

Montcalm County Habitat for Humanity - Affiliate House Pricing Policy

I – INTRODUCTION

Following the objectives of Habitat for Humanity, the primary purpose of our ministry is to SELL simple, decent and affordable homes to qualified low-income partner families. Such homes are intended to be a blessing to the family and not an additional burden. Affordability is a vital component. Establishing a home sale price must not only be fair and equitable to the family but must also reflect the costs of the resources required for land acquisition and construction of the house as well as the values represented in the neighborhood.

II- GUIDELINES FOR ESTABLISHING THE SELLING PRICE OF A HABITAT HOME

Establishing the appropriate sale price of a Habitat home cannot be accomplished by utilizing a set formula. Each case is individual and unique and will not lend itself to a predetermined standard but the same factors or guidelines must be applied in each case.

Habitat for Humanity is not a give-away program; we believe that low-income families need a hand-up not a hand-out. We sell homes to qualified low-income families with no-profit construction on no-interest or low interest mortgages. Lease-purchase agreements are to be avoided.

The principle portion of the family's monthly mortgage payment must be placed into a revolving construction fund to be used for the building of future Habitat homes.

The selected family must meet our income guidelines, be currently living in sub-standard housing and be unable to obtain a conventional mortgage loan. The length of the mortgage can be up to 30-years. The family household income would be the primary determinate.

Develop fairly consistent Habitat house design plans utilizing the Prison Build Program. This will standardize construction costs and well as volunteer construction expertise. The chief variable for each project would then be the site acquisition and site development costs. For this reason the formula to determine selling price is divided into two sections:

- 1: Determining Construction Costs
- 2: Determining Site Acquisition and Site Development Costs

III – DETERMINING CONSTRUCTION COSTS FOR A HABITAT HOUSE

Construction Cost Formula:

Cost of purchased materials	\$ _____
Value of donated building materials	\$ _____
Cost of contracted labor	\$ _____
Administrative cost..... (salaries, insurance, etc.)	\$ _____
Total Construction Costs.....	\$ _____

No dollar value is included for volunteer labor based upon the premise that these hours are donated to make the house more affordable. There may be Professional Labor costs that should be apportioned over more than one house. In such case, the appropriate "apportionment" would also be added to the cost of construction.

Donated materials (in-kind) should also be factored into the cost of construction. This keeps consistent cost equity between the families regardless of how large the in-kind donation is for a particular house.

Adding a portion of the administrative expenses to the cost of construction is acceptable. This cost should not exceed 10% of the total selling price.

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IV – DETERMINING THE COST OF SITE ACQUISITION AND SITE DEVELOPMENT

Varying local real estate costs can result in large disparities between Habitat homes in different areas. This factor could keep affordable housing out of the reach of low-income families. Careful planning and diligence on the part of the Site Selection Committee can result in affordable building sites.

There are three methods commonly used for acquiring and developing building sites:

1. Donation, either by governmental agency or by private organizations or individuals.
2. Purchased using governmental funds
3. Purchased using donated funds.

As Habitat's work grows and gains credibility, it becomes easier to obtain donated sites and service. Use of government funds IS allowed for the purchase and development of sites and the purchase of rehabitable sites, but IS NOT allowed for the actual construction and/or rehab of the house structure.

The costs surrounding the acquisition and development of the site can be added to the final selling price of the house, but within the limits explained below. Costs involved with the acquisition of existing or rehab houses can also be included. The rule for determining the cost of site acquisition and site development should always be affordable for low-income families rather than the market value of the project. A set dollar amount may be established for site acquisition/development and included regardless of whether the land is donated or purchased at a higher cost.

The following formula for determining site acquisition/development costs should be added to the final selling price:

Value of donated and/or development costs	\$ _____
<small>(whether by government entity or private donation)</small>	
Cost of land and/or development costs purchased with government funds	\$ _____
Cost of land and/or development costs purchased with donated funds	\$ _____
TOTAL Site Acquisition and Site Development Costs	\$ _____

FINAL SELLING PRICE

By totaling the cost figures determined in Sections III and IV, the Habitat house selling price will be established:

Total Construction Costs	\$ _____
Total Site Acquisition and Site Development Costs	\$ _____
Selling Price of the Habitat House	\$ _____

Copy of policy given to Partner Family

Habitat Representative

Date

Brian Greene, Executive Director

Partner Family member

Partner Family member

