

Strategic Plan 2008-2012

Housing Development Alliance

Modest Start, Big Dream

Since 1993 the Housing Development Alliance has worked to reduce substandard housing in Hazard and Perry County and provide decent shelter to its residents.

Starting slowly by building just five houses in the first four years, we now have built 85 homes, helped rehabilitate 175 houses, developed over 30 rental units and invested in excess of 10 million dollars into the local economy.

During this time we have worked hard to become more efficient, to build solid energy-efficient homes, to be a good employer, and to provide increasing numbers of people the security of safe, decent shelter. We are proud of the fact that we have scaled up such that in 2007 we will build 20 houses and rehabilitate 30 others.

Yet much, much more remains to be done. In Perry County alone, roughly 2,000 homes need repair, 250 homes need to be replaced, and 250 new homes are needed -- not to mention substantial needs for rental housing. Similar needs exist in neighboring counties.

So despite our progress, we find truth in the comment of one observer of the Appalachian affordable housing industry that “your problems are big, yet your solutions are small.”

The **difficulties** are well known – from the nature of our geography to the persistence of poverty:

- Our terrain is a challenge; buildable land, in more substantial tracts, is not easy to obtain
- Poverty remains pervasive
 - Perry County is the 102nd poorest county in the nation (Breathitt = 48th, Leslie = 57th, and Knott = 74th)
 - 26.7 % of all households in Perry, Breathitt, Leslie, and Knott counties have incomes under \$10,000 per year, compared with a national average of 9.5%.
 - 57.7% of all households in the four counties have annual incomes under \$25,000, making them eligible for HDA programs. Nationally the average is 28.7%.
 - In the four counties 16,915 households have incomes under \$25,000.
- Incomes remain stagnant and low, while building costs rise -- leading to an increasingly “broken” housing market, in which the costs to build a home are higher than the appraised value.
- Finally, changes in approaches to funding by the state and federal governments have reduced available subsidies for low income housing. For example, the state has reduced the maximum award amount by 43% in just two years.

Yet we also see **opportunities**. Adjoining counties are interested in our services and look forward to partnering with us to meet their housing needs. We have very able local partners such as Community Ministries, First Presbyterian Church and First Federal Savings and Loan. Our relationship with the Federation of Appalachian Housing

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Enterprises is opening up new avenues for collaboration with others, as well as new financing products for an expanded customer base. More and more donors with deep local ties are increasingly interested in our mission. This interest extends to the volunteer community, to new funding sources, and to many others who are interested in forming partnerships with us.

Also, through “trial by fire,” we have gained considerable experience ourselves -- and see opportunities to standardize our efforts, become more efficient, and multiply our impact.

So as we view the next five years, our resolve and intent can best be stated in the words of one board member: “Let’s stop dinking around!” Therefore, we aim to **double our impact** by increasing annual production to 40 new homes and 60 rehabs, to extend our services to adjoining counties, and within a decade, to build 350 new homes, rehabilitate over 500 existing homes and invest over 40 million dollars in the local economy.

Our ambition, though, is not simply shelter, but over time to collaborate with others to realize the goal of Perry County’s departure from the list of the nation’s 200 poorest counties. Our dream is to play our part in helping our community and our neighboring counties to catch up to the rest of Kentucky and the nation and to reach our potential with a brighter future.

What This Will Look Like

Over a five-year period, changing circumstances, luck and serendipity will provide us with unforeseen opportunities. That said, we will use the following guidance -- regarding what customers we will serve, where we will work, and the kinds of projects we will undertake -- to provide direction to our efforts:

Ramping Up

In FY 2007 we expect to complete 20 new units and 30 rehabilitations of existing homes – record levels of production for us. We will sustain the gains we’ve made, and then move on to higher production levels. By FY 2012, we will complete 40 new units and 60 rehabilitations. We envision a steady increase over the 5-year period, roughly time proportional, building on readily available opportunities.

With regard to the rental market, we recognize the immense needs for affordable rental housing in our service area including a lack of safe, decent units, and a significant number of low-income renters who are cost burdened. While realizing the need for rental housing, we are aware that rental housing development and management does not align with our core competencies of building and repairing single family homes. Furthermore, we acknowledge that the need for rental housing is so great, that even allowing for a modest increase in our production rates, we, by ourselves, will not be able to significantly impact rental housing problems. Therefore, we commit to playing a leadership role in bringing together the community and its leaders to address the rental housing need on a

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meaningful scale. Above and beyond this leadership role, we remain open to rental opportunities that are appropriate to our core skills and will continue to seek out and evaluate opportunities as they arise.

Whom We Will Serve

The Housing Development Alliance strongly believes in supporting individuals and families who are working to improve their life circumstances. Therefore, the majority of new home units (approximately 75%) will be directed at people with incomes between \$10,000 and \$25,000 per year. This includes people earning minimum wage, people with better jobs paying up to \$12 an hour, and households with two lower-wage workers. The Housing Development Alliance will continue to work with persons who qualify as low income but who make more than \$25,000 as well as persons with incomes less than \$10,000.

This increase in services to the \$10,000 to \$25,000 range will not result from a reduction in services to the lowest income segments, but rather will come from increased production for slightly higher income levels. This trend has been taking place in our business over time, due to (1) changes in the funding environment that have made it harder to serve lower-income people, and (2) the attractiveness of our houses to slightly higher-income people. Efforts will be made, as possible and as opportunities present themselves, to also increase service to people at the lowest income levels including persons receiving SSI.

We will continue to explore the moderate-income segment, given market interest as well as the potential to throw off positive cash flow to support other activities. However, these opportunities will be pursued in partnership with the private sector, and will help us serve more people with less subsidy.

Where We Will Work

In response to expressed interest from other counties, we will expand to the adjoining counties of Leslie, Knott, and Breathitt counties -- though roughly 60% of our activity will continue to be in Hazard and Perry County. Each adjoining county will be treated roughly equally, with the understanding that we will respond to good projects and opportunities that come our way.

That said, for the foreseeable future we will only offer the full mix of products and services in Hazard/Perry County. In the adjoining counties we will look for partners who can provide some of the services such as client intake and land development.

This expansion will be done slowly, in a measured way, based on good opportunities and partnerships. Homeownership and rehab will be done in all counties. We will look for willing partners who will help us get off to a good start. It may be that housing rehab offers a good entry point into other counties. In the adjoining counties, our efforts likely

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will tend to be clustered around the county seats and back into Perry County, with fewer scattered sites and more subdivisions or small clusters.

We will not open new operations centers in other counties, but rather service this demand with our existing organization structure in Hazard. The Executive Director and Assistant Director will take responsibility to develop strategies for identifying initial opportunities in adjoining counties.

As volume builds, we will consider alternatives for how to provide more efficient service. This initially could include dedicated county crews (including local hires) or use of local contractors. If opportunities and progress are substantial, then we could consider establishing local offices or spinning off local affiliated CDCs. We will consider a name change as we begin expanding into other counties.

Concentrating Our Efforts for Efficiency and “Community”

In our earlier years, we tended to work on scattered sites as they became available. At small levels of production, this was quite feasible.

At larger-scale production, we will need to become more efficient at site selection and acquisition, as well as at production efficiency. This need also coincides with an increased emphasis on helping to foster small communities, to reach “tipping points” in neighborhood impact, and to offer the opportunity, and potentially the reality, for “neighborliness.”

Therefore, we will increase the percentage of units placed in clusters of at least 5-6 houses, and potentially cluster some portion of our rehab work in specific neighborhoods to have more holistic rather than scatter-shot impact. We also will work to identify parcels of lands that could offer up to 40 or 50 units over time. And in our work in other counties, we will cluster efforts around the county seats as mentioned above.

What This Means for HDA

We will accomplish this through our traditional strengths of mobilizing a complex and changing set of resources on the one hand, and efficiently, creatively, and flexibly using these to meet community needs on the other.

We will continue to build sound, highly energy-efficient, durable houses. We will continue to engage the community in our efforts. We will continue to work incredibly hard to bring together funds from many different sources to make our projects work – and find new sources of funding as traditional sources become less substantial and/or reliable.

We also need to become more efficient in the way we work. We will need to continue reducing the cycle time and cost of our projects. We will need to do less highly-customized, scatter-shot development and more clusters of houses with appropriate

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allowance for customer choice. We will have to avoid the situations that become time and money sinkholes for us, perhaps partnering with developers or subcontractors for development and site preparation skills that don't match our core competencies. We must become particularly adept at managing swings in production levels, potentially maintaining a core workforce and partnering with others for incremental capacity. We soon will need a new office and warehouse, as we have already outgrown our current space.

We will need to move from a less formal organization to more structure, particularly as increased production volume allows for more dedicated positions and fewer "other duties as assigned." We will need to provide more staff growth and training opportunities that build skills and allow for longer-term career pathways. We will need to build even more Board strength, and increasingly call on our Board to challenge us, to keep us focused, and to help develop resources to fund our growth.

We will need to continue building relationships: with potential donors interested in aligning with our solutions to the four-county affordable housing challenge, with key community institutions with housing needs and interests (such as Community Ministries, the hospital, the college, and banks), and with individuals who seek to get involved.

Moving Forward

Though our ambition is high, we feel our goals are grounded in our strengths, our relationships, and our ties to the community. We are reminded of this advice...that sustained success does not result from flashy programs and major initiatives, but is much more likely to result from a multitude of small, focused successes.

We are ready to move forward with high hopes.

Goal 1: Develop, Preserve and Manage Affordable Housing

- Double the annual production of new homes and rehabs by 2012 (40 new homes and 60 rehabs).
- Continue to serve all income-eligible levels while increasing the number of working families served.
- By 2012 build at least 70% of homes in cluster developments.
- Experiment with voluntary clustering of rehabs in an effort to reach "tipping points" in communities.
- Continue to do in-fill units in Hazard and other communities but in a more economically feasible way.
- Reduce the appraisal gap to below \$4,000.
- Make our new homes "greener" by increasing energy efficiency, utilizing green materials and reducing construction waste.

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Goal 2: Expand our service area into Breathitt, Knott and Leslie Counties

- By 2012 produce approximately 40% of units (new homes and rehabs) in each adjoining county (approximately equally divided).
- Develop significant partnerships in surrounding counties to facilitate expansion (e.g., land development, lenders, and county governments).
- Develop effective advisory processes that give true voice to new counties.
- Identify partners who can serve remote portion of adjoining counties.
- Notwithstanding the expanded service area, continue to have a significant impact in and around Hazard.

Goal 3: Develop new funding sources for larger impact

- Develop strategies and access new sources for leveraging current public funds in order to produce units.
 - New sources of public funding
 - Foundations
 - Larger local donors
 - Local banks and social service organizations
 - Churches and church bodies
- Solicit larger land donations or more creative land financing options to reduce subsidies and allow for cluster development.
- Work with Federation of Appalachian Housing Enterprises, Kentucky Housing Corporation, local banks and others to increase the amount of private market capital utilized in financing affordable housing.
- Support the development and capitalization of the Hazard-Perry County Community Foundation.

Goal 4: Fully engage our community through different pathways – as volunteers, partners, and donors

- Double the use of volunteers (local and regional) and deepen the relationship with volunteers.
- Coordinate with other service providers to maximize impact on client – increase the range of services leveraged
- Partner with churches and other community organizations to leverage the impact of housing for larger community.
- Successfully implement a house sponsorship program.
- Double the donor base and double amount of local/regional dollars from fundraising.
- Increase support from local governments for development activities.

Goal 5: Build the organizational capacity to sustain greater impact

- Relocate the office and warehouse to accommodate growth.

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- Reduce cycle time and costs of projects by 10%
 - Develop standard sets of plans with modest variations
 - Partner with developers or subcontractors for development and site preparation skills that don't match our core competencies
 - Skillfully manage swings in production levels to control costs
- Develop more dedicated staff positions as growth allows more specialization.
- Provide increased growth and training opportunities for staff.
- Build Board strength for regional representation and more active involvement in strategic plan accomplishment.
- Becoming a “greener” organization in how we manage and operate.
- Double the assets of our revolving loan fund.