**, we encourage you to start at the beginning and understand the background of starter homes, Habitat’s role in advocacy, and solutions you can provide locally. Then dive into the specific talking points your community needs. This may help you start the conversation with a local elected official and build on your relationship with them.
- **If you are a more experienced affiliate**, we encourage you to skip to the topic-specific talking points. We hope you can use that information to dive deeper into local relationships and solidify your place as an expert in affordable housing. We have included a table of contents to guide you.

Habitat Indiana is here to assist affiliates in all levels of experience. We have training and technical assistance resources – please reach out to us with questions that arise as you begin.

Thank you for all that you do to ensure housing remains an affordable resource for all Hoosiers!

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Background:

Why is Habitat involved in advocacy?

Advocacy is in Habitat's DNA from our very beginning at Koinonia Farm in the height of the civil rights movement. Clarence Jordan saw the racial inequities in his community and worked to change it. He created a place where people, no matter their background, could be given equal opportunities in life.

When the Fullers joined him at Koinonia, they developed the idea of partnership housing. Habitat was founded on the principle that a simple, decent, place to live was a human right and should be attainable for everyone. This is why Habitat continues its work in advocacy; it is a moral issue that must be addressed.

Housing has always been political. Government has a say in how housing is built, financed, accessed, and maintained. The local, state, and federal government determine what gets built, where, for whom, and how resources and opportunities are distributed to communities. When these public policies fall short, they deepen the barrier to housing access.

The Importance of Starter Homes

Starter homes are defined as small, low-cost properties with few bedrooms and amenities.

- These homes are the entry point to homeownership and wealth-building through equity.
- Think of the first home your parents or grandparents purchased. **These simple homes served as the steppingstone to the broader housing market** and fueled future house purchases when more bedrooms and amenities were needed.

Starter homes aren't just important to first-time buyers but an essential part of the community.

- In many communities in Indiana, businesses want to hire new talent, but there isn't affordable housing for the number of employees they need.
- Recently the Indiana Chamber of Commerce has been lobbying to get more affordable housing as a way to help their members attract and keep talent.
- Communities need more tax revenue and lower cost housing still provides income for those municipalities and provides stability in the community.
- **Starter homes are important to not just buyers, but businesses and communities as a whole.**

An illustration of this comes from the family board game, The Game of Life. In the game you begin with starter home cards, like the condo or ranch-style home, that are more affordable.



As you move through the game and receive more income and more kids, you can move to a bigger, better house like the Penthouse Suite or Modern Victorian.

This isn't just a game; this is how the housing market used to work. The starter home was part of the post-war American dream of homeownership. It made homeownership open to the masses, not just those with generational wealth. This can be the norm again if communities invest in starter homes and work together to make them more affordable and attainable. **Starter homes are important to not just buyers, but businesses and communities as a whole.**

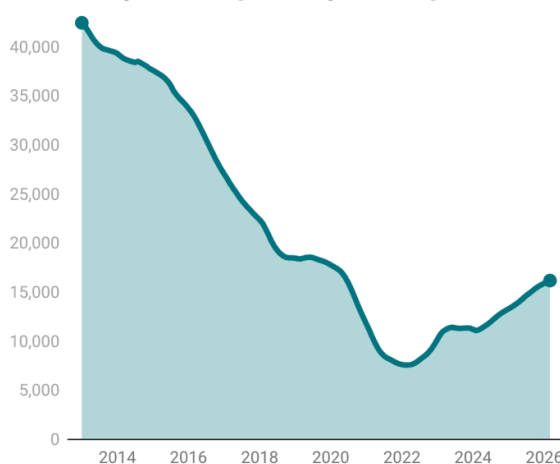
How is building reform connected to starter homes?

- Indiana has an affordable starter home shortage; the homes that are available are rapidly increasing in cost because supply is so constrained.
- Builders are still developing new homes in Indiana, but the cost to build is so high that they cannot afford to sell them at a loss. This results in new homes that are unaffordable for first-time homebuyers.
- Building reform topics like zoning, land use, and density rules reduces cost for homeownership because it offsets other building costs such as labor and materials.

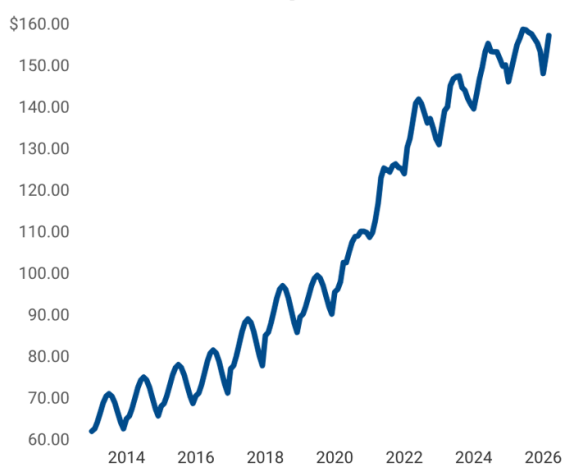
The illustration below shows current market pressures. The Realtor's Association estimates that builders need to construct 192,500 units between now and 2029 to meet the need. This would require all builders to double production at a time when costs are at a record high.

As supply falls, prices rise (faster)

Inventory: Average Daily Listings



Median Price-Per-Square Foot



Source: IN Association of Realtors

Why is Habitat involved in housing reform?

- Habitat is the largest starter-home builder in the state and has not been immune to the large increases in both land and construction costs.
- In an environment where construction and infrastructure costs are at an all-time high, Habitat needs local governments to help us lower costs so local affiliates can build homes that give people a chance at homeownership.
- Local and state governments have to understand that the policies they pass create costs that prevent many of their residents from purchasing a home.
- Many elected officials want to hear from local experts and Habitat affiliates *are* the local experts in affordable housing. Elected officials may not understand the ramifications of their

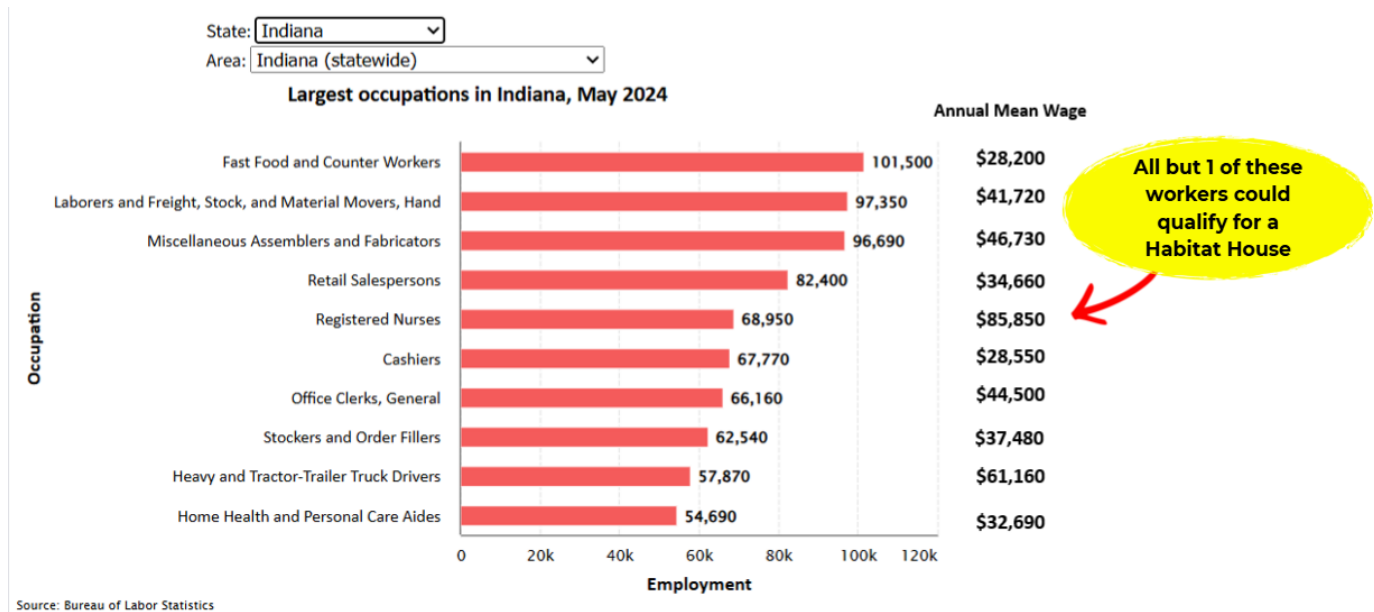
actions – **that while they may think they support nonprofits like Habitat, their policies can hurt Habitat more than they realize.**

- If local government wants or needs affordable housing, they need to make sure they are not contributing to the higher costs of housing development.

Communicating the local impact on homeowners to elected officials:

Affiliates serve individuals at or below 80% of the area median income with an affordable mortgage, putting Habitat in a unique position to advocate local officials that change needs to happen. Below are several charts and talking points that can assist with those conversations.

The chart below outlines the top 10 jobs by number of people working in them in Indiana.



The affordable housing landscape and how it effects essential workers

- Habitat affiliates serve these essential workers in all communities across Indiana but, in many cases, the price to increased cost to build a Habitat home are making homeownership unattainable to hardworking Hoosiers.
- Except for the nurse, every one of these workers could qualify for a Habitat home. Even the nurse might qualify if they were a single parent with several children.
- These jobs are essential to every community, and these residents deserve a chance at homeownership.
- Indiana needs to build housing for the people who live in their communities now and not for the people they wish would move into their community.
- The housing crisis in Indiana means that the people who already live here do not have a chance to buy a home because there is too little inventory at the entry level price point causing the ones that are available to sell at a much higher price due to demand.

- These workers have too few options for homeownership despite being a critical part of the community's workforce. If they are to gain access to homeownership, local reform is needed to open the market to these workers

Let's use an example of one of these workers and look at their monthly budget.

Below is a typical Habitat homebuyer who works in the service industry. They are a single parent that makes a little more than \$30K a year and have 1 child. This family is already cost burdened by their rental, and Habitat's mortgage payment will be cheaper than the place they already live in.

- When communities think about aesthetics, they may not understand that these choices ensure starter homes cannot be built, and homeownership is no longer affordable.
- See below a breakdown of this homebuyer's expenses with a new Habitat home. See how the added regulatory costs impact their already-tight budget.

BUYER BUDGET IMPACT Annual Income \$30,264

Habitat Homeowner Budget

House Payment & Escrow	\$757
Utilities	\$167
Gas/Transportation	\$152
Food	\$600
Car payment	\$170
Phone/Internet	\$ 95
Insurance	\$120
After School Child Care	\$300
Monthly Total	<u>\$2361</u>
Excess Monthly Income	\$161

\$20K Added Construction Cost Budget

House Payment & Escrow	\$757 + 57 = \$814
Utilities	\$167
Gas/Transportation	\$152
Food	\$600
Car payment	\$170
Phone/Internet	\$95
Insurance	\$120
After School Child Care	\$300
Monthly Total	<u>\$2418</u>
Excess Monthly Income	\$104



What's not included: emergencies, medicine, school supplies, clothes, etc.

Adding regulatory costs creates an increase in cost to the essential worker

- The added cost due to additional regulatory requirements and added construction design elements makes it hard for this family to afford even a Habitat home.
- If any emergencies happen, they will be upside down. Living on a razor's edge budget makes any unexpected cost a crisis.
- Added regulatory and design elements in new construction excludes starter homes and entry level homeownership by adding to the costs so much that it prices out potential buyers.
- If no affordable housing is available, employers will have a much harder time keeping low-wage earners on their payroll.
- Habitat can build for these individuals and families that can't afford the open market because Habitat is both the lender and the builder.

- Habitat heavily subsidizes the costs on the home through either government grants, downpayment assistance programs, or with a 2nd forgivable mortgage.
- If Habitat must subsidize with a 2nd mortgage, then they take a loss on this home.

As costs have risen so have appraised values; units that appraise higher put homes out of reach for more and more first-time buyers.

HABITAT PRICING

Construction costs and appraised values increased in both urban and rural areas.
 Values based on 3 Bedroom/1.5 Bath Home for a family of 2 with an annual income of \$30,264
 30 year loan at 0% interest

Pre-Pandemic		Post-Pandemic	
Appraised Value	\$180,000	Appraised Value	\$250,000
Monthly Payment (Principal + Escrow)	\$757	Habitat Subsidy	\$70,299
		Monthly Payment (Principal + Escrow)	\$757

Key take aways:

- Habitat affiliates have a unique ability to provide subsidies and assistance to future homeowners, but there are things out of their control that increase the cost of building.
- Habitat cannot do this alone – policy changes need to be made to ensure affordability.
- With local government partnerships and policy changes, an environment that makes starter homes more affordable and more welcome in our communities is possible.

Talking Points: Local Government Solutions for Affordability:

1. Local governments hold various parcels of land, could any of those be donated to Habitat or sold to Habitat at a reduced cost to help create more affordable housing?
2. Could Habitat have first pick of any tax sale properties and have them be purchased for the value owed to the governing body rather than competing for the property at the tax sale?
3. Can the local government loosen zoning for local churches so that their land can be used for residential by-right, meaning it does not have to go through the rezoning process?
4. Can the older parts of town be considered as the norm for starter home lot sizes? Set in-fill new construction standards for housing that are different than new subdivisions.
5. Can local governments allow for smaller homes (e.g. under 1500 square feet) and ease setback requirements to allow more density?

Density Specific Talking Points

Problem

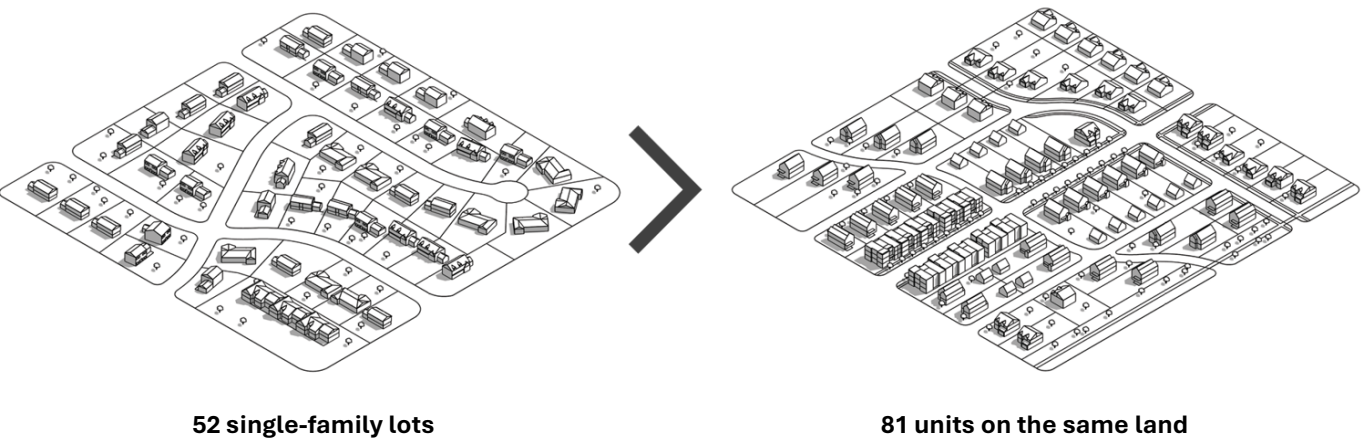
- The simplest way to think about density is to think of it as the land cost per home that gets passed to the homebuyer.
- It's not always about apartments, townhomes, or duplexes; it can also be the number of homes allowed in an area.
- Land is one of the biggest costs in housing and fitting more homes in an area is better for affordability.
- More buyers could afford homes on small lots if the community allowed them to be built.
- Density is as much of a single-family-home issue as it is for apartments, duplexes and townhomes. If the cost of land is less, it reduces the price of the home to one that is affordable to more people.

Example: Compare the costs of single-family homes built on a 2-acre parcel that costs \$100,000.

SF Homes on 2 acres	Gross Density	Land Cost Passed to Buyer
2 homes	1 unit/acre	\$50,000
3 homes	1.5 units/acre	\$33,333
4 homes	2 units/acre	\$25,000
6 homes	3 units/acre	\$16,667
8 homes	4 units/acre	\$12,500

Why We Care About It

In the illustration below, see how 52 single-family lots in a subdivision could be re-developed for more density yielding 51 single-family units plus, 5 duplexes, and 10 townhomes.



- This houses many more people without appearing crowded or overdeveloped.
- The cost of land for the density development is 40% less per household than the original.

- Communities that understand and embrace how they can optimize the land that they have to serve the most people drive down land costs and improve affordability.
- Even if they don't embrace this in the entire community, they can choose pockets of the community to target density where it makes sense.

Rethinking density is a critical way local government can support affordable housing development and drive down land costs.

Local Government Solution for Density

1. Allow for smaller homes in your requirements allowing for homes under 1500 square feet and ease setback requirements to allow more density.
2. Consider pockets of density in the community in a few pilots where duplexes, small homes and townhomes could be zoned to allow for more affordable housing development.
3. Take advantage of RIF funding to pay for infrastructure to create a new subdivision designed for density and lower income units.
4. Consider more density pilots in mixed use areas where it may be more welcome than in existing residential areas.
5. For every new housing development, consider keeping a certain percentage of the lots as affordable units.

Direct Cost of Building and Site Requirements Talking Points

Problem

- Regulatory costs in residential construction are the expenses imposed by federal, state, and local governments tied to the cost of building a home.
- This includes, permitting fees, inspection fees, utility connections, impact fees, and infrastructure and house design requirements.
- When these are added up, they are a significant expense that gets passed to the homebuyer and drives up costs pricing out families with lower income.

Why We Care About It

Here is a breakdown of typical local government regulatory costs in Indiana:

\$ 50	Plan Review Fee		
\$ 350	Building Permit Fee		
\$ 4,000	Water Tap Fee		
\$ 5,000	Sewer Tap Fee		
\$ 500	Inspection Fee		
\$ 5,600	Storm water control		
\$ 2,500	Sidewalk (5ft wide, 50ft long)		
\$25,000	Required 2-Car garage on all new construction		
\$43,000	Total Regulatory Costs	$\frac{\text{Regulatory Costs}}{\text{Total House Cost}} =$	Percentage of House Cost for Regulations

Regulations cost \$43,000 divided by the total cost of the home of \$195,000= **22% of the cost to build** are regulatory requirements. Every affiliate should know the average regulatory costs or percentage for their communities. This number is important to share with your local government and ask them to help you shave down those fees, so they aren't passed on the homebuyers.

Local Government Solutions for Building Costs

1. Can your local government(s) waive permit fees for affordable housing development based on homeowner AMI or for nonprofit builders?
2. Can the municipalities waive the labor costs of their staff while Habitat pays for the materials in utility connections to better support affordable housing?
3. Could local design requirements like garages or facade changes be eased or waived for infill housing or for housing under 1500 square feet to help contain costs for starter homes?
4. Are there more affordable ways to mitigate storm water issues rather than one standard for all new construction? Ease requirements for smaller homes that have less impact on the neighborhood and infrastructure.
5. Can standard affordable housing plans be made available to have an express way through approvals? If the builder uses those plans, they pay fewer fees, and go through the system faster while the city gets pre-approved entry level housing that is appropriate and affordable.

Development & Government Efficiency Talking Points

Problem

- Time is money even for Habitat.
 - Uncertainty of how long a permitting or environmental review will take impact both construction and the homebuyer that needs a completed home to live in.
 - Redesigns, municipal meeting, or plan revisions can often derail builds by 6 months or more.
- These delays can impact Habitat's funding sources that have a strict timeline for usage, like government grants.
 - Sometimes downpayment assistance programs run out of funding and a delay may mean a family doesn't receive assistance.
 - Because Habitat relies heavily on subsidies, these delays aren't just costing us time, but also money.
- The homebuyer for Habitat projects have been selected while plans are being approved.
 - They are performing sweat equity, going through educational classes, and doing their due diligence to be a good partner.
 - They are also paying extra each month for their existing rental, sometimes more than \$300/month vs the cost of their new Habitat home mortgage payment and utilities.
 - For a family on a tight budget, a 6-month delay would mean they are paying \$1800 more than they needed to because of regulatory delays.

Why We Care About It

Most local governments aren't looking at this issue from the homebuyer's perspective and definitely not that of a first-time homebuyer. We have to make starter homes available at a more efficient rate, and it will take partnerships with local governments to make that happen.

Local Government Solutions for Efficiency

1. Can municipalities create a pre-approval packet and/or process for starter homes that fast-tracks the permitting and review process due to the urgency of the housing crisis?
2. Are the timelines and costs of all regulatory fees published clearly so that builders can budget both time and money effectively?
3. Is a one-stop permitting process where all functions go through one department instead of many for smaller starter home projects or infill projects possible?