

**TESTIMONY OF
HABITAT FOR HUMANITY INTERNATIONAL**

**Given by:
Thomas L. Jones
Habitat for Humanity International**

**United States Senate
Committee on Banking, Housing and Urban Affairs**

June 12, 2003

Thank you, Chairman Shelby, Senator Sarbanes and members of the Committee for this opportunity to discuss expanding affordable homeownership in our country. I am Tom Jones, Vice President of Habitat for Humanity International (HFHI) and Managing Director of its Washington Office for the past eleven years. The Washington Office is a branch of the executive offices of Habitat for Humanity International, located in Americus, Georgia. The Washington Office serves as Habitat for Humanity International's presence in the nation's capital. We are privileged to represent Habitat for Humanity International with Congress and Administration, professional and industry groups, NGO's, international groups, embassies, other non-profits, labor unions, business corporations, and others.

On behalf of Habitat for Humanity International, I am deeply grateful for the opportunity to testify before the Committee. The Members of this Committee continue to demonstrate their commitment to expanding housing opportunities for all persons by passing meaningful legislation and by holding hearings, such as this one—during

National Homeownership Month—to highlight affordable homeownership as one of the single most important tools that a family can use to improve their quality of life and build wealth.

Just last week, Habitat for Humanity was honored to be joined by Secretary Martinez and many of you and your colleagues to kick-off National Homeownership Month by announcing our new, national initiative designed to offer members of Congress an opportunity to have hands-on experiences with families around the country seeking to build their dreams through the “self-help” model of homeownership. The “*Congress Building America*” program is a partnership between Habitat for Humanity, HUD, the U.S. Congress, and national corporate and nonprofit sponsors who will join forces with local Habitat affiliates to construct hundreds of affordable single-family homes. This initiative—modeled on the highly successful “*The Houses That Congress Built*” and “*The Houses The Senate Built*” in which many of you recently participated—is supported by congressional resolutions, already passed in the Senate and soon to be passed by the House. These resolutions express the sense of Congress in support of “*Congress Building America*” and increased access to affordable homeownership opportunities. Members of Congress are encouraged to participate in “*Congress Building America*” events with Habitat homeowner families and local Habitat affiliates in their districts or states during the 108th and the 109th sessions of Congress. We are confident that this partnership with Congress will strengthen the network of housing supporters, place the issue of affordable housing at the forefront of the nation’s social

agenda, highlight the importance of volunteerism, and raise public awareness that access to affordable, decent and safe housing is an opportunity every person and family should have.

Habitat for Humanity has spent the past twenty-seven years building affordable homes for homeownership with families who cannot qualify for mortgages in the conventional market. Home construction is supported by private donations, government partnerships for seed monies for land and infrastructure development, volunteer labor and homeowner's "sweat equity." Habitat homes are sold for no-profit and financed by zero-interest, long-term mortgages that each family can afford. The average Habitat house selling price in the U.S. was \$51,219 in 2002. We have now built nearly 150,000 homes worldwide, and are working to complete another 50,000 homes by 2005, using 1,671 affiliates in all fifty states and over 500 international affiliates in 87 countries worldwide.

Our homeowner families are typically first-time homebuyers who earn wages below 50 percent of the area median. Just over 71% of Habitat homeowners are minority and almost half are single parents raising school-aged children. Homeowners contribute 250—500 hours of their own labor as "sweat-equity" in the building of their house and other Habitat homes. By partnering with Habitat, families are able to move from substandard, deteriorating, overcrowded, and unsafe housing, sometimes even homelessness, into their very own homes which they purchase with an affordable mortgage and build with their own hands.

The success of Habitat for Humanity in creating homeownership opportunities for thousands of Americans who would otherwise never have the chance to own their own home is, in part, due to the generous support of Congress and the Administration. Since 1996, Congress has appropriated funding for the Capacity Building for Habitat for Humanity program, part of the Section 4 Capacity Building funds that benefit other housing and community development organizations, and the Self-Help Homeownership Opportunity Program, commonly known as SHOP.

CAPACITY BUILDING FOR COMMUNITY-BASED HOUSING GROUPS

Capacity Building assistance is the key to increasing the organizational strength of community-based nonprofits. The Capacity Building for Habitat for Humanity program, as part of Section 4 funds which benefit the notable groups of LISC and the Enterprise Foundation, enables Habitat affiliates to improve communities on an even more significant scale by jumpstarting house production. Habitat affiliates essentially operate as local Community Development Corporations, with their own locally elected board and individual 501-c-3 nonprofit statuses. Many affiliates have no paid staff and must rely on the good will and hard work of volunteers. Thus the challenge for Habitat for Humanity is to provide affiliates with technical assistance, training, information, and access to new technology.

The Capacity Building for Habitat for Humanity program, in its sixth year of funding, increases the capacity of our affiliates to leverage outside funding sources, assists in the development and implementation of comprehensive training, brings

technical assistance closer to affiliates, and creates new, innovative programs. More specifically, our Capacity Building funds have been used to:

- Provide local volunteers with the skills, training, and knowledge for developing resources through fundraising and securing gifts-in-kind from the private sector—including faith-based organizations, businesses, foundations, civic clubs, labor unions, individuals, and others;
- Foster new local, regional, and state official partnerships with organizations and groups such as college and university campus chapters, faith-based groups, civic clubs, prisons, professional groups, including realtors, bankers, home builders, local government, and labor unions to enhance the productivity of local affiliates;
- Recruit and train local volunteers in communication skills and in ways to use media opportunities to raise public awareness to eliminate substandard housing and to provide opportunities for every American to achieve the dream of homeownership;
- Recruit and provide development opportunities to persons for local board membership who have the leadership skills and the diversity needed to pursue the mission of increasing affordable homeownership at the local level;
- Provide funding on a diminishing basis for affiliates to hire first time staff or staff for new positions that contribute to the affiliate's growth, so that more people are working at the local level to make housing happen;

- Provide training opportunities via electronic, web-based communication targeted at securing resources, understanding new methods of construction, discovering sources for training and technical advancement, etc;
- Focus efforts on the special housing needs and challenges in rural areas, Native American Indian communities, the Colonias, and other populations traditionally underserved by current housing programs and resources.

Within the context of regulations established for Capacity Building for Habitat for Humanity funds, HFHI also conducts training and development of affiliates at the local level, working with groups of 30-40 affiliates through its affiliate support system; at the state level in all fifty states; through its seven regional offices; and nationally. The program includes conferences, training events, specialized technical assistance instruction, and provision of leadership at every possible level. Because many Habitat affiliates are located in rural locations, a major focus is on the unique rural needs for training and technical assistance. Likewise, special focus is made on training and assistance for crucial urban areas where housing needs are so great and which present unique challenges, calling for specialized training and technical assistance.

The success of the Capacity Building for Habitat for Humanity program is measured by the increase in numbers of families housed. In the first two rounds of the Capacity Building grant program, 118 Habitat affiliates built 3,336 homes over the course of the three-year grants—52% more houses than they built in the three years

prior to receiving the grant. In addition, affiliates must match every Capacity Building dollar with three dollars of private, non-governmental funds and increase their building capacity by a minimum of 15%. This requirement has also been far surpassed. It is our hope that Congress will appropriate \$15 million for the Capacity Building for Habitat for Humanity program, as it is crucial to increasing the building efforts of our local affiliates.

SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM (SHOP)

The Self-Help Homeownership Opportunity Program (SHOP) was created by Congress in 1996 for the purpose of alleviating one of the largest obstacles faced by self-help housing developers in the production of affordable housing—the high cost of acquiring land and developing infrastructure before house construction even begins. SHOP funds are used exclusively for this purpose and have proven to be instrumental in jumpstarting affordable home building programs among self-help housing developers. The success and impact of the SHOP program is measured by numbers of homes produced: with the inclusion of the FY02 awards, SHOP funds will result in more than 9,000 new Habitat homes, changing the lives of over 34,000 Americans. This is an extraordinary accomplishment when one consider that for every \$10,000 SHOP grant, on average, one home must be constructed, requiring additional resources of 4 to 10 times the amount of the initial investment to be raised in the private sector.

HUD's SHOP grants are competitively awarded based upon an organization's experience in managing a sweat-equity program, a grantee's community needs, the capacity to generate other sources of funding and the soundness of its program design.

Groups compete annually for SHOP funds, designated solely for expenses related to acquiring and developing land for building homes that sell at costs below the prevailing market rates. SHOP funds can be used for land and infrastructure expenses such as streets, utilities, water and sewer connections, and for environmental clean up. SHOP families invest 300+ hours in sweat equity—although some families invest hundreds of additional hours—and must earn below 80% of the area median income.

SHOP funds have been used to support the work of self-help housing organizations in every state, resulting in the development of thousands of affordable homes. The labor of volunteers and partner families, efficient building methods, modest house sizes and a zero or low-interest loan makes it affordable for low-income families to purchase a home of their own.

The SHOP program is an important element of the Administration's national homeownership strategy, as it not only expands the ranks of low-income and minority homeowners, it requires the personal contribution of its recipients, increases volunteerism and community participation, and efficiently utilizes federal dollars by requiring the amount of the initial investment to be significantly leveraged.

Habitat for Humanity, along with the other large user of SHOP funds—the Housing Assistance Council—believes that SHOP will be even more effective if the amount of the average award per house is increased from \$10,000 to \$15,000 to more accurately reflect the costs of land and infrastructure development. Nationally, the combined average of land and infrastructure expenses exceeds \$21,000 for homes

build by both Habitat for Humanity and the Housing Assistance Council. This amount must be raised by affiliates before house construction can even begin. Both of our organizations strongly believe this change will make SHOP even more competitive and attractive to affiliates and other self-help housing groups, who will work even harder to find the additional private resources necessary to pursue their building programs.

SINGLE-FAMILY HOMEOWNERSHIP TAX CREDIT

Habitat for Humanity International also strongly supports the Administration's proposal to increase homeownership and affordable housing production through a single-family homeownership tax credit, modeled after the highly successful Low Income Housing Tax Credit. The proposed credit of up to 50 percent for the costs of constructing new homes for homeownership or rehabilitating existing properties for families in low-income urban and rural neighborhoods will enable our local affiliates and other housing developers to bridge the gap between the cost of developing affordable housing and the price that low-income homebuyers can pay for a home.

The proposed homeownership tax credit legislation will create incentives for affordable housing development and infuse new resources into areas where the costs of construction and rehabilitation places homes beyond the reach of low and moderate-income families. The current legislative proposals in Congress are structured to generate the resources sufficient to cover the gap between the cost of development and the price at which a home can be sold to an eligible buyer, resulting in the construction

of more affordable housing and the strengthening of families and the communities in which they live.

Habitat for Humanity International specifically supports two tax credit bills, S. 875 and H.R. 839, as both provide for a ten percent set-aside for qualified nonprofits. This provision, also included in last year's H.R.5052 and S.3126, will help ensure that nonprofits, like HFHI and other community and faith-based organizations, will be competitive applicants during the credit allocation process. A nonprofit set-aside—as successfully demonstrated in the current rental credit and HOME programs—has empowered nonprofit builders, often with fewer resources and serving lower income families, to be competitive for tax credits with their for-profit counterparts. Modest set-asides are established elements in the country's strongest housing programs for low-income families and encourage a "level playing field" for nonprofits.

This is especially important for many other faith-based and community organizations who are often deeply rooted in communities and are particularly committed to providing housing for people with special needs—including the homeless, elderly and disabled. Many of these groups have proven track records of successful housing development in blighted urban and rural areas, often seen as unprofitable ventures for the for-profit sector. In fact, faith-based and community organizations are sometimes the only providers of affordable housing in such areas. A ten percent set-aside will help ensure that the contributions of faith-based and community organizations in affordable housing production and related supportive services will continue to

enhance the federal government's commitment to provide adequate housing for its citizens.

In conclusion, Habitat for Humanity believes that now more than ever, during this period in our country when homeownership rates are the highest in history, that the government should invest its resources in those segments of our population that have been left behind and left out of the financial mainstream. This country has the resources to adequately house the millions of Americans living in overcrowded, substandard and unaffordable conditions, but no one organization by itself can eradicate substandard housing. The solution lies in collaboration, with all sectors of society working together, including faith-based and community organizations.

I would encourage Congress to strengthen its resolve to protect the least among us and preserve funding for affordable rental and homeownership opportunities, education, healthcare and other social services at precisely the time when it's needed most. Healthy neighborhoods require HUD's investment in quality housing—rental and homeownership. Failure to maintain a range of affordable housing options will create obstacles for families seeking to become homeowners in the future. As you review the funding proposals for FY04 and other related housing legislation, it our hope that you would support additional resources to enable low-income families to move from often overpriced, inadequate rental housing into affordable homeownership and continue your support of organizations, such as Habitat for Humanity, that help make the dream of affordable homeownership a reality for thousands of families each year.

