



The Why, What, and How of Affordable Home Ownership

Why

Poverty is a distortion of power. We alleviate poverty by affording people power over their own lives.

The disparity in income and wealth distribution in America today is at an all-time high and is constraining choices and opportunities for many families. This is especially true when it comes to housing. Home ownership in America is on the decline, and housing affordability in many cities has been a problem for decades that is only getting worse. We are currently experiencing a housing shortage, both nationally and locally in the Yakima market, which creates opportunities for speculators to take advantage of existing housing stock and convert formerly owner-occupied units into wealth extraction devices.

The net effect of these trends is that housing is currently stuck in a cycle of scarcity that benefits the "haves" and tramples on the "have-nots", further exacerbating wealth inequality and community divestment. When households do not see a tangible benefit in, say, volunteering to clean up a park or maintain a community garden, they are less likely to do so. It doesn't make sense to invest in my neighborhood if I could be evicted or lose my lease in the next year. The same goes for landlords who often live miles or even states away. Their interest is in the unit and what it can 'produce', not whether the sidewalk on the way to the library is accessible or free from litter.

Inversion Design Build believes in a future where housing is in harmony with community needs, meaning: it's easy to find in the market, keeps up with market demand, and is affordable at market rates. We believe anyone who wants to own their home should have the opportunity to purchase one, and that rental units are best managed by owners who live nearby. We believe that choices equal freedom and the more choices people have in housing, transportation, location, and lifestyle, the happier, more productive, and more engaged they will be with their families and their communities. We believe that all residents ought to have a financial stake in the well-being of their neighborhoods and see real dividends when it prospers.

Our mission is to afford anyone the chance to own a home.

Inversion Design Build is a *Social Purpose Corporation* (SPC) established in Washington State. We chose this model because unlike nonprofits, an SPC exists in the ecosystem of traditional for-profit corporations where our operating budget is directly linked to revenue and not dependent on outside grants. This gives an SPC an incentive to find product-market fit and then scale growth based on need, not grant availability. Unlike a traditional corporation which has a fiduciary responsibility to maximize shareholder profit, an SPC has a responsibility to maximize return on their mission which, at Inversion Design Build, is to afford anyone the chance to own a home. Focusing on mission is what gives us the ability to think and plan long term and not focus on funding cycles or quarterly earnings reports.

What

We accomplish this vision by building new houses for home ownership that are connected to existing infrastructure, built with healthy materials, are energy neutral, and protected from speculators.

Build on sites that are connected to existing towns and neighborhoods.

We seek out build locations that allow children to get to school safely on their own, have easy access to groceries, and are within walking distance to a park or outdoor recreation area. Obviously there is more to living than food, school, and recreation but having these three amenities nearby and easy to access gives people options for how they live their lives.

Build units to last, that are energy smart, and have room to learn as a family grows and changes over time.

Households are in constant flux. Children are born, grow like weeds, leave and then come back. Parents age and want to be closer, relatives need a place in a pinch. Rather than selling 'starter homes' that force families to move when they grow, we build units that are the right size for now, but have room to grow, expand and flex with the occupants over time. We build and sell you the home you can afford right now, but show you how to add that extra bedroom, finished basement, or accessory dwelling unit so you can build on and add equity to your home when the time is right and make sure it fits your family's needs no matter what life brings your way.

When it comes to utilities in the Yakima region, families that do not have enough regular income are required to put down utility deposits just to get the power turned on. This makes shelter *more* expensive for people with *less* money. Being poor is costly! Inversion Design Build is adamantly against this practice so we make our units with energy independence in mind and the ability to hook up to the grid for convenience. A home is a powerful asset (literally, if you add solar panels) and we want our new owners to be able to take full advantage of that.

Home is also where we spend most of our indoor time so it is imperative that the materials that make the house do not create a hazard, do not off-gas noxious fumes, and are durable enough to handle the pounding an active family can deliver. For that reason we make sure that all our homes have easily cleanable surfaces and are 100% free of [red list materials](#) that are harmful to human health.

Make Units Affordable through Design Equity Partnership

When you build a home, there are the costs and then there is the market value of the home which is what someone would be willing to pay for it. Well-designed homes often command a premium price in the market over a home with equivalent size and amenities. We call that “Design Equity”. Design Equity is the value-added that we expect from all our homes. At Inversion Design Build, rather than counting Design Equity as added profits and walking away, we capture it, and use it as down payment assistance for families that could not otherwise afford a home.

Low-income families are prequalified by our nonprofit partners and referred to our program. Once the family chooses the unit they want, the Design Equity is placed in escrow as a down payment and when the sale closes, the equity is theirs in the form of a new home. No strings attached. This allows us to sell more units to more families that are otherwise locked out of ownership due to price and availability, which in turn helps our business grow.

Keep New Homeowners Informed and Empowered

We recognize that the Design Equity Partnership represents a substantial transfer of wealth which can attract the attention of greedy speculators who look to take advantage of new homeowners through cash offers and dubious refinance schemes. To protect from potentially losing their equity, we arm our new homeowners with membership in a Homeowners Association (HOA) with minimal membership dues designed to network with peers, disseminate best practices for maintenance and refinancing of a home, and ensure that units are bought and sold by owner-occupants, not speculators.

How

- **Project Supply Pipeline.** Our development team is charged with maintaining a steady supply of buildable land that meets our basic feasibility criteria, including that the new units will be within walking distance of a school, a park and a grocery store.
- **An architect for every home.** An architect/developer has both design and budget control and is responsible for making the design buildable. They are

able to see the build from the start through to completion and tweak every detail. Once the home is in construction the architect becomes a resource for the construction team who are charged with building the home to a high level of quality in a safe and efficient manner.

Architects in general are highly underutilized. This is value lost in the construction industry and over the long-term, in the quality of our buildings. As we focus on eliminating waste in the development process, we use our architects' skills to greater effect. Doing so allows them more relevant and fulfilling careers and leaves our clients with a much better finished product.

- **Real-Time Cost Estimating.** Rather than lose time and effort waiting for cost estimates and slogging through painful value engineering processes, our architects generate their own cost estimates in real-time as they design. Our industry partners provide and input material cost estimating directly into our BIM software and labor estimates are generated automatically on a per shop-drawing basis that is updated with every new project. This empowers our architects to compare and refine design options down to the very last penny.
- **Shop drawings, not construction documents.** Modern construction documents and specifications are designed as legal tools to protect architects and owners in the event of a lawsuit. This is necessary in most modern practices, but because Inversion Design Build is the owner, architect, developer, and contractor on all our projects, the need for all that extra paperwork is greatly reduced. Instead, our architects generate shop drawings that are sent directly to the assembly floor. They are also in regular conversation with the construction team about how to best execute the shared vision.
- **Panelized fabrication.** By using a panelized construction system, we can build most of each home in a climate controlled environment that is optimized for safety and efficiency. We reduce exposure to weather to a single build day and virtually eliminate the threat of onsite theft and construction waste. Panelized construction also lets us make much more accurate cost estimates and eliminates the need for dangerous scaffolding onsite.
- **Just in time material and product delivery.** Our suppliers all have space in our facility to maintain their inventory at just the right level to ensure production can continue uninterrupted and materials are not left outside to weather. Basic materials are always available on site with pre-negotiated supply contracts that are updated quarterly, not by project. We work with our suppliers as partners in the fulfillment of our mission so while we expect a lot

from them, we also give a lot including full access to our production floor and design facilities so they may better understand our intent and the vision we are all chasing.

Company Culture

- **Continuous Incremental Improvement** - Throughout our company people work in small teams that have direct control over what they are doing and are encouraged to find better ways of working by eliminating waste. Ideas that cost little or nothing to try out will always be tested regardless of where they come from and annual bonuses are given on a team basis for any improvement that has a material impact on the way we operate.
- **Job Shadow** - All employees participate in a one week per-year job shadow to learn how each facet of the business operates; the goal is to foster curiosity and give people a chance to build relationships throughout the company regardless of training or seniority.
- **Small Team Big Team** - Construction teams are re-shuffled every quarter to make sure that quality is maintained as well as larger group morale. In this way, safety and best practices will migrate through the team peer to peer and not simply through managers. New employees can also be folded in while learning quickly and directly from a diverse group of peers. While our day-to-day work is organized into small teams, the periodic re-shuffling of these teams keeps ideas flowing, forces clear communication, and supports our coherence of the company as one big team.

Market and Affordability Targets

We are committed to making our housing affordable to as many people as possible. For starters that means targeting affordability at the area median income. In Yakima in 2022 the area median income is \$73,300 a year per household. As our housing delivery model is further refined, our target per-unit affordability goal will decrease, opening up further untapped market share and housing equity opportunities for buyers below the area median income.

In Washington state minimum wage in 2022 is \$14.49 per hour. At full time this equates to an affordable housing payment for a \$99,000 mortgage (assuming a 5.5% interest rate and median tax and insurance costs). Our goal by the end of Phase I is to have units on offer in Yakima County that are affordable for anyone with a full-time job making minimum wage or more

through our Design Equity Partnership. The secondary goal is for unit delivery to be scalable to meet demand and maintain no greater than a two-year waiting list.

Steps to Implementation

Phase 0.5: Pilot Project (Minimum Viable Product)

The pilot will consist of a first project consisting of 2-4 housing units. It will serve as the original proof-of-concept for the majority of delivery means and methods proposed.

The objectives of the pilot project are to :

- Realize a return for investors
- Execute a successful Design Equity Partnership transaction
- Establish seed funds for land acquisition and hiring
- Prove out a workable design-build process
- Prove out a panelized method of construction
- Establish industry relationships
- Demonstrate concepts for future funders and venture capitalists
- Set up an advisory board
- Have enough fun to want to keep going

Update 11.19.2020 : Because of site availability constraints Phase 0.5 will be conducted as the first of four phases on the 6 E Chestnut site in Yakima which consists of four condominium units and two commercial bays in a single mixed-use building. Depending on funding availability all four phases may happen in sequence or simultaneously. Either way we look forward to leveraging the process to prove out our business model and establish consistent means and methods of operation.

Phase I: Startup Crew

This is when the initial partners and employees are established. We will need a construction crew of at least four, A design team of two, a development team of two, and ideally an administrative assistant. Bookkeeping, legal, accounting, and specialty trades can be outsourced until growth can support full-time positions in-house.

Year 2 target will be 6 to 12 units built and sold to prove out the delivery pipeline including capacity, land availability, market, and construction cost. The target unit delivery will grow 40% year over year to ensure steady exponential growth. Targeting a steady and specific growth rate is important so that each department can anticipate the new capacity that will be expected of them each year and can plan accordingly. Steady growth also assures that new hires can be on board and new ideas metabolized without losing the character and integrity of the company.

The Objectives of Phase I are to:

- Establish a profitable baseline of operations
- Begin managed exponential growth
- Broaden offerings to include units affordable and delivered to lower income customers with “affordable and accessible at minimum wage” as the final goal of Phase I.
- Grow to market saturation in Yakima County.
- Have enough balance to keep going

It is anticipated that market saturation of Yakima County will occur around 100 units per year at which point Phase I will be complete.

Phase II: Washington State and Northern Oregon

Phase II will expand our market area to focus on all of Washington state, Western Idaho, and Northern Oregon. The boundaries of our market will be defined by how far a flatbed truck can drive, deliver, and return to our manufacturing facility in a single day. We will focus on small and midsize towns, leveraging the market knowledge gained in Phase I.

Phase II objectives are to:

- Scale effectively, maturing but not losing company culture.
- Invest deeply into HOA culture to ensure long term unit owner-occupancy and deter housing speculation.

Phase III: National market growth (let's not get ahead of ourselves)

*The measure of a company is not in how much value it earns
but in how much value it gives away.*