

# Models of Success



## Homeownership Model

### Achieving Homeownership above the Arctic Circle!!!



When Northwest Inupiat Housing Authority (NIHA) set out to develop a 10 unit homeownership project in the villages of Shungnak and Kobuk, it knew it would be faced with challenges. Because of the remoteness of the sites, close coordination between the NIHA, its partners and its contractor was necessary

to avoid costly construction mistakes. NIHA anticipated construction costs to be high on this project and any therefore careful planning was necessary to ensure the projects' success.

The biggest challenge facing the project was finding families who had the ability to qualify for bank financing.

The 10 unit project was unique in the way NIHA, the tribes and funding agencies collaborated to design a creative and innovate program to address the challenges that each of these communities faced. Please read on....



#### Project Highlights!!!!

- Homeownership Project
- Mixed Funded Project
- Home Buyer Assistance
- 10 New Single Family Homes  
Shungnak (6) Kobuk (4)
- HUD Title VI Loan Guarantee
- Native Owned Contractor
- 100% Local Native Hire
- Design/Build Construction
- Five Star Energy Rated Homes
- 1400 Sq/Ft, 4 Bedroom Units

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### The Homeownership process, preparing families for homes

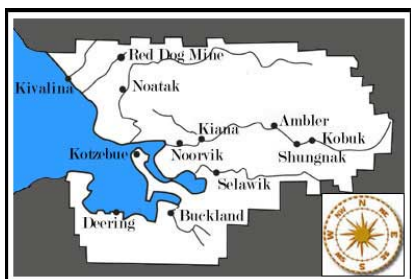
To prepare families for homeownership, NIHA knew it had to come up with a thoughtful and well planned out approach so that families understood their responsibilities in buying and maintaining a home. Because this was a homeownership project, NIHA had to make some difficult decisions on what kind of families it felt was best suited for the homes.

In the end, families who had the ability to afford a bank loan had the best chances. Homes were made available on a first come first served basis and families that were able to obtain bank financing first were given the chance to purchase a home. The interest generated from this unique concept was high, especially from the younger generation, as they had good paying jobs and the desire to own homes.

Homebuyer education would prove to be an integral part of the project. Alaska Housing Finance Corporation agreed to conduct several HomeChoice workshops in the communities so that the families could fully understand the loan process and their responsibilities as homeowners.

In addition, a partnership with a local financing institution was formed to take in mortgage applications and to identify areas such as credit that would need to be addressed by the families before financing could be obtained. In addition, NIHA devoted staff resources to work one on one with families throughout the whole process. This proved necessary and worthwhile because a number of families needed to address credit issues before they could obtain bank financing.

## Providing affordable homes in a challenging environment



Shungnak and Kobuk are both located on the shoreline of the Kobuk River about 150 miles east of Kotzebue and about 10 river miles from each other. Both villages are extremely remote and are only accessible by bush plane or boat in the summer and snowmachine in the winter.

Water levels on the Kobuk River prevented barge delivery of the materials that season and as result, materials had to be flown in using large cargo aircrafts. Local labor resources would be limited due to a number of construction projects scheduled in the communities that season. Close coordination between the agencies involved was necessary to minimize the impacts of competing for the same labor force. These factors, coupled with rising costs of materials and labor, proved challenging for NIHA in keeping the costs of construction in check and within cost guidelines established by HUD.

To reduce costs, NIHA utilized a Design Build Method of construction. By utilizing this method, contractors were able to propose construction of a home which would be designed and pre-engineered by that contractor and that met the specifications outlined by NIHA. A number of proposals were reviewed and NIHA selected a Native Owned Contractor who proposed a home that was suitable for construction in the Arctic. In addition, all the homes were constructed with 4 bedrooms as many of the homeowners were young couples and would be in need of additional space as the family grew.

## An Innovative Funding Solution

NIHA utilized a \$3.2 million HUD Title VI loan guarantee to fund the project. NIHA was one of the first housing authorities in the nation to be approved under the program. The Title VI program allows borrowers to leverage up to 5 times the amount of its Indian Housing Block Grant (IHBG) to finance affordable housing activities. Without this guarantee, NIHA would not have had the resources to develop this large and very costly project on its own.

To purchase the homes, families qualified using USDA Section 502 loans to take advantage of the 1 percent interest rate loans offered to low and very low income families. NIHA contributed a substantial portion of IHBG funds to be used to buy down the principal balances of these loans and additional funds from the Federal Home Loan Bank were available to homebuyers to help with the down payment requirements of the loan.

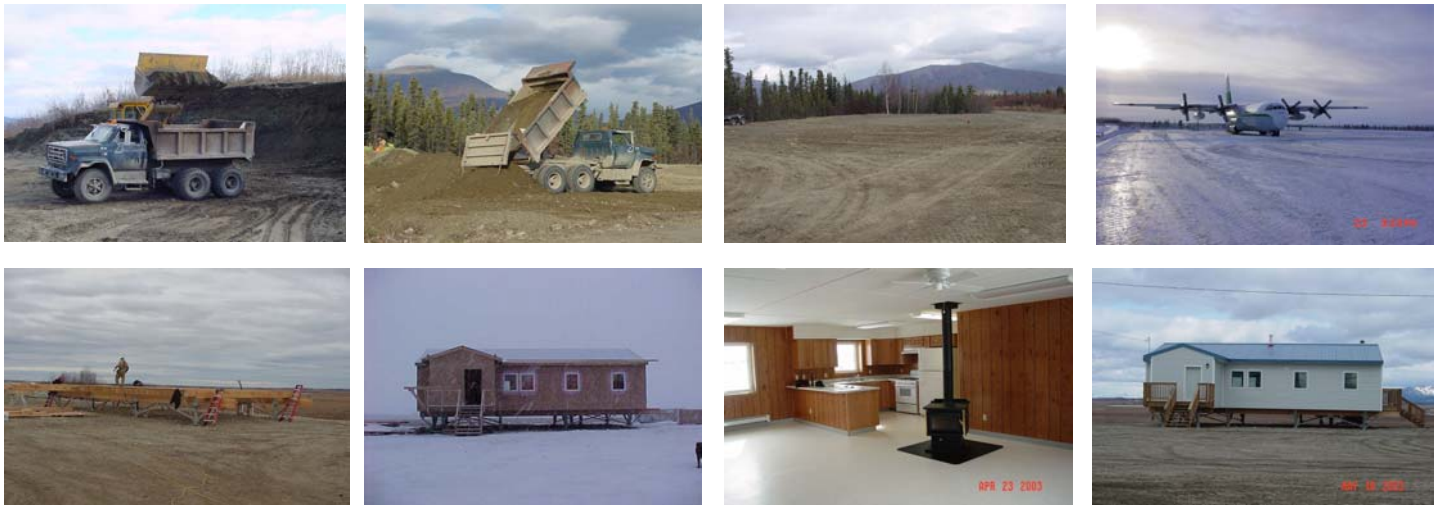
## Collaborative Partnerships Result in a Successful Project.

The projects success could not have happened without the collaboration of a number of agencies who had a shared interest in developing affordable housing in these communities.

To develop the infrastructure for both communities, NIHA utilized a Supplemental Housing Grant from the Alaska Housing Finance Corporation (AHFC). This grant was vital to the project as it was used to offset the high construction costs of the project. Furthermore, Alaska Native Tribal Consortium (ANTHC), who was scheduled to do upgrades to the water/sewer systems in both communities that year, agreed to extend additional water and sewer lines into the projects. And as a result of this partnership, a tremendous amount of savings in equipment and skilled labor was realized.

NANA Regional Corporation and the City Governments donated the land needed for the project. In addition, NIHA agree to survey additional sites for the future development of affordable housing.

**As you can see this project is a shining example of a successful project and deserves recognition as a “Model of Success!!”**



### **Funding Resources**

HUD Title VI Loan Guarantee	\$ 3,200,000
Northwest Inupiat Housing Authority (NAHASDA Contribution)	\$ 1,571,408
Alaska Housing Finance Corporation (Supplemental Housing Grant)	\$ 640,000
Alaska Native Tribal Consortium (Regional Facility Services Program)	<u>\$ 478,000</u>
<b>Total Funding Resources</b>	<b>\$ 5,889,408</b>

### **Mortgage Financing**

USDA Section 502 Direct Loans—10 loans @ 1% interest (10 homes @ \$87,500)	\$ 875,000
(Purchase Price \$ 155,000 per home less NIHA buy down assistance of \$ 67,500)	

## Funding Resources

### Dept. of Housing and Urban Development

#### Title VI Loan Guarantee Program

Loan Guarantee program to assist Indian Housing Block Grant Recipients (borrowers) who want to finance eligible affordable housing activities, but are unable to secure financing without the assistance of a federal guarantee. The borrower has the ability to leverage 5 times the amount of its IHBG to finance its affordable housing activity by pledging future grant funds as repayment of the guarantee obligation. Projects have to comply with NAHASDA and all other federal laws and regulations. **Contact: David Vought, ONAP @ 907-677-9862 or Toll Free @ 1-800-767-7468**

#### Alaska Housing Finance Corporation—Supplemental Housing Grant Program

Provides funding to Regional Housing Authorities to supplement housing projects approved for development under the HUD Programs. The funds in AHFC's program are limited to 20% of HUD's Total Development Cost per project and can only be used for the cost of on-site sewer and water facilities, road construction to project sites, electrical distribution facilities, and energy-efficient design features in the homes. **Contact: Ester Combs, AHFC @ 907-338-6100**

#### United States Department of Agriculture—Section 502 Direct Loan Program

100% financing made by the government and made available to low and very low income households to purchase an existing dwelling, purchase a site and construct a dwelling, or purchase newly constructed dwellings located in rural areas. Terms of the loan can be up to 33 years. Interest rates subsidies are based on household income. **Contact: USDA Rural Development, Palmer Office @ 907-761-7705**

#### Federal Home Loan Bank of Seattle Affordable Housing Grant Program

The Affordable Housing Program (AHP) offers grants to member financial institutions and their community sponsors to stimulate affordable rental and homeownership opportunities for low-income households. Project sponsors must partner with a Seattle Bank member institution to submit an AHP application. AHP grants can be used to reduce mortgage principal, fund rehabilitation and new construction, cover down payment and closing costs and lower interest rates on loans. **Contact: Federal Home Loan Bank/Community Investments @ 1-800-973-6223**

#### Alaska Housing Finance Corporation—HOMEChoice Program

AHFC offers a free seminar to help prospective home buyers work their way through the decisions and steps that buying a home can entail. Topics include how to shop for a lender, title insurance, energy efficient homes, how to get a home loan, home inspections, money management and budgeting. **Contact: AHFC HomeChoice Workshops @ 907-338-6100**

**For additional information on how you can submit your project for consideration as a "Model of Success", please contact the Alaska ONAP office at (907) 677-9887.**