

**POLICIES
OF
HABITAT FOR HUMANITY
OF THE MENDOCINO COAST, INC.**

ORGANIZATIONAL PRINCIPLES

- Habitat for Humanity of the Mendocino Coast seeks to draw people of all faiths and beliefs together to promote simple, decent housing to working families who do not qualify for conventional mortgages.
- Habitat values people of every race, religion, creed, gender, socio-economic group and sexual orientation willing to express their care for each other and their community by helping to build families and strengthen neighborhoods through the medium of housing.
- Habitat values the commitment of all who are in partnership with our families.
- All family selection is based on need and willingness to further the mission of Habitat.
- Habitat values the principle of tithing. Habitat joins other Affiliates in giving 10% of unrestricted donations to fund 3rd world construction. We have funded 10 homes in Mexico and Central America since 1996.
- Habitat is committed to selling homes at no profit and no interest.

HFH INTERNATIONAL COVENANTS

We affirm that our work will be guided by Habitat International's Covenant principles as stated in our bylaws to make housing a matter of conscience and action in our community. We will use the logo on our publications, website and stationary in accordance with the effort to maintain a consistent image with other Affiliates. We affirm the principle of tithing and will continue to apply it to unrestricted gifts not solicited for a restricted purpose.

TYPES OF HOUSING

As long as feasible, Habitat will build single family homes; if this becomes impossible to do on a sustainable basis, Habitat will build clustered town-homes or condominiums with single ownership of units with commons and Covenants, Conditions & Restrictions (CC&R's) as required by the California Map Act; other forms of ownership currently violate Habitat for Humanity International (HFHI) Covenants unless approved on a case by case appeal for good cause and must be cleared prior to development. Each home will be between 1,000 and 1,200 square feet with 1 ½ - 2 baths and 3-4 bedrooms, each with a closet. Kitchen and bath will be of sufficient quality to give good service and energy efficiency and green

principles will be used wherever practical. Each will have a main entrance with porch and back door with deck that may be ramped if necessary and fences will be placed only if required as a condition of development. Simple native drought-tolerant plantings will be supplied along with a basic appliance package of refrigerator, stove, washer and dryer.

FAMILY SELECTION

Families are selected democratically and objectively without regard to religion, race, creed, sexual orientation or other distinction except need, creditworthiness, and the willingness to work with Habitat in a long term Partnership for the life of their mortgage and beyond.

When the Selection of Families Begins

Habitat will, as land becomes available, conduct well-advertised open enrollment meetings. Here all interested applicants bring necessary documentation of income and current housing and employment to a public place where they will be assisted in filling out their Application. This form and all follow up documents and inquiries will conform to standard practice and law governing housing, reference and credit checks.

How Families are Selected to own Habitat Homes

The names of families on the application forms are replaced by numbers for the initial screening to determine those with the greatest financial need (based on current HUD income statistics for Mendocino County) and other relevant criteria. Once credit, employer, and reference checks are completed, teams of interviewers visit each applicant twice in their current home from the Family Selection Committee. All results are collated by a point-weighted system and the most eligible are recommended to the Board for final selection and sequencing for a home.

When a Family is selected to own a Habitat Home

The families selected sign a letter of intent expressing their understanding that they will be called upon to work 500 hours of sweat equity towards the building of their home. This sweat equity work must be completed before the family can purchase the home. The families understand that they will be called on to work on others' homes as well as Habitat sanctioned activities in the coming years; that selection as a partner is a privilege and a first step toward purchase. The selected families understand also that they will be expected to participate fully in the Family Partners Association, which meets monthly. However selection does not guarantee if and when a home will be available depending on resources and Habitat's ability to maintain building schedules.

When a Family is not selected to own a Habitat Home

Those applicants who are not selected will receive prompt notification by letter explaining the reasons for being declined and will be referred to other housing opportunities where appropriate.

Habitat considers this whole process a very confidential matter for the families involved and great care is taken to preserve the privacy of the applicants. All written records of this process are marked confidential and are kept under lock and key separate from other corporate records.

INITIAL SIGNUP

The Selection and Partnering Chairs will meet with new families to review and sign the acceptance letter which explains their sweat equity obligations for 500 hours: 100 to be completed before beginning their own home and 250 of which must be build related (100 may be credited by friends and non-immediate family) and other expectations for service before and after purchase; the letter also explains that there will be restrictions on the use and sale of their home and that doing sweat equity will not guarantee that HFH can or must build or sell them a home.

SWEAT EQUITY

We require 500 hours of each family, one half of which must be on the build site. Sweat equity is Habitat for Humanity's best teacher. The sweat equity program not only teaches carpentry and maintenance skills but also responsibility, delayed gratification and success. Obtaining these skills builds a positive self-image and provides positive feedback. Other Habitat experiences also educate through experience-meetings, classes, social gatherings, working with people from a different social level and making new friends. These expectations create a sense of belonging and partnership.

The following are a compilation of sweat equity opportunities used by us and many other affiliates. These are in addition to the obvious #1 method - job site construction.

- Workshops on Budgeting, Maintenance, etc.
- Time worked at other non-profit or civic work.
- Habitat office work, homeowner association meetings, fundraisers, food prep, cleanup, etc.
- Work by friends, relatives, co-workers and fellow church members- This is usually limited to 40% of the total hours required and must be people recruited by the partner family. Partner families may not solicit equity hours on the job site.
- The partner families' support person can contribute a limited number of hours; usually no more than 10% of the total required. No Habitat staff can contribute hours.
- Building on the construction site several nights a week until 9:00 p.m. during the summer. This allows more than just Saturday for working adults but does require supervision by the affiliate.
- Allow the partner family to send thank you cards (provided by affiliate) to sponsors and volunteers.
- Take families to speaking engagements to talk or to just help.

PARTNERING

Concerns Partners may have can be handled by contacting the Partnering chair or by calling 964-0942 and the matter will be referred to the appropriate representative. Concerns involving policy issues shall be brought to the Board for consideration-others may be referred directly to the appropriate chair; care shall be taken to avoid inappropriate interventions that may incur liability to HFH.

ASSIGNMENT OF HOME

Partners will be assigned a home and approximate time frame for completion with the opportunity to impact design elements whenever feasible prior to groundbreaking; Partner's choices may not add to the cost of the home (carpet upgrades, etc.) except where a 4th bedroom or special need understood at the time of selection may pertain (a family chosen with 5 children, ADA issues, etc.)

PRICING

The sale price shall be the actual incurred cost for each home (checks written in Quick Books accounts,) plus allocable proportionate shares of operating and general costs during the time of construction as well as proportionate shares of off book items like large in-kind offerings and CDBG grants and others that confer value and represent normal costs through off book gifts (like infrastructure or an entire kitchen); in no case can the sale price exceed the standard HFH affordability norm: 25% of family income divided by 12 (monthly payment) x 360 (30 years in months;) if real costs exceed this limit, the Board must lengthen the mortgage, waive recovery of some costs or both.

PARTNER SALE

Prior to final design selections for fit and finish item unique to each family (colors, etc) the Board will verify each Partner's finances- current credit rent and employment income as well as hours to insure they can still afford the mortgage and to insure they are on track to complete sweat equity in a timely way; the only condition to drop a Partner shall be failure and refusal to complete HFH obligations or commission of a felony; occupancy may be deferred if hours are not substantially complete or Partner can not currently meet the mortgage.

RESALE OF A HABITAT HOME

Habitat sells all homes affordably without any profit. Because of this policy, if the home is later sold at Market Rate, we retain a recoverable interest equal to the percentage discounted at the time of purchase for 40 years to insure our ability to replace the home at a below market rate.

As long as a family remains in good standing and current with all payments and maintenance obligations, they will share in the proceeds of the eventual sale of their home as follows:

- If they need to move or elect to do so in the first 5 years, they will receive only what they have paid to closing plus any documented approved improvements and Habitat shall have the first right of refusal.
- Over the next 20 years, in the event of a sale, they will retain an increasing share of any capital gains after the recoverable interest (the percentage discounted at the time of purchase) is repaid.
- From the 20th year until the 40th year they will receive 100% of all gains after the recoverable interest (the percentage discounted at the time of purchase) is repaid.

In the unlikely event that a family violates the terms of our recorded Covenant with Habitat that is part of their deed, they will receive back only what they have paid to closing with any documented and approved additions.

PROFIT SHARING

As specified in the our recorded Covenant, for the first 5 years the Partner owns only their equity (payments booked); after that, according to their recorded Covenants, HFH and the Partner will share equity; the discount formula percentage for each sale will be the unique and different ratio of sale price (the actual costs) and the Fair Market Value (FMV) determined by a Realtor at the time of sale; this formula will be applied on any sale up to the 40th year or whatever other term shall be part of the recorded Covenants.

HYPOTHECATION, REFINANCING & SECOND MORTGAGES

Any loan will be subject to approval by the Board on a case by case basis depending on the Partner's ability to meet HFH payments and those of a legitimate lender; in no case shall the loan exceed the Partner's share of equity at the time of the loan.

TARGETED CONTRIBUTIONS

We are constantly in search of support for our mission of providing access to the benefits of home ownership to people who would otherwise be unable to enjoy those benefits because of financial inability. Those who make donations to us in cash or tangible assets can claim the benefits that come from the fact that we are qualified under US Internal Revenue Code §501(c)(3). Those who, from friendship or kinship, contribute labor on a selected Partner's home can enjoy the satisfaction that their labor, within limits, counts toward that Partner's "sweat equity" requirement. However, we are sometimes offered donations of cash or things, rather than labor, that the donor would like credited to the account of a specific Habitat Partner. We cannot accommodate such a request. There are several reasons for this policy. These include the importance we attach to the "sweat equity" principle. It is

important that a Partner family personally work on the creation of the home in which the Partner family will live and also work on the homes of other Habitat Partners and on the events that keep Habitat afloat. Although we do credit some labor a Partner may obtain from extended family and friends, the credit can be only a minor part of the “sweat equity” quota the Partner must fulfill. We believe that to allow a Partner’s quota of “sweat equity” hours to be filled, even in small part, by services hired from strangers would subvert our mission. Moreover, to do so might cast Habitat in the awkward position of facilitating a tax deduction claim when in reality the gift is personal to the Partner. We encourage those who wish to help Habitat’s Partners to do so in every way they can, and we solicit all who believe in our mission to contribute to Habitat. Except for limited “sweat equity” contributions by friends and family of a Partner, we must keep these two good causes separate.

CONSTRUCTION SAFETY

Volunteers will sign a liability waiver recognizing the risks of worksites, indemnifying Habitat and certifying that they will use their own insurance first, then ours. Minors 16 and older must have this signed by a parent or legal guardian and will not be asked to use power tools. Every care will be exercised to insure a clean, graded, safe work area free of debris and other hazards. At least one person qualified to run the job will be present to oversee work flow as determined by the Build Chair and Committee and it will be up to them to insure volunteers are able to perform assigned tasks properly and safely. Volunteer sign in logs and waivers will be filed at the office.

PROHIBITING DISCRIMINATION OR HARASSMENT

No action by any Board member or volunteer under the direction of the Board will be permitted to act in a way that is discriminatory or intimidating to a Partner, Homeowner, or other volunteer.

RECORD RETENTION

Minutes and official records will be kept electronically and hard copy by the Secretary and filed with HFHI West as well as stored for access in the office files. Each year’s resolutions shall be pulled as a cover sheet for the year for easy reference to Board actions. Deeds and other records will be in the office and scanned copies retained by the Secretary or Bookkeeper at another safe location for copying, backup and reference.

FISCAL SAFEGUARDS

The Bookkeeper will deposit checks and pay bills up to \$5,000 on one signature, but will submit a log of receipts and payments (and copies of bills if requested) to the Build Chair or President for review each month. This will insure proper accounting of all bills and monies to the proper entry columns as well as give close and regular

oversight. The Treasurer shall review the books at least monthly to verify entries and balances for the Board's review. The Treasurer shall be responsible for the overall disposition and investment of reserves with the consultation and approval of the Finance Committee and the Board when appropriate. An annual Review will be conducted for 3rd party oversight. As most of our assets are the outstanding mortgage value of our Partner's homes, we will have the Build Committee do an annual maintenance inspection and oversee needed work per the Covenant and Option document if required.

PARTNER ACCOUNT STATEMENTS

Each partner will receive an annual summary of escrow accounts and mortgage balances.

NATIONAL SEX OFFENDER DATABASE VERIFICATION

We will verify that Applicants, Partners and key volunteers and Board members are not on the list.

CONFLICTS OF INTEREST

Because this organization has no paid executives or directors and relies heavily on uncompensated donations of materials and services, as well as gifts or grants of money, to carry out its mission, the occurrence of a transaction or event that might raise the issue of conflict of interest for an officer, director or employee is deemed by the Board to be highly unlikely. Nevertheless, should an event occur or a transaction be contemplated by which an officer, director or employee (including any person or organization related to or affiliated with the officer, director or employee by blood, marriage or business association) may gain (or be intended to gain) a material benefit, the affected officer, director or employee shall promptly give notice to the Board of the event or transaction, and no further action shall be taken by this organization with respect to such event or transaction until occurrence of the following:

1. The Board has received full disclosure of all facts relevant to the event or transaction and the material benefit to be received by the affected officer, director or employee therefrom; and
2. The Board has formally determined that the event or transaction, including the material benefit to be gained by the affected officer, director or employee, is fair to this organization. If the material benefit involved is to be gained by a director of this organization, such director shall be disqualified from being counted for purposes of quorum determination at any meeting of the Board at which the event or transaction is considered, and such director may not vote on the issue of fairness of the event or transaction to this organization.

The foregoing shall be inapplicable if the affected officer, director or employee waives any gain of material benefit from the event or transaction.

CRITERIA FOR BOARD MEMBERSHIP

Necessary Traits:

- Time, willingness, and ability to participate for a three year term, which includes 12 meetings each year.
- Represents or supports ethnic diversity; non-racist
- Sympathetic to the struggles and challenges of low-income working people
- Comfortable working with others and in taking direction as required
- Team player with a sense of humor
- Knowledge of, enthusiasm for, and dedication to goals of Habitat locally and Internationally
- Experience (at least modest) in one or more of the organizational skill areas: ie marketing, sales, construction, event planning, fund raising, accounting, etc.
- Willingness to commit time to chair, co-chair, attend committee meetings

Desired Traits:

- Established Leadership Skills
- Established Organizational Skills
- Professional expertise - record of accomplishment
- Familiarity with basic building techniques
- Strong Community involvement, position of authority
- Local Business connections or involvement
- Previous experience on a Non-Profit Board or Committee
- Has prior Community involvement and connections

Nominating Protocols:

- Determine who is leaving and what skills leave with them.
- List skills needed for work that is currently unstaffed or understaffed.
- Identity people, who along with the other gifts of humor, lack of bias, community mindedness, etc. have one of these needed skills.
- Discuss frankly with people interested in joining the Board, their obligations in terms of meetings, activities, work and commitment to Habitat's mission.
- Invite prospective Board members to a Board meeting and/or Committee meeting or activity.

Revised 11/24/2009