How to Limit Risk to the Organization in a Down Residential Market

Most DOL YouthBuild Programs build housing and some have grown or expanded their organizations by creating a Housing Development Department within the organization. The role of this facet of the organization is to look for and create opportunities within the community to build, renovate, weatherize and rehabilitate single and multifamily housing. This can be a very risky proposition in a down market. Here are some tips to reduce the risk in this challenging environment.

1. **Existing Housing Stock** (Residential housing that you or your partner own and are financing). Continue to work with real estate agents to sell completed housing stock. One strategy is to find the more successful agents in your area and speak with them about aspects to improve the opportunity for sale and negotiated commissions. One YouthBuild McLean County uses multiple realtors and stages their homes with furnishings to increase sales potential. Do your part to make sure an open house is a success by creating positive curb appeal. A clean appearance with some flowers and fresh cookies in the oven can make all the difference to creating an inviting space. Make sure partners and local community organizations and the press are invited, creating a great opportunity for a positive story for the local newspaper, and to show off the amazing work of your young people. Take this opportunity to bring partners, key stakeholders and board members through the home and talk about how the sale of this home will propel your program and continue the strong work you are doing in the community. Yet another strategy is to reach out to new potential partners such as banks, Community Action Programs (CAP) and Community Development Departments within a municipality. These organizations may have qualified buyers or clients that are interested in your home. Get permission from partners and large employers in your area to distribute marketing materials via email or flyer to their employees or an article in their newsletter. Reach out to past program graduates who may be considering purchasing their first home. Consider refinancing and taking advantage of lower interest rates. Also, look for lenders who specialize in affordable housing, as they may have better rates or terms. Lastly, consider renting the home as a method of providing affordable rental housing and to help cover interest costs. Many communities have a real shortage of affordable rental units. The key here is leave no stone unturned!

2. **Strategic Planning.** Planning is a critical process in recharting organizational pathways and growth. Begin this process by working with key stakeholders (could be the Board of Directors, Senior Management Staff, Partners or a combination of these) to come up with specific areas where change is necessary for organizational growth. Some opening questions to ponder might be: How do we reduce debt? What other funders are out there? What is our staff capacity? How will changes be structured to positively benefit young people? Should we partner around housing or can we more efficiently do this ourselves? Compiling a thorough and complete list, after
considering all opportunities is important. Many organizations will conduct a Strengths, Weakness, Opportunities and Threats (SWOT) Analysis to begin their process. Next, conducting a risk analysis is a critical part to this strategic planning process. For example, some questions you might ask: Where is our highest area of risk and how do we mitigate it in the short run? If they are more long term risks, how do we deal with that? A quality planning process is critical for the strengthening and repositioning of the organization. For example, adding a housing partner i.e. Habitat for Humanity or City Community Development Department or other organization. Careful evaluation of the strengths and weaknesses of this opportunity will lead decision makers to the best choice for the organization. Another option might be to become a Community Housing Development Organization (CHDO). Market analysis is critical in the strategic planning process because accurate information on funding opportunities, current housing and employment trends is vital to making the “right” changes to advance the organization. Depending upon current market trends, it may be more advantageous (i.e. available funding) to build new single family homes or rehabilitate multifamily housing or focus on accessible housing or improving home energy performance through weatherization or creating single room occupancy for the homeless.

3. **Some designations and funding opportunities.** A Community Housing Development Organization (CHDO) is a governmental designation that can allow access to specific funding. By creating a Housing Counseling Agency (HCA), a Department of Housing and Urban Development (HUD) designation, an organization can prequalify potential buyers and help with credit counseling, by working to reduce debt and improve their credit. This opens the ability to pre-sell the homes, thereby reducing interest (for the organization) and other costs. It buys down the gap between the market and what the homeowner can afford. This is a great opportunity for the organization, potential buyer and the community, but it takes quality strategic planning and strong project management to implement this alternative. This will allow you to control your own schedule, choose your own projects and mitigate organizational risk. This, in turn, will shift the risk to finding qualified buyers (in advance) and vetting them, which can delay the construction and training schedule. So it is critical to compile a list of candidates in advance or keep an ongoing list so that buyers are already approved when homes are ready for occupancy. Two additional designations that can potentially increase funding opportunities are Community Building Organization and Community Development Organization (CDO). Some examples of potential funders are: the U.S. Department of Agriculture and Rural Housing Development-Self Help Housing Program, the Federal Home Loan Bank, HUD HOME funds and City CDGB funds.

4. **Limit Design and Lot Options.** Creating several modest designs is reasonable and sustainable. These options could include plans for simple ranch, bi-level, two story and tri-level homes. Orienting the designs to specific lots can prove useful. For example, it can help limit the number of a particular design in a larger development project or if several lots are on one street. From a green
building approach, density and orienting the home on the lot is critical to integrating systems such as: heating, cooling, electrical and lighting. Foundation options must be considered, with full understanding of soil qualities and high water tables. Another consideration is that basements, if an appropriate option, potentially make the home more affordable to expand. Important to this process is, reducing change orders during the construction and clearly communicating all changes to stakeholders and contractors. This is quality project management, in other words having a clear process that all must follow for necessary changes and monitoring this during the building process. This will keep construction on track without reducing building performance or increasing costs.

5. **Communicate with Partners and Key Stakeholders.** From project initiation, to planning, to implementation, to monitoring and though close out, it is vital that all stakeholders are looped in. The difficulty here lies in determining the level of information particular stakeholders need. This can also change over the duration of the project. For example a funder, the Board of Directors, a homeowner, the City Building Safety and Code Enforcement or a partner may all require different levels of information. Then, determine the best method to communicate with each: meeting, email, via phone, progress narrative or status report. YouthBuild McLean County uses DOL Quarterly Performance Reports to share information. This level of clear communication to stakeholders creates an accurate exchange of information that leads to quality decision-making, and minimizing risk.

In summary, increasing your opportunities to sell or rent your projects, even in a down housing market, can be offset through good planning, strategic thinking and strong project management.