Photos: Self-Help Enterprises

GOING TO SCALE

A Rural Housing Organization Multiplies its Production

By Tom Collishaw

"SHE is in the midst of dynamic growth and poised to increase its historical impact to record levels. In the housing sector, new state resources, combined with a robust pipeline and numerous opportunities, enable us to aspire to unprecedented production levels."

Excerpt from SHE Strategic Plan 2019-2024

SELF-HELP Enterprises, primarily a developer of housing in the San Joaquin Valley's rural communities, has been a "Top 50 Developer" in Affordable Housing Finance magazine's survey in three of the past six years. This type of scale takes courage and commitment and is not without its challenges. Our story of "going to scale" – which we will loosely define as expanding operations and impact while maintaining our core values – may provide inspiration for others.

Our growth in housing development coincided with expansion of other business lines, including water and sewer infrastructure and emergency response during intensifying drought cycles. The focus here is entirely on our housing efforts. For SHE, this means both single-family homeownership and affordable rental housing. The lion's share of single-family development is driven by our mutual self-help housing program supported by the U.S. Department of Agriculture, but we augment this with both "urban" self-help and other infill development utilizing conventional construction methods. All told, this is what going to scale looks like for SHE in the past 12 full years:

	Single-Family Units	Rental Housing Units
2013-2018	319	205
2019-2024	379	1,487
Difference	+60	+1,282

Context is important here. In 2013 the U.S. was still climbing out of the deepest recession since the 1930s, with a particularly devastating impact on home values in California. On the single-family side, previously feasible projects simply didn't pencil any longer, forcing us to shelve them for several years, an unplanned land banking scenario. Our mutual self-help program plummeted to historic lows, a nadir we didn't climb out from under for another five years. On the rental housing side, opportunities were relegated solely to hyper-competitive 9 percent Low Income Housing Tax Credits, because there was not enough subsidy available to make rural deals work with the more readily available 4 percent tax credits. In the recent five-year growth period, we managed a 19 percent increase in our single-family home construction activity and have maintained this upward trajectory into 2025. A more pronounced growth was in our rental housing development, where we more than doubled our portfolio over a 12-year stretch. While SHE works in both rural and urban environments (our service area includes five cities that top 100,000 residents), most of this production has occurred in cities and towns below 35,000 in population. This period included the coronavirus pandemic, which raised building costs everywhere, but those increases did not greatly affect our output.

So how do you go from averaging 87 units per year to over 310 annually? For SHE, there are five central themes: commitment, capital, capacity, culture, and collaboration.

Commitment

Regardless of the reasons for your attempts to scale up, intention is essential. The housing crisis begins with the fact that there are not enough affordable homes for people who need them, so deciding "we must do more" has to be a primary motivator to increase scale.

Of course, commitment can't be blind, since there is an element of risk here, which needs to be identified, measured, and weighed. This requires a hard look at your existing resources, your core competencies, and tolerance for risk.

Capital

SHE has always been a financially conservative organization, building unrestricted assets over decades from land sales, securing gains from contracting activities, and investing surpluses prudently. Even so, we didn't have enough

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unrestricted assets to more than triple our investment in real estate purchase and predevelopment costs. We needed to expand a pool of flexible capital to support our ever-increasing investments in due diligence, predevelopment, and land purchases.

To grow our pipeline, it was essential to be as nimble as possible, so we concentrated efforts on banking and foundation partners interested in supporting our cause. Our request: flexible capital, generally in the form of full recourse loans to the corporation, at the lowest interest rate and longest term possible. When developing real estate at scale, we needed to avoid the challenges of project-specific underwriting in favor of deploying funds as needed. Bank equity equivalents, or EQ2s, are a good example of this, and banks claim Community Reinvestment Act credit for such facilities. Foundations can similarly utilize program related investments. We also targeted the Capital Magnet Fund and were twice successful in securing this competitive resource. (SHE is not a Community Development Financial Institution, but the CMF is not restricted solely to CDFI applicants.) All told, over a five-year period we raised an additional $20 million in flexible capital to support our increased development activities.

We view our own earned capital as an important part of the plan. SHE has always treated excess unrestricted resources as investment capital for future projects. Beware of outcomes where a "developer fee or die" imperative sets in. SHE uses developer fees to pay our staffing and overhead costs for the project from which they derive; the balance is capital to be utilized for future project investments. We have successfully utilized unrestricted capital to invest in or lend to projects, which has the dual benefit of providing an advantage in LIHTC competitions.

Capacity and Culture

Asking existing staff to just work harder is a recipe for burnout and attrition. It is important to build capacity in advance of needing it. In our real estate development team, we doubled our staff, adding incrementally as our pipeline expanded. And critically, we beefed up our asset management and resident services group in advance of a huge influx of new projects being onboarded.

Most rural nonprofit housing developers are challenged to attract and retain new staff that are versed in the complex world of affordable housing finance, and SHE is no exception. Because of this, an ancillary commitment to continual training is imperative, even if expected resources to pay for it may not immediately be in hand. We know from experience that we must "grow our own" and need to set aside time for training accordingly.

Consultants are an expedient way to augment capacity in the interim without making long-term commitments. Along these lines, we added important consultants for construction management, prevailing wage monitoring, and environmental review preparation. You don't have to do everything yourself.

When growing a staff team, supporting them demands additional focus. For SHE, expansion of our accounting, human resources, and communications teams was essential. This is also where organizational culture comes in. Embracing our proud traditions and values does not just magically navigate from one staff generation to another; it takes work. Telling our stories, including during our 60th anniversary year in 2024-25, has been a task all its own. We have learned to treat it as just as important as the widgets.

Collaboration

Going to scale in rental housing development meant expanding our skillset for new housing types and special needs populations. To be clear, this was due in part to state funding priorities but was equally a response to our growing homelessness crisis in both urban and rural areas. Our historical core competencies consisted of providing affordable family housing primarily for farmworkers at relatively low-density sites. Providing higher density housing for persons who were experiencing homelessness, seniors, and tribal members – in addition to our traditional user group – required new partnerships with co-developers and service providers. Expanded partnerships resulted in projects that included either another nonprofit or a Tribe as co-owner, and in several cases involved a for-profit entity that had a specific expertise in managing 100 percent permanent supportive housing properties. Knowing what you do well but, more importantly, what you still need to learn, will guide you in making such commitments. And as our PSH portfolio has grown, we realized the effectiveness of service providers varies dramatically across our region, requiring building our own team in resident services to fill gaps.

Takeaways

The upside of increasing the impact of your housing development activities is obvious – more people served who desperately need help. We were both opportunistic and driven, which is not a bad combination. But such expansion doesn't always go as planned. In our case, another business line (drought-related first responder work) exploded during the same time, effectively tripling our overall staff census. So, flexibility counts, as well as internal resiliency. But with intention and determination, going to scale is possible. At SHE, we've proved it.

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