

## Economic Commentary

September 30, 2016

### Habitat for Humanity

On April 19, 2015, our local Habitat for Humanity ReStore in Jackson, Wyoming, was destroyed by a fire, along with several other neighboring businesses. All the inventory in the store was destroyed or damaged too badly to be used again. The ReStore had served the community for many years selling gently used household furnishings, all donated by others, at economical prices.

Over the past year many members of the community volunteered their time to help rebuild the ReStore. Through the generous contributions of local residents, the ReStore was able to restock its entire inventory, reopening in August 2016.

In addition to operating the ReStore, Habitat for Humanity has a high profile in our local area because of its important work in building affordable housing. Our community has a significant number of volunteers who join together, investing their time and talent, to build homes for deserving families. I am so impressed with the quality of the people working together in this endeavor, that I decided to learn more about the organization.

The most public face of Habitat for Humanity is former President Jimmy Carter. Through his personal and well known participation, he made it an important part of his post-presidency. The organization was also the recipient of one of the largest charitable donations made by President Barack Obama and his wife Michelle in 2015, according to their recently released tax returns. It is one of the few organizations that is generally well regarded by everyone, and not identified with any one political group.

Habitat for Humanity was founded as a church based mission in 1976, the same year President Carter was elected. Its purpose was to build homes for deserving families in need. Over the next 40 years it helped 6.8 million people worldwide become homeowners. That is an average of 170,000 people a year. It is worth reviewing Habitat's method of operation to see how the organization successfully sustains itself.

Habitat for Humanity is a small operating, non-profit entity, with assets of only \$219 million as of June 30, 2015, and an annual operating budget of \$277 million. Private cash contributions represent 58% of its total income, with another 22% coming from donations of home goods. These donations are put on sale in local ReStores and the proceeds fund the majority of the overhead associated with operating these local outlets. On a national level, fund raising and management account for 18% of expenses.

The cash contributions are used to provide funds to build homes on land acquired from public and private sources. The organization then screens applicants who need housing and can afford to pay back a 30 year, 0% mortgage. In addition, each applicant must commit to investing 500 hours of labor on the prospective home, a "sweat equity" contribution. Habitat hires tradesmen to make sure homes are constructed in compliance with local standards while volunteers act as helpers to the professionals.

The end result is a quality residence built economically, a very happy family living there, and a future cash flow to Habitat from repayment of the mortgage.

I believe the key to Habitat's success is that it is highly decentralized with thousands of chapters in the United States and more worldwide. It works because the volunteers who participate in the outreach know that their work contributes to a worthy community goal.

During this pre-election season of harsh political rhetoric, it is indeed worthwhile to contemplate the good being done from a non-partisan charity.

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