



# Self-Help Housing: Building Communities

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**Why Self-Help Works:** Self-Help housing enables low-income families to gain self-esteem and earn a downpayment by building their own homes. Groups of 8 to 12 families work together building each others home under the guidance of a supervisor hired by a local non-profit. In the last 30 years, over 10,000 homes have been built by mutual Self-Help groups in California. Like the families taking part in the program, Self-Help works.

### **Self-Help Reduces Housing**

**Costs:** Self-Help reduces the cost of building a single-family home by 10%-25%, saving an average of \$5,000 to \$25,000 per house. Each family earns this equity by contributing at least 30 hours per week for 8 months constructing the group's homes.

**Self-Help Offers American Dream to Working Families:** Self-Help participants need good work and credit histories as they must qualify for a first mortgage. Usually the financing package includes some type of low interest or no interest second mortgage as well, to make the homes affordable to low income households. The real difference is that the downpayment is sweat.

### **Self-Help Promotes Self-Sufficiency:**

Self-Help housing participants learn construction and organization skills. These translate into employment opportunities and lower-cost housing maintenance. Participants usually work full-time at their regular jobs in addition to the 35-50 hours spent building their new homes. Families provide 65%-75% of the labor needed to build their homes.

### **Self-Help Builds Strong Communities:**

As each family builds their home they also build their neighborhood. They develop friendships and a support network. They gain experience working in groups to accomplish goals. And they develop an interest, as well as an investment in their community.

Self-Help gives a boost to local businesses and the local economy because sponsors purchase as many ma-

terials as possible from local vendors, suppliers and subcontractors. The typical self-help development project uses 3-5 subcontractors who hire 2-4 employees each.

Businesses also benefit by having affordable housing for their employees available in the community.

**Why \$3.9 Million for Self-Help Housing?** In each of the last 4 years, the Legislature and Governor approved a \$1-2 million augmentation for "Self-Help" housing, a successful, program in the Department of Housing. The program provides non-profits with money for Self-Help construction supervision, loan packaging and homebuyer education.

In the '00-01 budget, Governor Davis proposes \$2.1 million for Self-Help Housing. Senator Costa and Assemblymember Florez seek to augment the Govern-or's budget by an additional \$3.9 million. \$900,000 would be allocated for technical assistance and \$3 million for mortgage assistance.

### **What Would the Money Support?**

State Self-Help technical assistance funds pay for the staff costs of implementing the program, developing land, packaging loans, and overseeing construction. The only federal funding for Self-Help is restricted to work in rural areas. Historically, California has received 40% of federal Self-Help funds, but increased competition for funds nationally prevents California from increasing its share further. In FY 99/00, the Department of Housing received and approved 23 applications for \$2 million in Self-Help funds to 11 nonprofit organizations for development of 324 self-help residences, at an average cost of \$6173 per unit.

Self-Help mortgage assistance funds are low-interest, deferred payment second mortgage loans, which allow more low-income buyers to be eligible for homeownership in high-cost areas of the state. Funds can be used in conjunction with CHFA's self-help housing program.

Even though Self-Help means long hours of work by participating families, thousands are on waiting lists—and the lists are getting longer. Many families wait 5 to 7 years.

In FY 1999 and 2000, federal self-help funds were capped at \$26-28 million and there is little expectation of an increase in federal funds next year.

### **What Will the \$3.9 Million Buy?**

The \$3.9 million augmentation, plus the funds already in the Governor's budget, will leverage \$71 million in private and other public funds, and will....Assist 550 California families; Create 1818 new jobs; Generate \$174 million in new business activity; Produce \$8.5 million in state and local tax revenue.

### **Just a Few Stories of Self-Help Success:**

- Santa Clara County residents Bob and Michele Harvey and their 3 children faced unpleasant choices in the quest to own a home in a quiet residential neighborhood: move out of state or commute one and a half hours each way to Los Banos. They were living in a mobile home. Through "sweat equity" and Self-Help housing, the Harveys are spending weekends building their own dream home.

- Mr. and Mrs. Evaristo G. Duran were migrant farm workers renting from the Merced County Housing Authority. In 1988, they applied to build their own home in Planada with assistance from Self-Help housing. They completed the house for themselves and their children in 1989. Since then, they've made every payment and through hard work and frugality obtained conventional financing in 1993.

- Robert and Kim Barrett and their two small sons look with pride at the 3-bedroom, 2-bath home they built at the end of a Morgan Hill cul-de-sac. It is one of 8 homes that the Barretts and their neighbors built through the Self-Help housing method. Kim said the program lived up to its name: "We were working in the heat of the summer. It was sweat equity for sure."



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