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114288

March 20, 2002

Mr. Glenn Pearce-Oroz, Housing Team Leader
U. S. Agency for International Development
Apartado Postal 3453
Tegucigalpa, M.D.C., Honduras

**Re: CHF International Final Report for
Starter Home – Vivienda Mínima Progresiva (VMP), CA # 522-A-00-00-00208-00**

Dear Mr. Pearce-Oroz:

Attached please find a copy of CHF's final report for the Starter Home project covering the length of the program, from October 29, 1999 to December 31, 2001.

We have also sent an original copy of the report through the mail. A provisional version of the final financial report, Standard Form 269A, was submitted on February 15, 2002. The final version of this financial report will be presented within the allotted timeframe.

~~Please feel free to contact me should you have any questions or concerns. Thank you for your attention to this matter.~~

Regards,

Franck Daphnis, Jr., Director
Field Program Management

cc: USAID/CDIE, Washington, DC 20523-6701

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STARTER HOME PROGRAM HONDURAS



FINAL PERFORMANCE REPORT

Submitted to USAID

March 31, 2002

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CHF International

Final Performance Report
STARTER HOME PROGRAM
(Programa Vivienda Mínima Progresiva)
HONDURAS

Grantee: Cooperative Housing Foundation, d.b.a CHF International
Cooperative Agreement: 522-A-00-00-00208-00
Reporting Period: October 29 19992 to December 31, 2001
Submission Date: March 31, 2002

A. Background

CHF was awarded a Cooperative Agreement (CA) by USAID for the construction of 500 Starter Homes (*Viviendas Mínimas Progresivas*) in response to the devastation wrought by Hurricane Mitch in late October 1998. The Cooperative Agreement was effective October 29, 1999; and the Project Assistance Completion Date (PACD) was December 31, 2001. The Starter Home Program was designed to make recognizable, significant and measurable contributions to the achievement of USAID/Honduras's Hurricane Reconstruction Special Objective, through the Intermediate Result, "Permanent Housing Developed for Dislocated Families." Before the approved amendments, CHF was expected to assist 500 families in building permanent core housing solutions to meet the urgent needs following Mitch with a \$1,367,943 grant from USAID. CHF also originally committed to leverage a total of \$343,000 in counterpart, including the use of \$73,000 of CHF loan capital, to constitute a 25% counterpart contribution.

During the program's implementation, two amendments were introduced to the original cooperative agreement, as follows:

Amendment	Amount by USAID	Number of Houses
1	\$ 296 570.00	100
2	\$ 110,000.00	35

The total award at the close of the program was \$1,774,513.00 with a goal of building 635 houses nationwide. Although CHF proposed to provide 25% counterpart to the program, the CA was signed with 32% counterpart without objection from CHF. Both amendments included the 32% counterpart for a total counterpart commitment of \$567,844. Except for expanding the program's impact area from Nacaome and Choluteca to include the entire country, the scope of work remained the same.

B. Expected Results

The program goal was to help families in Honduras, who had been victims of Hurricane Mitch, to build basic core housing units. Starter Houses were to be built in safe areas, thus directly improving the living and sanitary conditions of those citizens. CHF was to meet this goal through an integrated program of credit, self-help and technical assistance.

CHF planned a comprehensive approach to housing in the implementation of this program. Special emphasis was placed on building homes and communities in safe areas or in areas where risk to the environment and inhabitants could be mitigated. CHF was to teach the beneficiary families about basic homebuilding techniques and the elementary personal-management skills necessary to plan, execute, and supervise the construction of a small house. The program was designed to ensure the existence of basic infrastructure, risk identification and mitigation, and access to schools and health services.

Specific objectives of the Starter Home Program (including Amendments #1 & #2) were:

- **House Construction:** Build 635 Starter Homes in safe areas, as a direct response to the destruction caused by Hurricane Mitch;
- **Municipal Response:** Help municipalities contribute to an effective democratic process by providing basic housing and infrastructure to hurricane victims in their area;
- **Beneficiary Skills:** Build 635 beneficiary families' skills in program planning and execution, home construction, and personal management; and
- **Process Replication:** Promote a democratic, community-based self-help methodology among locals that could be replicated in future development initiatives.

C. Program Implementation

SUMMARY OF STARTER HOMES BUILT

No.	Community / City	Homes Built
1	Gracias a Cristo, Choluteca	16
2	Alto Verde, San Lorenzo	64
3	Orocuina, Choluteca	
	-Vista Hermosa	11
	-Sinai	8
	-Plazuela	4

	-Elizabeth	2
	-Los Encuentros	1
	-Los Cedritos	2
	-Villa San Pablo	3
	-El Centro	2
4	Colonia Getsemaní, Agua Blanca Sur	140
5	Colonia Emmanuel, El Porvenir	130
6	Colonia La Esperanza, Guaymitas	71
8	Colonia San Juan, Urraco	66
9	Colonia Ebenezer, Guaymitas	116
TOTAL		635

INDIVIDUAL PROJECT DESCRIPTIONS

❖ *Gracias a Cristo, Choluteca*



In January 1999, a group of residents of the city of Cholul gathered to form a group called "Grupo de Inquilinos de Cholul" with the purpose of collectively solving their housing problem after losing their homes to hurricane Mitch.

In February 1999, this group signed an agreement to buy approximately 30 Hectares of land, located in a non-risk area, 7 km northeast from downtown Cholul. Immediately after the purchase, more than 70 families moved to the new *Gracias a Cristo* neighborhood. A few of these families could afford to immediately build their homes using basic housing standards, but most of them could not. They began living in shacks made from scrap materials - in one case, a family of four was living in a 4-foot high tent for several months before CHF arrived offering the houses through the Starter Home Program.



As soon as this proactive group was identified, CHF began working with the potential beneficiaries to promote the project and explain the project requirements. At first, more than 100 families showed interest and signed up for the Starter Home Program.

Unfortunately, a few days before construction was to begin, another NGO entered the scene offering free prefabricated shelters for all the families living or owning a lot in the new neighborhood. This unfortunate event resulted in many families pulling their applications for participation in the CHF project. In the end, only 16 CHF Starter Homes were built in the *Gracias a Cristo* neighborhood. Although the final number of homes built is fewer than

what CHF would have liked, CHF considers the project a success as each of the 16 families is extremely proud of their new home and all have worked to make home improvements.

It is interesting to note that the families who had declined to participate in the Starter Home Program later returned to CHF to ask for a CHF permanent house even after they had received their temporary shelter. At that point, CHF had already left the project area and had to deny their request.

❖ *Alto Verde, San Lorenzo*



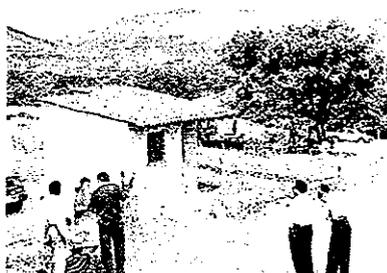
Although CHF had not originally planned to work in San Lorenzo, word spread about the program as the beneficiaries from *Gracias a Cristo* shared among their family and friends the benefits of a CHF Starter Home. A group of families from San Lorenzo, visited CHF's regional office in Choluteca asking about the possibility of implementing the Starter Home Program in Alto Verde. This was a safe-from-flooding neighborhood in which many victims of Hurricane Mitch were living after losing their homes in the surrounding area.

Located just 2 km north from downtown San Lorenzo, Alto Verde was one of the newest neighborhoods in the city, a neighborhood which had been gradually developed through the efforts of its residents, as well as local authorities.

CHF built the homes throughout *Alto Verde* on individually owned lots within this newly established neighborhood in which more than 150 houses had already been built. The fact that the *Alto Verde* neighborhood had been organized prior to CHF's involvement provided some advantages such as a decent inner road system, a permanent and effective municipal water system, electricity and an organized group that periodically collects the trash and took it to the municipal dump.

The Starter Home Program built 64 houses throughout this neighborhood. Currently, the majority of the homes in this neighborhood are unrecognizable as CHF Starter Homes due to the extensive home improvements and expansions completed by the beneficiaries.

❖ *Vista Hermosa, Orocuina*



In October 1998 nearly half of Orocuina was flooded during Hurricane Mitch due to its proximity to the Choluteca River. Houses, mostly made of adobe, were destroyed, leaving a large number of families homeless. Orocuina is a community located 28 km north of the city of Choluteca, with an urban population of nearly 5,000 inhabitants. This community already had all the basic services required for the Starter Home Program: water, electricity, a good road system (once inside the town), schools, and social and medical services.

In August 2001, a group of 11 families affected by Hurricane Mitch gathered to buy a property located on the outskirts of Orocuina in a foothill overlooking the bank of the Choluteca River, far away from the flood limits left by Mitch. This area is called Vista Hermosa or Beautiful View, and is true to its name in addition to being a nice and safe place to live.

Hearing of the program's work in Choluteca, members of this group contacted the CHF program to express their interest in participating in the program. After working with the group for several weeks, and despite the challenges of building houses so far away from major material suppliers, the Starter Home staff identified 32 families in need of a permanent house; 11 in Vista Hermosa and the other 21 in different peri-urban neighborhoods of Orocuina. Although safe sites were not easy to find in the per-urban area of Orocuina, the final CHF construction sites were all considered safe from flooding and had basic services already available. Construction began in early October 2000, and a dedication ceremony was held in the same month on October 31, 2000.

❖ *Agua Blanca Sur, El Progreso*



Agua Blanca Sur is a community located 14 km south of downtown El Progreso, Yoro. With a population of nearly 7,000 inhabitants, this town has all the required basic services: water, electricity, a good road system, schools, and social and medical services.

In November 1999, members of the Getsemaní Cooperative from El Progreso, Yoro agreed to buy a 41-hectare property adjacent to the existing *Agua Blanca Sur* community. The cooperative had recently been formed to resolve the housing problem of its members, among them nearly 300 families who were victims of Hurricane Mitch.



In September 2000, members of the cooperative's board contacted CHF requesting to participate in the program. Soon after this initial contact, CHF qualified the first program beneficiaries. This was a turning point in the CHF program, as CHF closed its Starter Home office in Choluteca and moved to El Progreso.

In addition to building homes in Agua Blanca Sur, CHF also built several community infrastructure works including retaining walls, 2 water tanks, water pipelines and public wash areas. In addition, CHF worked through a local NGO to provide training on the construction and use of improved stoves that use less firewood for cooking and are less damaging to the health of the families using them due to a rerouting of the smoke that they emit.

CHF built a total of 140 Starter Homes in Colonia Getsemaní, *Agua Blanca Sur* by mid February 2001 after suffering through a heavier than normal rainy season. A dedication ceremony was held on March 3, 2001 with representation from USAID, and national and local government officials. The Getsemaní Cooperative continues to be very active in this community and has been able to obtain additional financing for community projects and funding for additional houses.

❖ *Emmanuel, El Porvenir, Cortés*



El Porvenir is a community within the Municipality of San Manuel, located 17 kilometers southeast of San Pedro Sula. This community, of nearly 800 families and a population of 5,000, has access to all required basic services such as potable water, electricity, schools, healthcare and other social services.

During Hurricane Mitch, many families from nearby communities, mostly from banana plantations, such as Campo Cowle, Campo Caimito, Tirumbo, Santa Rosa, Campo Copen and Casa Nave, were severely affected by the flooding. Many of these families joined a local neighborhood board (*Patronato*) in El Porvenir, which had already purchased a hilly property on the outskirts of the community away from the threat of future flooding.

The *Patronato* had heard of the Getsemani project in nearby El Progreso and hoped to participate in the CHF program. In January 2001, after reviewing the site conditions and the beneficiaries' status, the Starter Home staff, with USAID approval, decided to go ahead with the project.



This project was implemented over a longer period of time due to the way in which the beneficiaries signed up for the program. As the first few rounds of the houses were completed, and other families gained confidence in the program and recognized the program's benefits they signed up one by one. CHF built the houses in groups of twenty – each round of construction began once 20 families had signed up. CHF would start building. Another 20 or so had to sign up before the next round of construction could start. In the end, CHF built 130 houses dispersed throughout a community with more than 1000 lots.

By the end of April, the construction of 130 houses in the Emmanuel Project was completed. On May 10th, a dedication ceremony was held onsite and the houses were officially transferred to the beneficiaries. As with previous projects, families were trained in the construction and use of environmentally sound stoves and CHF completed several infrastructure projects, such as, the construction of a water reservoir, and the cleaning and gauging of wells.

❖ *La Esperanza, Guaymitas, Yoro*



Guaymitas is located 14 kilometers north of El Progreso, Yoro along the main highway between El Progreso and Tela. This is a well-established community with a population of nearly 3,000 people, with access to all basic services.



During Hurricane Mitch, some areas of Guaymitas and its nearby settlements were severely affected, and many of the flood victims were moved to temporary shelters built by CHF in 1999; the majority were still living under the same conditions two years later when CHF returned with the Starter Home Program.

The municipality of El Progreso had been waiting for more than two years to solve the housing problem for victims of hurricane Mitch in this community. In spite of the many offers of aid by local authorities, national and international organizations, no project had been started before CHF arrived. The beneficiaries did not have land so CHF, with the approval of USAID, took the lead in identifying a lot large enough and with the

right characteristics to fulfill the requirements of the program. In January 2001 a suitable lot was identified and purchased by CHF through a public bidding process. The CHF technical team worked to design an appropriate housing development plan, and the result was an urbanization design that afforded the protection of the large old trees on the lot, provided adequate green areas and used curves in the road to add to the appeal of the community.

On February 26th, construction started, and in record time - five weeks later - CHF completed the construction of 71 homes. Appropriately, this new neighborhood is named La Esperanza (Hope).

This project is the perfect example of the positive results that can be achieved through planning, high quality construction, a concern for the environment and with infrastructure and green areas that are congruent with the necessities of the beneficiaries and the overall community. Although building on pre owned beneficiary land has its benefits, it is clear that being involved in a housing development project from the identification of the land to the completion of the infrastructure makes for easier management and a more cohesive community.

Registered titles with a lien in favor of CHF have already been prepared for each beneficiary family. As each family pays off its loan to CHF, the lien will be removed and the title will be free and clear.

At the completion of this project, CHF was honored when the President of Honduras, Carlos Flores Facussé, and the US Ambassador to Honduras, Frank Almaguer, presided over the dedication ceremony on May 10, 2001. On this occasion, 71 homes were transferred to the beneficiaries as the president of Honduras broke from his written speech to speak spontaneously about CHF's enthusiasm for the project and the active participation of the beneficiaries.

❖ *San Juan, Urraco, Yoro*



Urraco is a community of nearly 10,000 inhabitants, located 42 km northwest of the city of El Progreso and it is accessible by car from the El Progreso – Tela highway.

After learning about the benefits of the CHF program, representatives of the community board of Colonia San Juan, Urraco visited CHF during the first week of July 2001 to express their desire to be included as beneficiaries of the Starter Home Program.

More than 60 families, who were victims of Hurricane Mitch, had been searching for a safe place to live. They found what they were looking for in Colonia San Juan and purchased the land there.

Most of the beneficiaries in Urraco had a stable job working for COBAHSA (Compañía Bananera Hondureña S.A.). Some were still paying for their land, which had been financed by COBAHSA when the project started, and others had already paid off their loan but still needed funds to build a permanent house.



After a visit to Urraco, the program staff concluded that the housing project in Colonia San Juan fulfilled the requirements established by USAID and decided to take on this new challenge. Although the distance from El Progreso was greater than what CHF would have liked, CHF decided it could implement this program since COBAHSA was willing to use payroll deductions to pay CHF for the financed portion of the homes. This would improve payment rates and reduce costs for CHF; thus allowing CHF to disburse more home improvement loans in the future.

The Starter Home staff scheduled informational and credit workshops for the potential beneficiaries and pre-construction activities started in early August 2001. Due to the desire of the beneficiaries to finish the project quickly, and thanks to their active participation, the project was concluded only a few weeks later.

A dedication ceremony for the 66 Starter Homes in Colonia San Juan, Urraco was held on September 27, 2001. Representatives from USAID, the Municipality of El Progreso and COBAHSA, as well as CHF staff attended the ceremony.

❖ *Ebenezer, Guaymitas, Yoro*



The first project in Guaymitas, *La Esperanza*, was not able to attend to all the demand for housing due to land limitations. After experiencing the success of the La Esperanza project and seeing the unmet demand for housing, CHF set out to identify an additional piece of land in Guaymitas to benefit more than 100 additional families that remained on the CHF list.

Unfortunately, the land offered for sale in the area was limited and the few properties that were for sale did not offer the characteristics desired by CHF. After several months of searching in the area, CHF was able to negotiate the purchase of a 4.7-hectare property in El Castaño, a town neighboring Guaymitas. This lot was flat (the CHF budget did not allow for expensive foundations or extensive grading) and was located in an area safe from flooding. Interestingly, the site was used for growing oranges and was covered with hundreds of orange trees.



CHF technical staff rapidly completed the urban design, and submitted the Environmental Guidelines document to USAID for approval.

This new development consisting of 125 individual lots of 205 m² each included two communal areas, as well as a lot destined for the construction of a school. Construction activities started in early September 2001 and, in spite of bad weather conditions during this period, all homes were completed the first week of November 2001.

The beneficiaries' contribution in Ebenezer surpassed CHF's expectations. Beneficiaries in this community organized themselves into a Development Committee and decided to contribute cash for the necessary funds to cover all additional community works.

With a cash contribution of near US\$ 200 from each family, beneficiaries financed pre-construction works such as site grading, paid for renting small construction equipment, provided for the transportation of materials and built a permanent potable water system. The Municipality of El Progreso and the Ministry of public works, transportation and housing (SOPTRAVI) were also actively involved, providing machinery for road improvement leading up to the project and streets within the housing project.

Colonia Ebenezer was officially inaugurated on November 20, 2001, transferring 116 homes to the beneficiaries. As with the La Esperanza project, registered titles have already been prepared for each beneficiary family and as each family pays off its loan to CHF, the individual liens will be removed and each family will hold a free and clear title.

This project was a milestone, marking the end of the housing program under this cooperative agreement. With Colonia Ebenezer, CHF reached the goal of building 635 Starter Homes in Honduras.

OCCUPANCY RATES

The following table shows the Starter Home Program occupancy rate, a minimum of 60 days after project completion, according to the latest field evaluations:

Community / City / Department	Houses Built	Number of Occupied Houses	Percentage of Occupied Houses
Gracias a Cristo, Choluteca	16	16	100%
Alto Verde, San Lorenzo	64	64	100%
Orocuina, Choluteca	32	30	93%
Agua Blanca Sur, El Progreso	140	113	80%
El Porvenir Emmanuel	130	98	75%
Guaymitas, La Esperanza	71	65	91%
Guaymitas, Ebenezer	116	30	25%
Urraco, San Juan	66	12	18%
Total	635	428	

Although CHF did not reach its goal of having 100% of the houses occupied 60 days or less after construction, the final occupancy rate is expected to eventually reach 100% in the very near future. The reasons why some homes were not immediately occupied include personal tragedies, changes in jobs, and on-going home expansions. Although CHF required that the beneficiaries be willing to move into the house immediately, many promised to do so and are now waiting until they have a chance to expand the house. It is important to note, however, that in almost all the uninhabited house cases, the beneficiaries are up to date on their loan payments.

There are 6 cases in the north, however, where the families decided to pull out of the program before they occupied their home. CHF has identified new beneficiaries that meet the requirements of the program, and is finalizing the legal details associated with the titles and the loan documents. Once this is completed, the new beneficiaries will occupy the homes immediately.

In projects built during the last quarter or semester of the program - Emmanuel, Agua Blanca Sur, San Juan and Ebenezer - some beneficiaries claim that they have not moved into the homes because the water and electrical systems do not currently meet their needs. All of the houses have access to water and electricity, but individual connections are the responsibility of the community and individual families. As the communities come together to finish these details, some families have opted to continue paying rent until the services are installed directly in their homes. The rest of the beneficiaries, whose needs for immediate shelter are obviously greater, are occupying the houses.

Although CHF would have preferred that the beneficiaries keep their commitment and immediately occupy the homes, CHF is confident that all houses will be occupied. It is important to note that in many of these cases, the local leaders have officially requested

permission to extend the occupancy deadline. Although CHF did not feel that it would be prudent to provide this approval, CHF is, however, pleased to see that the families are at least partially taking the requirement seriously.

Even though the program is officially closed, CHF continues to work with the local *patronatos*, SANAA and ENEE to expedite the provision of individual water and electrical connections in Emmanuel, Ebenezer, San Juan and Agua Blanca Sur.

CONSTRUCTION DETAILS

Quality

During program implementation, CHF was committed to guaranteeing quality construction. Material tests and quality certificates were periodically requested from providers or tested independently by CHF. In addition, CHF engineers visited the plants or production sites not only to verify quality of materials, but also the techniques and procedures used during the manufacturing process.

CHF non-program staff and external consultants conducted several technical inspections during the life of the program in order to verify construction quality. With internal inspections and the daily supervision of the construction, CHF was able to identify any issues with construction or material quality and take immediate corrective action.



Furthermore, CHF monitored the quality of construction for services related to the housing developments, but that were not actually provided by CHF. This included supervising the installation of water systems, construction of roads, and gauging and testing the water quality of the wells that supply water to the CHF communities.

Average Cost of Homes

The following table summarizes the historical evolution of the direct construction costs per house and per project excluding land and community infrastructure:

No.	Community / Municipality	Houses Built	Average Cost per House USD
1	Gracias a Cristo, Choluteca	16	1,460.00
2	Alto Verde, San Lorenzo	64	1,560.00
3	Orocuina, Choluteca	32	1,415.00
4	Agua Blanca Sur, El Progreso	140	1,633.40

5	Emmanuel, El Porvenir	130	1,418.36
6	La Esperanza, Guaymitas	71	1,704.00
7	San Juan, Urraco	66	1,365.00
8	Ebenezer, Guaymitas	116	1,345.00
Program Total/Wt. Average		635	1,493.92

An analysis of the costs indicates that the weighted average cost of construction per house was US \$1,493.92, which is only US \$33.92 higher than the US \$1,460.00 estimated in the original proposal prepared in 1999. This amount represents a mere 2.3 % increase over the original per unit budget, which is significantly lower than one would expect considering the added features of the home and the increases in construction material costs over the past two and a half years. CHF was able to manage the budget well by aggressively negotiating lower prices, keeping tight control over materials to reduce loss and maintaining efficiency in construction.

The cost of the houses in La Esperanza were significantly higher as they include all the costs of the individual septic tanks, whereas in other projects, the beneficiaries partially took on this responsibility as counterpart.

EMPLOYEMENT GENERATED

Each Starter Home required an average of 10 days to build with the range being between 8 and 12 days. Each house was managed by a foreman and built by two bricklayers. The beneficiaries also provided one experienced helper and one unskilled laborer for each day of construction. *For each house built, there was an average of 1.67 direct person-months of local employment generated.*

The total direct employment generated by the Starter Home Program was:

Program Management:	190 months
Construction Personnel:	1,060 months

The following table shows the personnel involved in the management, coordination and construction of the Starter Homes during the 23 months of work.

Title	Number	Status
Program Manager	1	Permanent CHF Staff
Technical Manager	1	
Assistant Engineer	1	
Administrative Assistant	2	
Credit Promoter	1	
Assisted Self-help Construction Promoter	1	
General Services	2	
Foremen	32	

Bricklayers	1270	CHF Subcontracted Personnel
Experienced Helper	635	
Unskilled Labor	635	Beneficiary/Beneficiary Paid

With a program as dynamic as this one, it is not easy to estimate the indirect employment generated, nevertheless, CHF is certain that the success of building 635 houses in 6 different communities scattered throughout Honduras depended not only on the organizations directly involved with the program and the high-quality labor, but also on all the men and women behind small or larger businesses which provided their goods and services to CHF during the construction stage.

During the program's 23 months of work, small family businesses, as well as small and large material suppliers hired fulltime personnel to fulfill CHF's commitments on time, generating even more employment than the numbers registered on the previous page. To the extent possible, CHF utilized local material suppliers to help stimulate the economy in the areas hardest hit by Hurricane Mitch.

Finally, and possibly more important, is the income generated by the informal sector. Income from food and snack vendors, transportation services and other forms of micro enterprise served to benefit many more Honduran families.

COUNTERPART CONTRIBUTION

The Starter Home Program committed to providing counterpart equal to 32% of the amount funded by USAID including \$73,000 of cash contribution from CHF. The total dollar amount of counterpart committed to the program was \$567,844 and the final executed numbers surpassed the goal by \$36,399.63 for a total counterpart commitment of \$604,243.63. This means that CHF, the beneficiaries and other organizations provided 36% counterpart, 4% more than originally projected.

In addition to the beneficiaries' time and the cash contributed by CHF, counterpart also included:

- Land purchased by beneficiaries
- Land donated by other organizations
- Materials provided by beneficiaries (such as materials for the septic tanks)
- Playground equipment donated by two local banks, BGA and BAMER
- Cash contributions from beneficiaries for renting tractors and paying for their fuel
- Trees donated by local organizations
- Cash donated by a private group for community infrastructure materials
- Use of heavy equipment donated by the national and local governments
- Donations of electrical equipment and water systems by international donors
- Home improvements completed or paid for by the beneficiaries during the project

Although not a comprehensive list, the above clearly demonstrates the level of effort that CHF and the beneficiaries dedicated to improving the program by leveraging additional funds.

The following counterpart table distributes the amounts reported by category and provider:

Accumulated to December 31, 2001	US\$ 604,243.63	Provided By
DISTRIBUTION		
Land value	41 %	Beneficiaries
Training workshops	Less than ½ of 1%	Beneficiaries
Unskilled labor (beneficiaries)	11 %	Beneficiaries
Construction Equipment	1 %	Beneficiaries Municipalities
Construction Materials	34 %	Beneficiaries Municipalities
Construction Permits	1 %	Municipalities
CHF Cash Contribution	12 %	CHF
Other	0.34 %	Beneficiaries, CHF and Private Donors
TOTAL	100 %	

The total counterpart provided divided by the number of homes built results in a contribution of US\$ 951.56 per house, which is 63.69% of the average direct cost per house. This result demonstrates the high level of participation and commitment from beneficiaries, as well as other local community members where the Starter Home Program was implemented.

In addition, many beneficiaries will eventually pay for the land on which their new home sits through the CHF loan, and all are paying for at least one-half of the direct cost of the house. In the end, the direct beneficiary and community participation will exceed 75% of the amount funded by USAID.

CREDIT

The program was designed to subsidize half of the direct cost of the home and to issue a loan for the remaining portion. The average loan size was \$830 with an average loan term of 36 months. At the end of the program, CHF had granted 635 loans to an equal number of families, and 69 of which had already cancelled their loans by December 31, 2001. They are now eligible for home improvement loans which CHF will disburse utilizing the funds returned from the original home loans. The loans paid off represent 11% of the total number of loans granted. Of the remaining loans, the current payment rate is 97%, which is right on target. This is considered a huge success considering the nature of the program, the current economic conditions in Honduras and the fact that the families had lost almost, if not all, their worldly possessions only a few years before.

Based on the different circumstances and needs of each individual project, CHF offered different credit alternatives to the participants of the program. The following are some of the adopted measures:

- The beneficiaries had the option to choose the term of the loan within the maximum of 36 months.
- The beneficiaries had the opportunity to make a down payment on the house in order to reduce their monthly payment.
- CHF accepted the monthly payments through diverse modalities. For example, Orocuina, Choluteca is lacking a commercial bank, therefore CHF negotiated with a local cooperative to collect the payments. In Urraco, Yoro, the beneficiaries pay through payroll deductions that are later transferred to CHF. In all other cases, the beneficiaries make their monthly payments at BGA, a local bank.
- In those communities where the Starter Home Program included the financing of land, and thus a higher loan amount, the credit term was extended resulting in a more affordable monthly payment.

TRAINING

CHF held more than fifty-five (55) information, credit, construction, motivation and community development workshops before and during the construction of the houses for community leaders, beneficiaries and potential beneficiaries, totaling nearly 2,700 hours of training for over 1,000 people.



The purpose of the workshops was to provide the beneficiaries with enough information to clearly understand the program's process and objectives; and to encourage families with few resources, but with a great quota of enthusiasm, to forge ahead after the disaster to improve their homes and life.

The following lists the workshops and themes directed by CHF during the implementation of the Starter Home Program:

Motivational Workshops

- Overcoming the losses from the disaster
- Self-confidence
- Commitments and Goals
- Human Relations

Credit Workshops

- Principal
- Interest Calculations
- Interest Rates
- Down Payments
- Monthly payments
- Arrears
- Responsibility

Construction Workshops

- Construction Techniques and Supervision
- Costs Estimates
- Budget Control
- Quality Control (materials and construction)
- Construction Safety
- Self-help Construction
- Home Improvements

Community Development Workshops

- Organization and Leadership
- Identifying Needs and Prioritizing Community Projects
- Planning and Programming
- Dealing with Communal Problems
- Identifying and Forming Institutional Partnerships

Reduced Fuel Consumption Stove Construction

- Community and Environment
- Efficient Trees for Fuel Use
- Energy Plots for Growing Trees for Fuel
- Eco-stove principles, construction and maintenance

COMMUNITY STRENGTHENING AND SUSTAINABILITY

One of the main objectives of the program, in addition to building houses, was to improve the capacity of the beneficiary population, the municipalities and others to respond to problems like the ones Hurricane Mitch left behind. To do this, CHF involved the community in every step of the process. In addition to holding workshops and motivational speeches about community development, house construction, credit, leadership, and the construction and use of improved stoves, CHF involved the beneficiaries in the overall organization of each project. Identification of eligible beneficiaries, organization of committees, construction of community infrastructure and the application for permits are just a few of the areas where the beneficiaries took a lead role in project implementation.

Strengthening the communities adds to the sustainability of each individual housing project. As the beneficiaries learn to identify and resolve their own individual and communal needs, their dependence on outside organizations is diminished.

Nearly 2,700 training hours were reported for more than 1,000 people. The result of this work is clearly seen by the number of loans cancelled to date, the large amount of beneficiary counterpart contribution, the low arrears rate on the loans, the quality in the individual and community works built, the home expansions and improvements reported to date, the absence of labor accidents in more than 600 days of continuous work and the on-going community projects that are being led by community members demonstrating their level of self-sufficiency.

With the goal of strengthening local capacity and ensuring sustainability, CHF worked through a variety of local organizations. The following is a list of those organizations that were instrumental in the implementation of the Starter Home Program:

1. *Patronato* "Grupo de Inquilinos" of Colonia Gracias a Cristo, Choluteca
2. *Patronato* of Colonia Alto Verde, San Lorenzo
3. Neighborhood Association of Colonia Vista Hermosa
4. Housing Cooperative of Getsemaní, El Progreso
5. *Patronato* Pro-Urban Development of El Porvenir, San Manuel
6. Construction Committee of Colonia San Juan, Urraco
7. *Patronato* of Guaymitas, El Progreso
8. Pro-Development Committee of La Esperanza, El Progreso
9. Pro-Development Committee of Ebenezer, El Progreso
10. Municipality of Choluteca, Choluteca
11. Municipality of San Lorenzo, Valle
12. Municipality of Orocuina, Choluteca
13. Municipality of El Progreso, Yoro
14. Municipality of San Manuel, Cortés

DIFFICULTIES FACED

During the implementation of the Starter Home Program, CHF encountered several difficulties. Although these difficulties were eventually overcome and the program was successfully completed, they are being discussed below to provide a frame of reference for the results of the program achieved and to enrich the learning process to benefit future programs.

Identifying the sites where CHF was to implement the program and the proper beneficiaries was the first and greatest difficulty of all. The Starter Home Program proposal was based on a pre identified need in Nacaome and Choluteca. These municipalities were chosen because 1.) They had the highest degree of housing demand due to the destruction caused by Hurricane Mitch; 2.) CHF had built more than 1,000 temporary shelters in this area and was familiar with the beneficiary needs; 3.) CHF had received formal written requests from the local authorities asking for support and committing municipal funds for land and infrastructure.

CHF designed a program that could provide a permanent and safe housing solution to the greatest number of families possible, a solution that could be easily expanded and that had

access to basic services. CHF also insisted on community participation to ensure community sustainability and to not create dependence. Although the success of the program was its final reward, it was difficult to promote the Starter Home Program amidst numerous programs providing homes for free, NGOs competing for beneficiaries and less than honest community leaders.

In January, 2000 CHF opened its regional office in Choluteca and began promoting the program with the local authorities of both cities:

- In Nacaome, months before the program began, the mayor of this city promised to provide a municipal piece of land to build the CHF Starter Homes, nevertheless, once CHF staff visited the site, CHF discovered that the land had been given to another organization to build homes. This was a common occurrence in Honduras as mayors all over the country were offered housing projects that never materialized, or understood a proposal to build homes as a firm commitment even though the implementing organization did not have guaranteed financing. Because of this, mayors were hesitant to share information about offers from other organizations and many times committed land and resources to more than one organization.
- In Choluteca, the situation was more complicated as it was a city heavily destroyed by flooding and one that obviously needed a lot of help from many organizations in order to rebuild. Although CHF coordinated with the mayor, it did not receive any formal support. In the beginning, CHF intended to help those communities that had received a CHF temporary shelter, but since many of these communities were on permanent land, they were quickly picked up by other organizations and provided housing.

After working in the south for several months, CHF decided to request a change from USAID in the scope of work and dedicate its efforts on the north coast where there was still a huge need for housing, and where fewer NGOs had entered to provide housing. CHF was convinced that its methodology would be a successful one and therefore decided to move the project rather than to modify its methodology.

Lack of leadership from the local authorities

Although CHF strived to involve the municipal authorities in the program, not all were as responsive as CHF would have liked. The municipal authorities in Choluteca, for example, were not leading the reconstruction process in their city, and this made coordination impossible. There were so many organizations developing housing projects in Choluteca with no municipal supervision or control that local authorities did not even know about many projects until residents, who now owned a house, arrived at the municipal offices demanding basic services such as water, electricity and trash collection for their neighborhoods. Admittedly, the task at hand was huge with so much destruction and so many organizations working in the area, but nevertheless, CHF had hoped for more coordination and support.

In addition, records of the families who had lost their homes or land were not considered accurate. There were many cases in which a single family was awarded more than one house, while others that were still homeless could not get official confirmation of such from the municipal authorities. In addition, there were only a few organizations in the housing sector that actually spent time verifying the authenticity or veracity of the certifications awarded by the local municipality. Many were also not interested in sharing information or coordinating efforts. CHF, however, notified each NGO working near where it was working about CHF's plans and offered to share beneficiary lists. CHF also notified The International Office of Migration (IOM) and Samaritan's Purse, two organizations working in housing at a national level with funding from USAID, of its intentions to build in an area before it actually did so.

Competition among NGOs

Although one might assume that competition among NGOs would result in the best possible projects being offered to the beneficiaries, this was not the case in Choluluteca and other areas around the country. During the emergency stage and during reconstruction, many national and international organizations with different missions and visions on reconstruction converged upon Choluluteca. Many were motivated by the desire to support reconstruction efforts, but yet others were motivated by the opportunity to share their religious beliefs, personally participate in the reconstruction efforts without regard to sustainability and others to spend the money they had received from donors during the time allotted.

On more than one occasion in Choluluteca, the Starter Home Program underwent the misfortune of having to cancel a project after extensively working with a community and finalizing construction details for a site. Other organizations wanting to build homes introduced their project to the same beneficiaries, and in many cases, the beneficiaries opted for the other programs. Despite of its advantages, the Starter Home was not always the most attractive solution given that other organizations were offering a larger size house for free. The Starter Home Program, unlike many of the housing programs, required the commitment and active participation of the beneficiaries before, during and after the construction process. The Starter Home was smaller¹ in relation to the other options being offered in Choluluteca, and it included a credit component² and a required contribution of manual labor during the construction stage. That said, CHF still believes that providing a basic safe house to the largest number of beneficiaries possible is still a good methodology to follow especially when the housing needs are so numerous to address all of them.

False Community leadership

The sprouting of flood victim settlements and groups resulted in the creation of pseudo-leaders of the communities that appeared to represent the beneficiaries, but also sold their influence to the families in exchange for personal benefits. The competition between NGO's served as a platform so that these pseudo-leaders could negotiate housing proposals with development agencies, churches and others, while guaranteeing unconditional support from "their" community to the one organization that offered the most.

¹The Starter Home is 20 m²; most of the houses built in Choluluteca were 30 or 36 square meters.

²Beneficiaries will pay US \$ 30.00 per month for 24 to 42 months.

These people, far from supporting and facilitating the reconstruction process, obstructed the transparency and the good intentions under which the Starter Home Program and others were designed. Two anecdotes are enough to exemplify this situation:

- In one community in Choluteca, leaders had promoted the disintegration of the families to fulfill the minimum number of beneficiaries required by an organization to start a housing program. Thus, the father, the mother and the adolescent children were represented as separate family entities so that each one would benefit from a new house.
- Representing another community in Choluteca, a person came to CHF and asked for houses for approximately 1,000 Hurricane Mitch victims that had not yet received any help. After visiting the site and investigating the group thoroughly, CHF discovered that the 1000 families were not actual victims of hurricane Mitch, but rather lived in nearby communities and, in exchange for a new house closer to the urban center, had agreed to vote for this community leader in the next elections.

Land Titles in Honduras

Verifying who has legal ownership of land has been an obstacle to development in Honduras for a long time. The majority of landowners do not hold a legally registered title, and many times purchase and sale contracts have been falsified over the years making title almost impossible to determine. In addition, natural or manmade barriers that change over the years make the exact boundaries of a property difficult to determine. On top of that, Mitch and the maquila industry have caused speculation in land prices; all of these factors have made identifying safe land at a reasonable price was a difficult chore for both the program beneficiaries and CHF.

A requirement of the Starter Home Program was that the beneficiaries hold legal title to their land or show that the title process had begun and was imminent. The land also had to meet environmental requirements with respect to risk from natural disaster, harm to the *surrounding community and provision of basic services*. This requirement meant that CHF had to verify the proper ownership of each lot, and review it for environmental concerns, a task that was complicated by the fact that many of the homes built were in disperse locations. That said, CHF recognizes that building in safe areas, taking all environmental concerns into consideration, and legal land ownership were all critical to the success of the program.

D. Lessons Learned

SUSTAINABILITY

Although CHF knew before starting the program that community sustainability required the active participation of the beneficiaries and a real analysis of their needs, the Starter Home Program proved this even further during its implementation and as it compared itself to similar projects nationwide.

In order for a community to be sustainable, the individual families must believe in the project and begin to see it as their own. They must firmly believe that the houses and community will be theirs. The sense of ownership in the Starter Home Program can be seen by the large percentage of houses that have been improved or expanded since the beginning of the program, the large amount of counterpart contributed by the beneficiaries, and the fact that materials were never stolen from the CHF project sites. Projects without this sense of ownership are not well maintained once the NGO leaves, materials are frequently stolen from the NGOs and the communities continue to make demands from the donors for home repairs and maintenance months or even years after a project has been completed.

The credit component of the project also helped to ensure that the beneficiaries truly wanted the house that CHF was providing. It is easy to accept a free house even if it doesn't meet one's needs. It is another matter, however, to make a purchase with one's own money. Although not 100% foolproof, CHF was able to reduce the number of families that participated in the program just to benefit from the subsidy provided without regard to their true housing needs. Without truly meeting the beneficiaries' needs or instilling a sense of ownership, it is too easy for the beneficiary to abandon the house when other opportunities arise or when their needs change.

MUNICIPAL LEADERSHIP AND RESPONSE

CHF signed a Municipal Agreement of Understanding with the mayor of each of the 5 municipalities where the Starter Home Program was implemented --Choluteca, Orocuina, San Lorenzo, San Manuel and El Progreso.

The agreement had the double intention of informing the mayor and the city council about the program's objectives, and at the same time, motivating support for technical and logistical assistance. The municipal response towards the Starter Home Program varied with each municipality. CHF believes that the variations depended upon the installed human capacity within the municipality, the resources available, the vision of the local leaders, and possibly political motivation.

Comparing program results in the northern and southern areas of Honduras, CHF concluded that the response from the northern municipalities was greater and more expeditious for the following reasons:

- The northern municipalities are located in areas that are extremely vulnerable to natural disasters, and the regularity of disastrous events has created a conscious awareness among the population and the authorities about the need to be better organized and to have the ability to confront the resulting adversities;
- Unlike the authorities with which CHF worked in the south, the mayors from the north were running for reelection. They therefore saw their support

of the communities, which translated to greater municipal presence, as a potential way to increase the number of votes in their favor during the next elections;

- In the south, CHF built the individual houses on dispersed lots throughout new or existing neighborhoods, whereas in the north, all the houses were concentrated in one project site. This concentration encouraged stronger endorsement of the program by the municipalities as they considered themselves to be helping an organized group and not just individual families.
- The concentration of houses in the north of Honduras, described in the previous point, allowed the Starter Home Program to effectively work with families through organizations such as, cooperatives, *patronatos*, development committees, etc., that were characterized by installed leadership and a clear representation before the local authorities. These organizations promoted the program and helped to gain municipal support of the housing projects.

CHF can conclude from the experience, that the response capacity of the municipalities to support development initiatives depends upon many aspects that the implementing organization manages:

- The local authorities' knowledge of the objectives and methodology of the program;
- The degree of commitment and participation of the beneficiaries throughout the process;
- The organizational capacity and the genuine leadership within the group of beneficiaries;
- The formal recognition of the beneficiary group by the local authorities.

Although CHF has learned this lesson with other programs, it is a lesson that seems to have to be learned over and over again in Honduras. Many believe that the municipal leaders have a responsibility to respond to every need and request presented to them—from paying for medicine for a poor sick child to providing infrastructure for a massive housing project—even though the municipality does not have the resources, capacity or money to respond.

CHF as an organization, however, tries to identify the strengths and weaknesses of the municipalities and identify what they can and cannot provide. Based on that analysis, CHF develops its strategy with the municipality. At the very least, CHF tries to sign an agreement of understanding so that the municipality acknowledges the project and identifies a point of contact for CHF as needed. CHF does not expect the mayor to be personally available to attend to CHF's requests, nor does it see this lack of availability as a

lack of interest. One's expectations of the mayors have to be realistic to get the response one desires.

BENEFICIARY AND COMMUNITY PARTICIPATION

The successful completion of the Starter Home Program has demonstrated that programs are more dynamic and rewarding when they grow from groups that have previously been established, formed out of a self-identified need. Groups with their own leadership and autonomy, such as neighborhood associations, development groups, and cooperatives typically have a clear idea of their needs and capabilities, and have organized themselves for a collective response to their problems.

One of the great strengths of the program was to have worked with these types of strong community organizations, obtaining in most of the cases a total commitment on the part of the beneficiaries. As mentioned above, CHF observed that the local authorities respond to these organized groups better than they respond to large international organizations. Perhaps they want to reward the organized effort, and since the effort is lead by the community, they do not expect the international organization to finance everything.

Without a doubt, the successful completion of the program objectives depended to a great degree on the proactive involvement of the beneficiaries and their commitment to the program as seen in all stages of project implementation. Although it is certain that CHF needed to be directly involved in the promotion of the program, clearly articulating the program objectives, the work philosophy and the benefits offered by the Starter Home Program, it was actually the beneficiaries, who feeling satisfied with the opportunities offered by CHF and USAID, motivated the majority of the families living in similar conditions to become part of the program.

FLEXIBILITY

The scenarios anticipated during the formulation of a proposal can frequently change in a short period of time, especially after a natural disaster. Project implementers and donors should therefore be prepared to be flexible during all stages of project implementation.

Although the only formal change in the scope of work was the inclusion of working on a national basis, CHF and USAID worked together on a continuous basis to respond to the changing needs of the program. This flexibility allowed for continuous improvement and resulted in the best possible houses being built under the best circumstances, meeting the needs of each local group who benefited.

CHF, following a flexible implementation strategy, adapted the original house model as needed, taking into consideration the budget available and the needs encountered in each area as well as other aspects of the program. This continuous improvement process was successful due to three important considerations:

1. Participation of the families in making decisions (Beneficiaries)

The beneficiaries were involved in each project from start to finish and were eager to accept CHF suggestions and to make their own suggestions regarding counterpart requirements, ownership of land, construction techniques and organization, house design, and credit terms to name a few.

2. Self-criticism capacity of the executor (CHF)

Striving for continuous improvement, CHF actively sought to identify the weaknesses of the program and opportunely define corrective measures and to implement necessary changes in a flexible and expedient manner.

3. Support and continuous pursuit of excellence on the part of the donor (USAID)

The technical support and the feedback from USAID served to facilitate the required changes and continuously motivate CHF to build the best houses possible.

The flexibility of the program was demonstrated, among others, through the following:

- *Home Design and Construction*

CHF substantially modified the original design of the house, adapting it to the suggestions of the actual beneficiaries and the different climate considerations throughout the country. For example, the roofs of the houses built in the southern part of Honduras were clay tiles with wooden roof beams whereas the roofs on the north coast were made of sheet metal and steel roof beams.

CHF also introduced modifications to the basic structure of the house once simple cracking along the windows was identified after the settling of some houses in the south. Similarly, the lintel of the ceilings was reinforced in order to avoid water filtration during periods of heavy rain.

In addition, CHF allowed the beneficiaries to make certain modifications to the house design or additions as the house was being built. Some of these improvements include adding additional cement to the floor to make it smoother, adding color to cement for cosmetic reasons, adding additional windows and/or doors, extending the roof and adding a porch. All of these modifications were made at the cost of the beneficiary and without hindering the construction process of the house.

- *Land Acquisition*

Although not originally contemplated in the proposal, CHF requested permission from USAID to purchase land for the development of the La Esperanza and Ebenezer projects. Before requesting permission, CHF analyzed the risks involved and developed a plan to reduce those risks. The risks included the fact that land

ownership is not always clear in Honduras. Not only can one piece of land have several "owners" due to inaccurate or falsified records, the records that do exist oftentimes use natural or manmade barriers to identify property lines, barriers that over decades change and become difficult to identify.

With its plan in place, CHF set out to identify the land needed for the two projects. Once a proper site was identified in each case, CHF took several measures to identify any potential conflicts over land ownership. In addition to thoroughly reviewing the land titles as far back as records were available, CHF made sure that the general public was aware of CHF's intentions to purchase the land. CHF also notified the municipality of the intended purchase as well as the local papers. In addition, it held a public pre-construction ceremony on the site even though the land had not actually been paid for yet, and installed a large sign indicating CHF's desire to purchase the land and build the houses. All of this was done to identify any conflicts before CHF actually purchased the land. CHF waited approximately 30 days for additional "owners" to object to the purchase before beginning construction. Although CHF never encountered a conflict over ownership with this program, the same types of measures did identify ownership conflicts before construction began with the CHF/USAID HOGAR program.

- ***Credit Terms***

As mentioned earlier in the report, CHF modified the credit terms on an as needed basis to meet the needs of each client group. The beneficiaries were expected to pay for half the direct cost of the house or approximately \$730 as originally calculated in the proposal. In some cases, the amount of the loan was increased when the investment in a particular project was higher; such was the case with the land purchases. This additional amount was seen as fair since in other projects, the beneficiaries provided the land. In addition, the length of the loan was extended or shortened in many cases to meet the beneficiary group's capacity to pay. In a few cases, CHF charged exactly \$70, the amount originally projected in the proposal, even though half of the cost of the house would have resulted in a higher loan amount. This was done in cases where capacity to pay was lower.

E. Buy-Ins

None

F. Sub-Contracting Activities

As originally proposed, the actual building of the Starter Homes was sub contracted to small and medium size local contractors. CHF paid a set price for each home built, and the contractor hired the experienced laborers and helpers. CHF provided materials and logistical support in all cases as well as the technical supervision.

remarkable since many of these families have just begun to make monthly payments on their home loan to CHF while at the same time spending money on home improvements.

Integrated approaches to housing like the Starter Home Program take advantage of all available resources and opportunities to provide more than a safe and secure home. This program provided an opportunity for each family to provide for itself, participate in the development of its community, learn new skills and to become a proud homeowner in addition to creating employment and stimulating the local economy. The CHF Starter Home experience has taught us not to underestimate the potential and capacity of any human being regardless of the disasters they may have faced. On the contrary, it has taught us that many people only need a little bit of encouragement and guidance to help them provide for themselves and their families.

This program served to support many of CHF's beliefs about building communities and homes. It clearly follows the CHF Mission Statement as written: *CHF serves as a catalyst for sustainable positive change in low- and moderate-income communities around the world, helping to improve their housing, economic circumstances, and environments. We work with a wide range of organizations to develop systems, policies, and practices that increase access to affordable housing, community services and finance. CHF believes that safe, affordable housing is the foundation upon which families can build a livelihood, a healthy community, and a peaceful, democratic society.*