Photo: Rory Doyle/There is More Work to be Done

Implementing Change and Adopting Alternative Construction Techniques

HAC
Housing Assistance Council

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Implementing Change In Your Organization/Adopting Alternative Construction Techniques
Delivered May 7, 2023

Photo: Rory Doyle/There is More Work to be Done

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Lance Barton
Staunton-Augusta-Waynesboro Habitat for Humanity

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Retha Patton
Caroline County Habitat for Humanity

Really?
You couldn't even shave this morning?

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Lance Barton

CEO

HFH Staunton-Augusta-Waynesboro, VA

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Section topics

- Change is super easy and everyone loves it
- Taking a Hard Look at Ourselves
- Let's Talk About Money
- Let's Try an Experiment
- Increased capacity brings new funding

Build more. Serve more. Be the change.

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HFH Staunton-Augusta-Waynesboro:

- GSA:
  - Medium Sized Affiliate: Mixed GSA: Rural, Suburban and Urban
  - 118,000 people, 3 municipalities

- Production:
  - 2008 – 2020: 1 House Per Year (avg.)
  - 2021 – 2023: 6 Houses Per Year

- Staffing:
  - 1.5 Construction Staff
  - 2 Affiliate Staff

Keep in Mind:

Construction Variables Removed:

Does Not Include <u>Land Cost</u>

Does Not Include <u>Land Preparation Cost</u> (block up)

<u>In-kind Counted as Cash</u>

Historical Information <u>Adjusted for Inflation*</u>

*usinflationcalculator.com

Learning the truth about ourselves

The catalyst:

In 2014 we reached out to our Community Foundation to help us with a Capital Campaign.
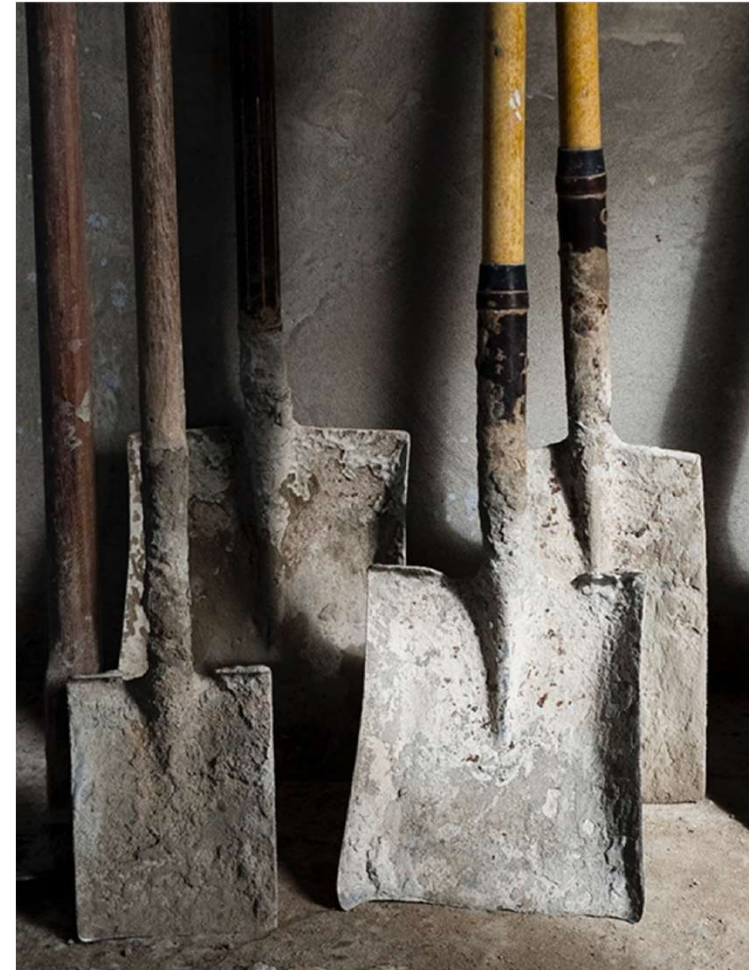
They said No.

The reason:

Habitat wasn't using donor funds as well as they could.

The hard truth:

We were the *only* affordable housing builder in our community and was not viewed a relevant solution.

And they were right.

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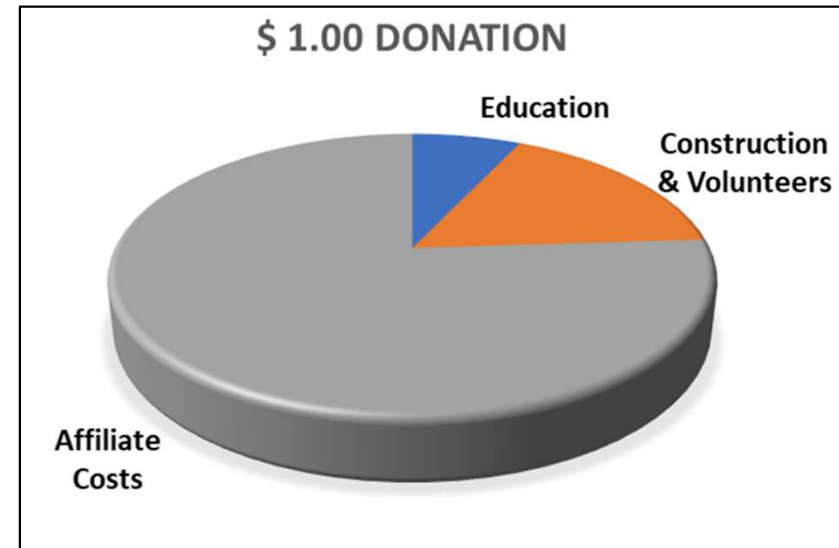# We were in our own way

The situation:

From 2010 to 2017 we had 7 employees = 1 new home per year.

The problem:

We were dragging projects out for years.

The result:

Donors were mainly paying us to be an affiliate, *not to build homes.*
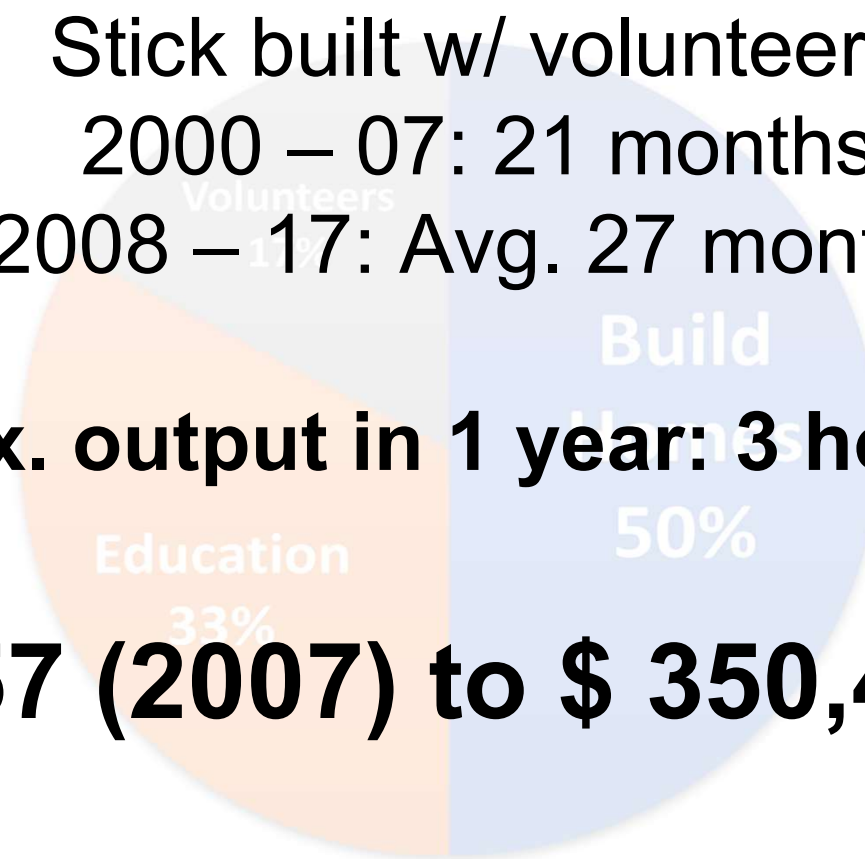
What is taking so long?

Stick built w/ volunteers
2000 – 07: 21 months
2008 – 17: Avg. 27 months

Max. output in 1 year: 3 houses

$ 160,157 (2007) to $ 350,404 (2017)

# YOU HAVE GOT TO SEE THE $ 469,000 HABITAT BUILT HOME

BUT IT'S NOTHING COMPARED TO THE ONE THAT COST $ 762,000

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The Power of Stopping

We surveyed 132 donors and asked them:

"Why do you donate to us?"

1. We **build** affordable homes

2. Our Homeowner **Education** is THE key to the homeowner's success.

3. We offer a hands-on **volunteer** experience in our community.

Pie chart:
- Build Homes 50%
- Education 33%
- Volunteers 17%
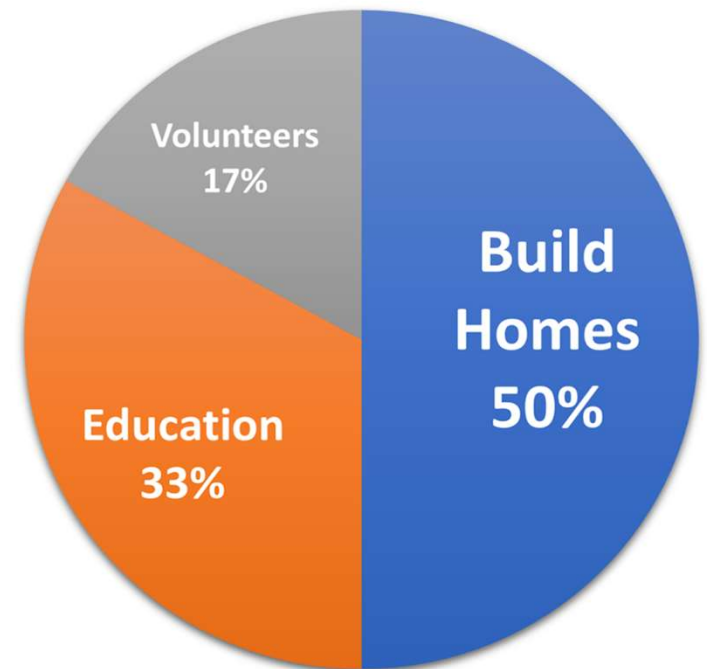
NOT knowing is bad
NOT doing anything once you know demonstrates a lack of integrity
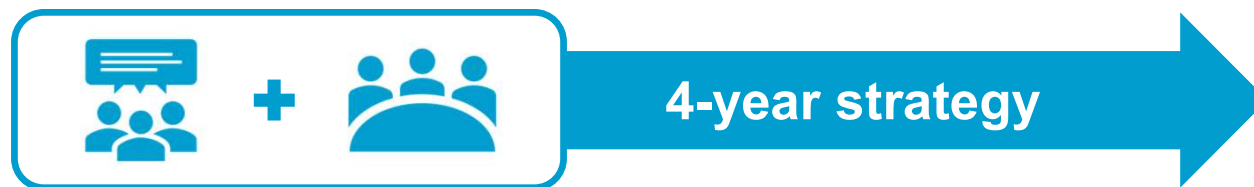
Time to Make a Categorical Shift

The staff proposed and the Board approved a **4-year strategy** including these goals:

Expand our **education**

Build *no less than* 5 homes per year
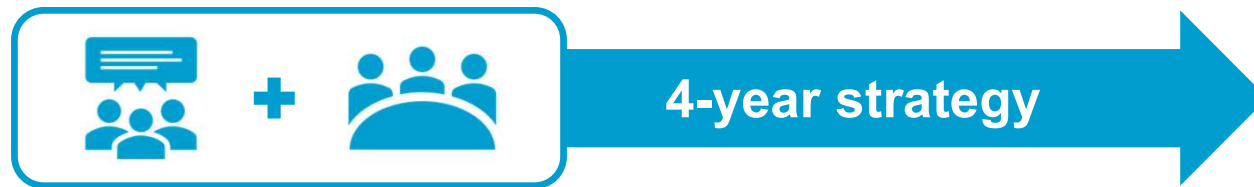
Demonstrate good **stewardship** of donor funds

Use a different metric for tracking progress

4-year strategy
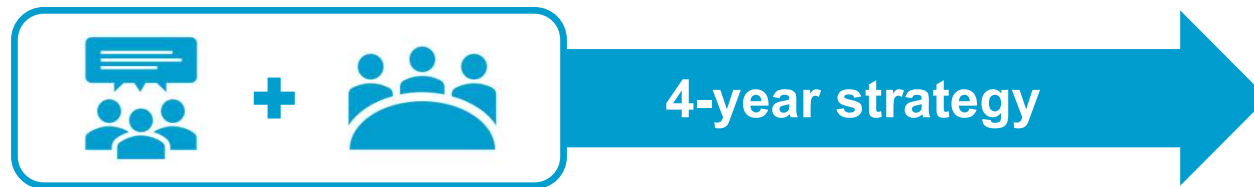
Change should be rooted in a quantifiable reason

A Different Metric

Our most expensive tool is time

A Different Metric

Overhead?

Overhead!

4-year strategy

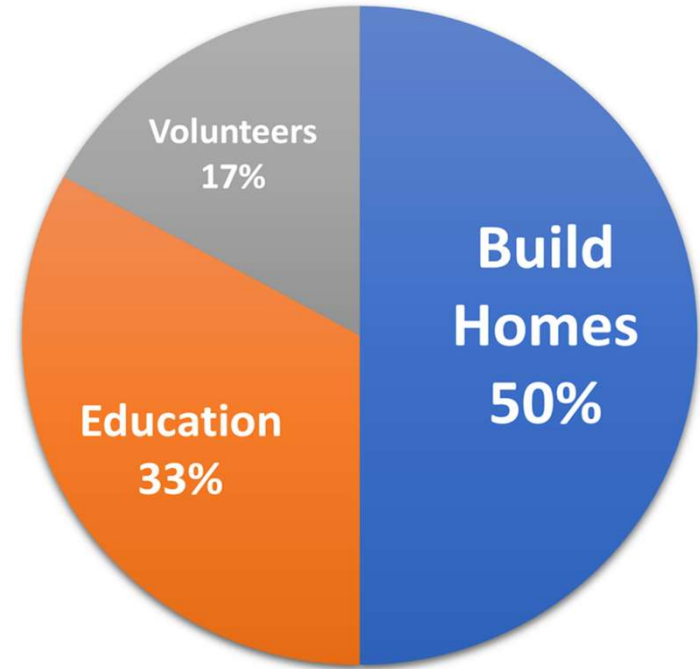# Overhead

Annual Cost of Affiliate
(no construction costs)
$ 300,000
Apply Donor Perspective (50%)
$ 150,000 Overhead Annually
1 house

Material & Labor:	$ 236,000
Overhead:	$ 150,000
Gross Cost:	$ 386,000

We were the most expensive contractor in our community from 2006 – 2018
$ 322 per square foot
(our area average $ 200 sq ft)

Overhead

100% of Businesses Measure Overhead

The Vast Majority of Non-profits think it doesn't apply to them

We visited our first factory with 3 questions:

Can it be built to **HFHI standards?**

Will it have **curb appeal?**

Is it **economically** feasible?

We finished with surprising answers:

Can it be built to **HFHI standards?** →	Standard models **exceed** local building code *and* meet minimum requirements of 2024 Standards.
Will it have **curb appeal?** →	Curb appeal designed for custom market, so it's **already built in.**
Is it **economically** feasible? →	Per Square Foot Price averages **37% less** than our most cost-efficient stick-built home in the last 12 years.

Education House

100% Volunteers

Modular Hybrids

60% Factory & 40% Volunteers

Full Factory (ish)

92% Factory & 8% Volunteers
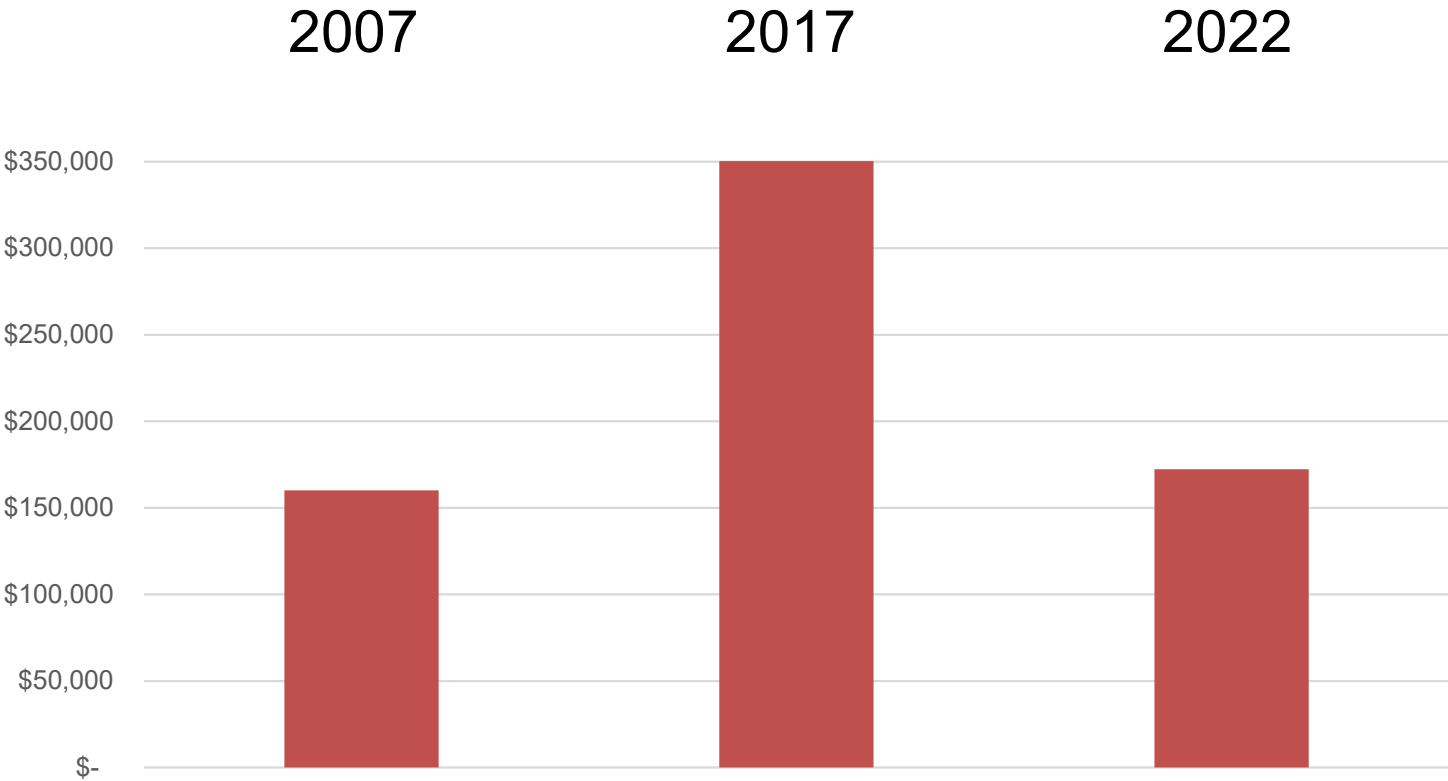
Timeline: 17 Months

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Data <u>and</u> Logic should always drive

Results

	Stick Built		Factory Hybrid		Factory Cape			Full Factory			
SQ. FT.	1625	1444	1444	1444	960	960	1441	600	1210	1700	1736
Materials & Labor	212,796	204,309	171,359	168,322	123,929	122,352	176,742	84,709	148,522	180,774	175,303
Direct Sq. Ft. Cost ($)	131	141	119	117	129	127	123	141	123	106	101
DIRECT COST AVERAGE	136		118		126			118			
Overhead (Affiliate Cost Over Time)	185,010	57,533	44,224	30,000	9,650	7,955	14,100	12,122	6,500	12,500	14,500
Gross Construction Cost	397,806	261,842	215,583	198,322	133,579	130,307	190,842	96,831	155,022	193,274	189,803
Gross Sq. Ft. Price ($)	245	**181**	149	137	139	136	132	161	128	114	109
GROSS COST AVERAGE	213		143		136			128			

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Results

2007   2017   2022

$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$-

Community & Donor Response

The future *supports* more modular!

- **$500,000** Gift from Individual (highest in organizational history)

- Other general contributions increased **62%**

- **$277,000** First-time grant from the city

- **$352,000** First-time Affordable & Special Needs Housing Funds awarded because of increased capacity

- Community Foundation agreed to help with 1-3 million for new Capital Campaign

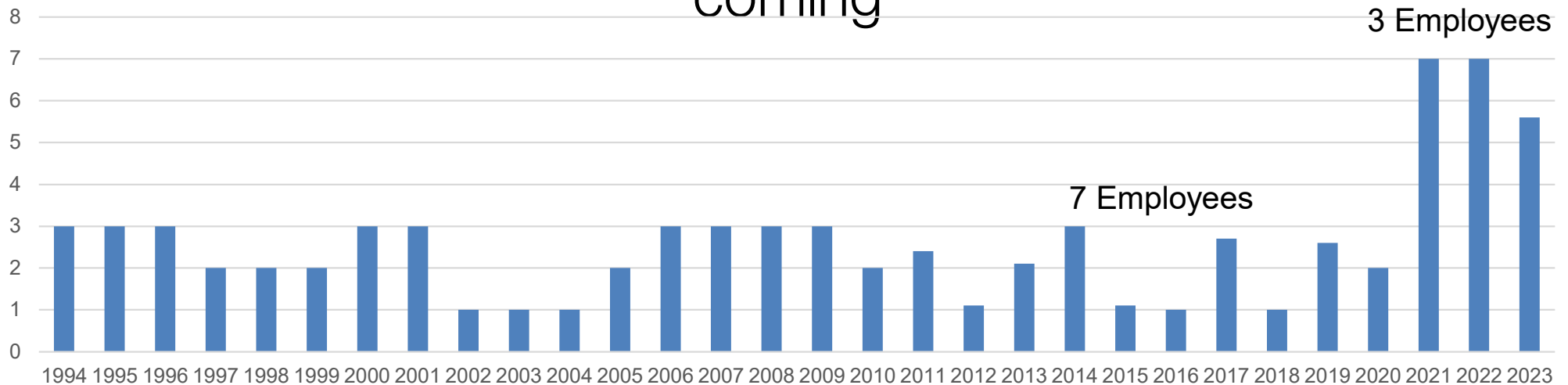*The street that proved our modular hypotheses.*

Change Results:

We **believed** change was necessary
We didn't like what we learned, but we're glad we did
Change was hard and not everyone made it
It became a matter of integrity, and we didn't see that coming

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Implementing Change

Dream, Believe, Achieve

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I would rather be prepared for an opportunity
that never comes,
than have an opportunity come
and I am not prepared

—**Whitney Young**

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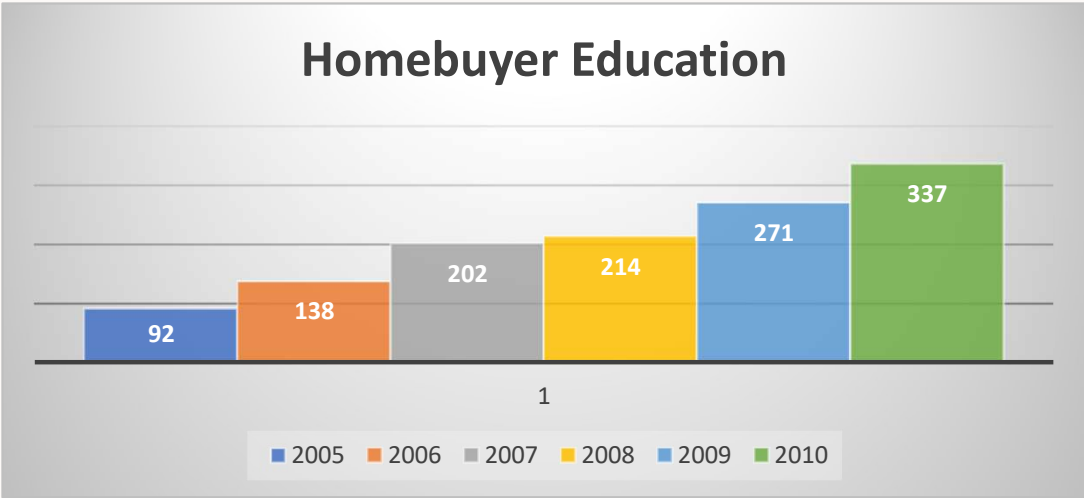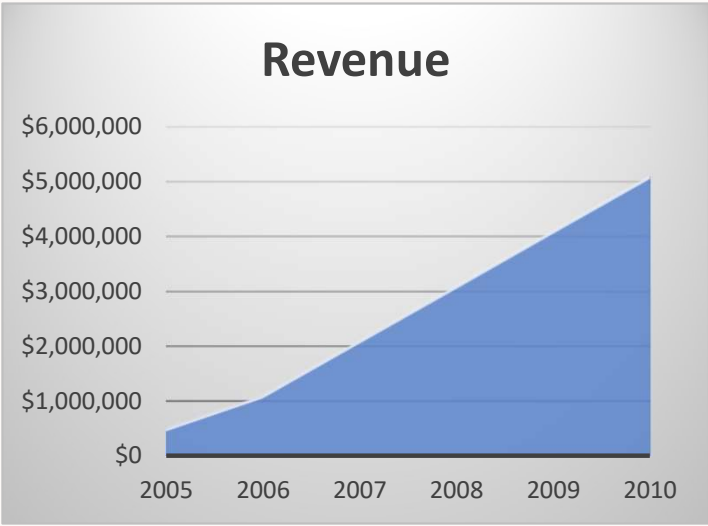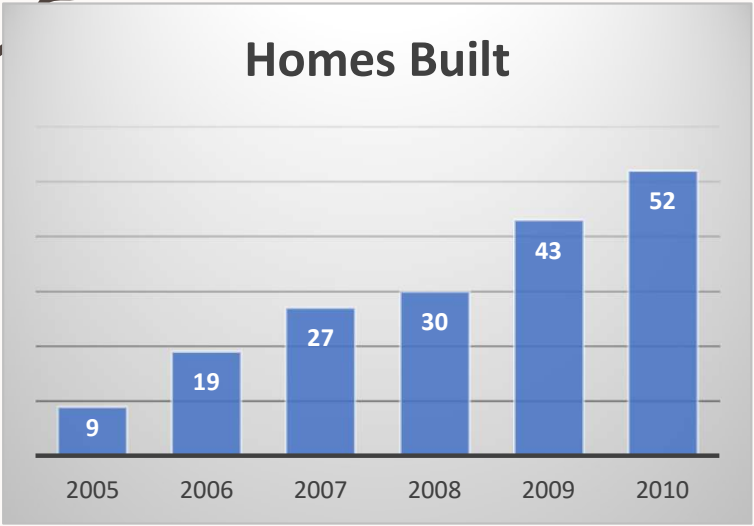
WE'RE ON A

MISSION

2016 Impact Report

EASTERN EIGHT
COMMUNITY
DEVELOPMENT
CORPORATION

ahe
...gth in Numbers

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NEW MISSION PROJECTS

RD523 MUTUAL SELF-HELP HOUSING PROGRAM

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SELF-HELP HOUSING

Proposing Change: Things to consider

| To whom it matters | Why? | SMART goals (3-5) |

| Story to communicate significance | Define what success looks like | "lost opportunities" |

| Checkpoints intervention/ resolution | Assumptions | Return on time & funds invested |

#1   Develop strategies

Partnerships/Collaborations
Resources you have/need
Utilize experiences & skills as strengths
What are the gaps?
Perspectives will differ, based on your view!
Risk/Reward/Profitability

#2   Assumptions vs Knowledge

(scale – 1 closest to Assumption; 5 closest to Knowledge)

Knowledge/Assumption	Scale
Everyone loves the color Pink	3
There is sufficient demand for a new Pink Penelope color	2
Retha will love this idea	5
The TCAC board is committed to this idea	1
We can sell millions of this	1
TCAC will increase its revenue by 50%	2

#2 Assumptions vs Knowledge

(scale – 1 closest to Assumption; 5 closest to Knowledge)

Knowledge/Assumption	Scale
The organization has sufficient self-help experience to implement program	4
The organization has sufficient capacity to implement a new program	4
The funding is sufficient to support the program	4
Staff will love and support this idea	2
The board is committed to this idea	2
There is sufficient applicant demand and interest to participate in program	2
We will increase overall housing production by 20% annually	2

#3   Constituency Mapping

Internal Constituents

Key Players	Shape	Support	Deliver
Senior Staff	X	X	
Board Members	X	X	
Support Staff		X	
Construction Staff	X	X	X
Mortgage Staff	X	X	X

#3   Constituency Mapping

External Constituents

Key Players	Shape	Support	Deliver
Construction Lenders		X	X
Mortgage Lenders		X	X
Grant Funders		X	X
Service Providers	X	X	X
Elected Officials		X	
Contractors/Trades		X	X
Codes Officials		X	
Realtor Association		X	X
Appraisers		X	
Homebuyers	X		X

#4   Power/Opinion

Power/Opinion Matrix

|	Favorable	Wafflers	Unfavorable	Don't Know
High Power	Backers: - Senior Staff - Board Member - Homebuyers - Mortgage Staff	Construction staff	Opponents:	
Low Power	Fans: - Service Providers - Homebuilders	Appraisers	Detractors: -unqualified homebuyers	Grant Funders Elected Officials Codes Officials Appraisers Realtors Assoc

Road Signs to Change

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MISSION: WHO WE SERVE

Our first home!

Keys to my dream home!

Moving in!

Closing day!

Our first home
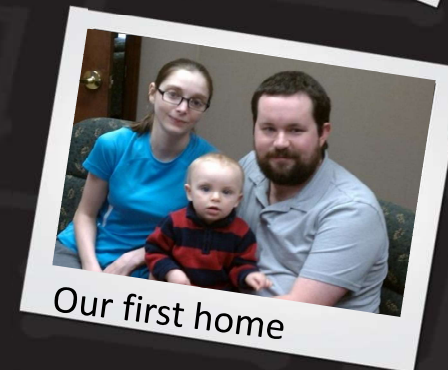
Reflections –

- *learn to fail FAST*
- *learn to fail CHEAP*
- *it is better to have tried and failed, than to have not tried at all*
- *you can lead a horse to water but you can't make him drink*
- *never underestimate the power of intention (C. Richardson)*
- *never doubt that a small group of thoughtful, committed individuals can change the world; indeed, it is the only thing that ever has (M. Mead)*
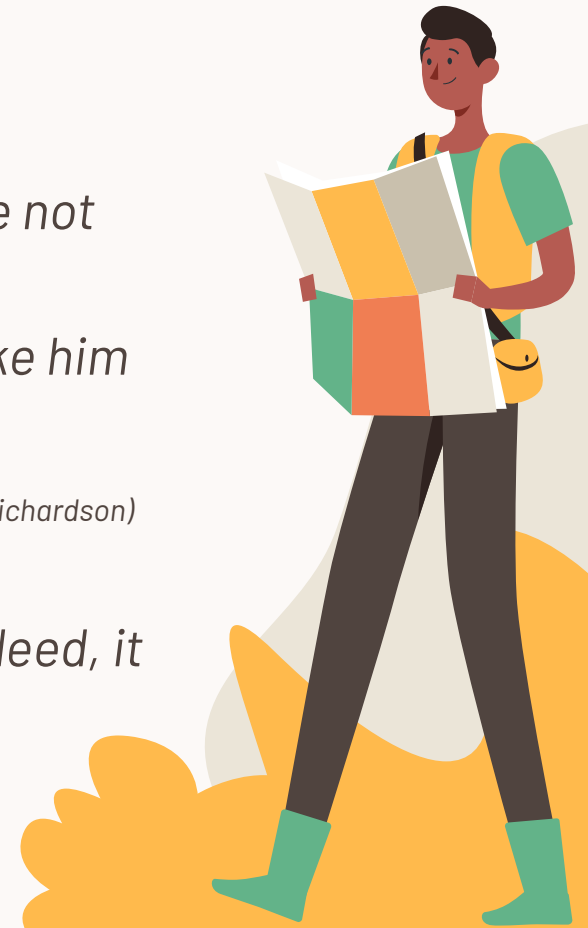
Questions??

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