Research, Government, Local Economic Development, Philanthropy and the Private Sector Collide to Create an Affordable Housing and Economic Development Opportunity in Colorado:

The Case of indieDwell, Colorado

SUBMITTED TO THE LINCOLN INSTITUTE OF LAND POLICY BY THE COLORADO FUTURES CENTER

Introduction to this Case

On July 6, 2020, indieDwell, a modular affordable housing developer, opened a factory in Pueblo, Colorado with an immediate annual capacity for building 160,000 square feet of housing and plans for expansion from there.

In three short years, research had translated into policy action and as a result Colorado has an innovative option for addressing a portion of its deficit of affordable housing.

Research Helped Support the Case for indieDwell

The authors of this case are both the original researchers and observers of the process that resulted in indieDwell locating in Pueblo, Colorado.

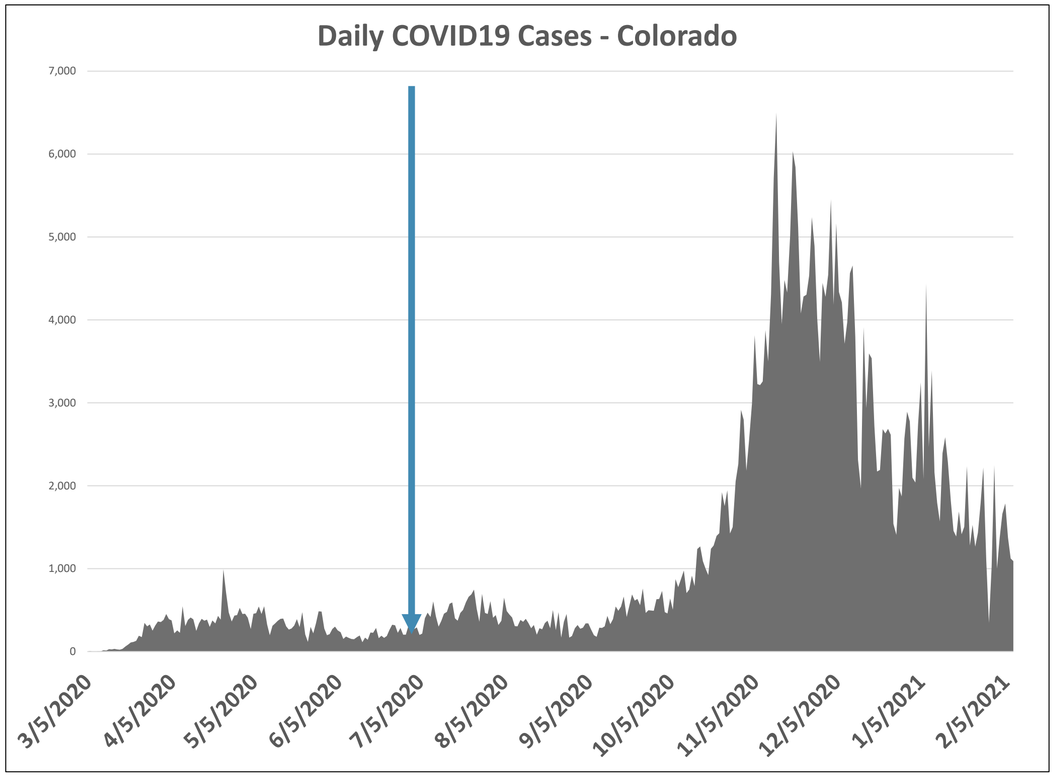
Source: CFC Factors Study, 2018. https://www.coloradofuturescsu.org/housing-unaffordability/

Colorado, COVID19 and indieDwell

July 6, 2020 was indieDwell's opening day in Pueblo. Generally, a ribbon cutting would not be considered high impact, but…

On that day, Colorado reported 216 new COVID19 cases and had already endured a cumulative caseload of 34,316 with 1,704 recorded deaths

And, the factory continued to produce and even expand as the state endured waves of COVID19 surges



Source: CFC calculation from New York Times data

The Early Impact of indieDwell: A Case Worth Studying

indieDwell opened with a workforce of 75 and imminent plans to expand to 110

Orders fulfilled for

- Emergency housing contracts in California.
  - Local economic development incentive requires that 51% of inventory be sold outside the local region.
- In Colorado:
  - Chaffee Housing Authority - eight-unit duplex and
  - Southwest Housing Trust (Lamar, Colorado) and Health Solutions (local to Pueblo), both core behavioral health providers, are under contract to purchase permanent supportive housing units.

Production has increased during the first quarter this year, and the projection for the end the year is 200 workers on four lines - producing 800 modules (note that a module is not necessarily a housing unit).

Pipeline estimates are $300 million- $1 billion, during a pandemic.

Commitments for

- Multifamily projects in Salida and Denver, Colorado, indieDwell's first multifamily projects in the state
- Retirement community in Crestone, Colorado

Working with NeighborWorks Southern Colorado on a partnership for a new community in West Pueblo that will include 720 affordable housing units (for residents between 50% and 120% of area median income), some of which are projected to be indieDwell units.

The Timing was Right for indieDwell

A Cultural Fit

indieDwell Impacts 12 of the 17 UN Sustainable Goals

SDG 1 - No Poverty - By creating a model of shared ownership, paying a living wage and purposefully locating our factories in LMI Areas, indieDwell is helping to demonstrate that poverty can be eliminated through a for profit entity (1.4).

SDG 3 - Good Health and Well-Being - Our homes are free from any VOC's and provide ERV's for continuous clean air. This focus on health helps to reduce exposure to harmful chemicals (3.9). Through providing full healthcare coverage for our employees we are helping to obtain healthcare coverage for all (3.8). Good jobs in LMI communities reduces the tendency towards drug and alcohol abuse (3.5).

SDG 4 - Quality Education - indieDwell provides valuable skills based vocational training for several trades including welding, electrical, plumbing and HVAC. When combined with our local community college partners this leads to high quality education for much needed trades in the construction industry (4.4). Our P/M/V/V's focused on personal, local, and global leadership, peace and equality (4.7)

SDG 5 - Gender Equality - indieDwell is committed to equality in all forms, including gender. We work intentionally to bring women into all roles in the company from construction trades to management. In addition we are certified by GoodWall annually to ensure women and men make equal wages for the same work (5.1, 5.5, 5.8, 5.C).

SDG 6 - Clean Water and Sanitation. We improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials (6.3, 6.4).

SDG 7 - Affordable and Clean Energy. We are committed to build all homes to the U.S. DOE Zero Energy Ready Home (ZERH) standard and have each home HERS rated by a 3rd party to insure compliance (7.3).

SDG 8 - Decent Work and Economic Growth - Our entire corporate model has been designed to empower the employee as an owner and partner in the economic success of the company while working on a product with purpose. We focus on providing the team members with a strong and equal voice and ensuring a safe, diverse, and inclusive workplace. This has led to a strong corporate culture and a recent eNPS score of 88 (8.3, 8.4, 8.5, 8.6, 8.8).

SDG 9 - Industry, Innovation and Infrastructure - Our mico-factory model brings manufacturing back to areas which are in need of high quality jobs. At the same time our housing innovation brings sustainable development to one of the least sustainable industries on the planet - construction (9.2, 9.3, 9.4)

SDG 10 - Reduced Inequality - indieDwell believes our model of shared prosperity is the key to reducing inequality. By paying a living wage as our minimum wage, providing ownership to every employee and sharing profits among all we are creating the opportunity for wealth creation in communities which are normally excluded. Additionally our homes work hard to create wealth for the occupant by reducing utility costs, reducing maintenance costs and reducing healthcare costs (10.1, 10.2, 10.4).

SDG 11 - Sustainable Cities and Communities - No other goal fits indieDwell more appropriately. Our mission as a company is to revolutionize the residential construction industry by producing dwellings that not only better their occupants health and well-being, but simultaneously improve the health of the environment and empower communities. The impacts here range from sustainable and highly resilient housing to smaller footprints and energy efficiency (11.1, 11.3, 11.5, 11.6, 11A, 11B).

SDG 12 - Responsible Consumption and Production - Every aspect of our production is geared towards producing high performing structures while minimizing waste and reducing our footprint as a manufacturer. Our current production process is nearly waste free and our goal is to be carbon neutral in 2019 (12.1, 12.2, 12.4, 12.5, 12.6, 12.8)

SDG 13 - Climate Action - Our housing is highly weather resistant, highly energy efficient and extremely durable. This results in a lower energy footprint, and reduced replacement material necessary after natural disasters. Additionally our commitment to carbon neutral and waste free production process ensures a high level of sustainability. (13.1, 13.3)

Source: indieDwell

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And the Fit was Right for the Colorado Health Foundation

Pueblo is a former steel town experiencing an economic transition

Source: Colorado Health Foundation

The Process and the Players

Hypotheses

Research mattered. **Identification of the problem through research granted validity to both the need and the potential solutions.**

Philanthropy as a source of capital was unique and necessary. **Philanthropy replacing more traditional forms of start-up capital was both unique and important.**

The process required a strong policy entrepreneur. **Aligning the multiple players and interests required a local champion (the policy entrepreneur) to establish the relationships and opportunities for indieDwell to be successful.**

Success required a concerted effort to both undo the stigma often associated with modular housing and for significant changes in Colorado's regulatory regime. **Particularly with respect to the perception surrounding modular housing, indieDwell and its partners needed to work explicitly on a campaign to garner acceptance for the product. Regulatory changes could help support that effort.**

All players and functions supporting the project needed to come together. **The process of bringing indieDwell to Colorado required action from government (in its regulatory role), a research institute, economic development and philanthropy. Failure of any of these integral roles would have precluded success.**

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Method and Interviewees

Philanthropy

Ben Bynum, MD, Portfolio Director of Portfolio Related Investments, The Colorado Health Foundation
Bruce Hoyt, former Senior Vice President of Philanthropic and Impact Investing, Gary Community Investments
Danielle Shoots, Vice President and Chief Financial Officer, The Colorado Trust
Tracey Stewart, Senior Program Officer, The Colorado Health Foundation and former investment director, Gary Community Investments/The Piton Foundation

Government

Maulid Miskall, Director, Office of Regulatory Oversight at Colorado Department of Local Affairs: Division of Housing

Economic Development

Jeff Shaw, Chief Executive Officer, Pueblo Economic Development Corporation

indieDwell

Pete Gombert, Executive Chairman, indieDwell
Bruce Hoyt, Board Chairman indieDwell, Colorado

Research

The authors of this case study (**Colorado Futures Center**) represent the research perspective

Findings

Research mattered. **We found that research mattered.**

Philanthropy as a source of capital was unique and necessary. **We found that philanthropy as a source of disruptive capital for affordable housing projects is rare. This project demonstrates that it was integral for both the innovative, system-based approach to affordable housing and for the community connections that philanthropy brings.**

The process required a strong policy entrepreneur. **We found that the policy entrepreneur was integral to the success of the project; the fact that this role came from philanthropy likely conferred additional advantages.**

Success required a concerted effort to both undo the stigma often associated with modular housing and for significant changes in Colorado's regulatory regime. **We found that the modular stigma persists but that explicit demonstrations of quality, support from the government and a reasonable regulatory environment aid in undoing the stigma.**

All players and functions supporting the project needed to come together. **We find that philanthropy, economic development, government and research combined with a private entity to suggest a viable and replicable model for addressing systemic affordable housing challenges.**

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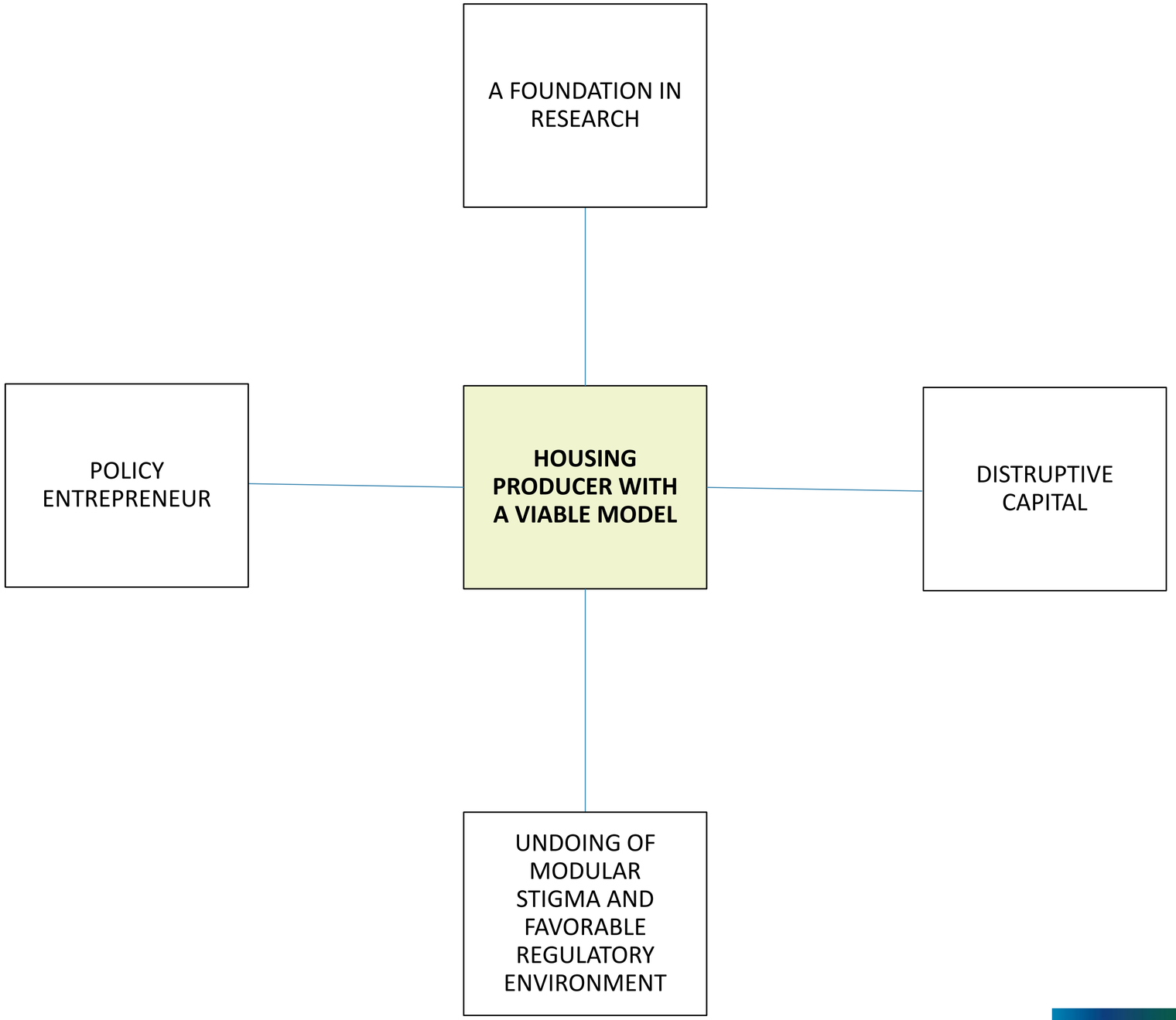
A Replicable Model?



Key Lessons

Strengthening the Model

Financing was an Oversight

- Original research identified financing as potential issue but did not study it explicitly
- In Pueblo, traditional banking not universally receptive to either the product or to extending mortgage credit to lower income households

Philanthropy more important than originally recognized

- Not all capital is the same
- This model benefitted from the disruptive nature of philanthropic capital
- Philanthropy able to step in and address the financing issue