

COMMUNITIES & BANKING

PUBLISHED BY THE PUBLIC AND COMMUNITY AFFAIRS DEPARTMENT OF THE FEDERAL RESERVE BANK OF BOSTON Vol. 3, No. 2 SPRING 1992

FROM ADVOCATES TO DEVELOPERS: THE CHANGING ROLES OF COMMUNITY-BASED ORGANIZATIONS

Despite the recent drop in housing prices, affordable housing remains scarce for lower-income people. According to *The State of the Nation's Housing 1991*, produced by the Joint Center for Housing Studies at Harvard University, "The national economic recession has done little to enhance housing affordability, and the recovery will only restore the pressures on home prices and rents."

The next two issues of *Communities & Banking* will focus on the development of affordable housing. This issue reports on the emergence of community organizations as producers of affordable housing. Their unique ability to create effective housing strategies and secure funding from diverse sources has been well documented. Our lead article discusses the evolution of community-based housing initiatives and the parallel topic of federal involvement in affordable housing. This issue also profiles two community development organizations in New England, the Gilman Housing Trust in Newport, Vermont, and the Coalition for a Better Acre in Lowell, Massachusetts.

The next issue of *Communities & Banking* will focus on sources of debt and equity financing for single and multi-family housing projects. Low-income housing tax credits, bank equity investments in community development projects, and sources of long-term low-interest debt are among the financing sources that will be described.

Although community-based development organizations are the focus of this issue, the following articles make clear the importance of private lenders' support to their success. In recent years, several new avenues for lender participation have opened up.

First, lenders have a new opportunity to become more active in shaping local government policies and programs. The National Affordable Housing Act of 1990 (NAHA) requires cities and states to create and update yearly a Comprehensive Housing Affordability Strategy, or CHAS. This five-year plan documents local housing needs in order of priority and the manner in which public and private organizations are attempting to meet those needs. Local lenders often are not aware that NAHA requires citizen involvement in the development of the CHAS. Given that the CHAS is a long-term planning document for state and local jurisdictions that enables them to access federal housing funds, it is critically important that lenders, as well as nonprofit developers and service providers, be actively involved in its design.

A second opportunity for lenders to work with the public sector is through the new HOME program. (See sidebar and box on page 8 for more detail.) HOME was also created under NAHA and operates like the Community Development Block Grant program in that its funds are distributed to state and local jurisdictions by the U.S. Department of Housing and Urban Development. The manner in which this money is used to create low-income housing is essentially at the discretion of local governments, within program guidelines established by HUD. HOME presents a significant opportunity for lenders to leverage public sector funds and work with community organizations in support of local housing projects.

Lenders can support local affordable housing activity in a third way by becoming members of the Federal Home Loan Bank. The FHLB has estab-

lished several programs through which members can access long-term, low-interest funds for community development projects. The Affordable Housing Program (AHP), established in 1990, is specifically intended for homeownership and rental projects for low- and very low-income households. AHP provides both direct grants and interest-rate subsidies to members in the amount needed to make a project feasible. The program is competitive, but represents one of the few sources of permanent financing at below-market rates.

To receive a copy of your local CHAS, contact your city community development department or state office of economic development (or send for the informational guides listed on page 5.) To find out more about AHP and other Federal Home Loan Bank Programs, call the FHLB Marketing Department at (617) 330-9892. **CB**

Free subscriptions and additional copies of *Communities & Banking* are available upon request to the Public and Community Affairs Department, Federal Reserve Bank of Boston, P.O. Box 2076, Boston, MA 02106-2076, or call Sheryl Snowden at (617) 973-3097.

The views expressed in *Communities & Banking* are not necessarily those of the Federal Reserve Bank of Boston or the Federal Reserve System. Information provided on upcoming events and other organizations should be viewed as strictly informational and not as an endorsement of their activities.

Financial institutions, community-based organizations and other organizations involved in community development that have interesting projects, programs or ideas that they would like to have mentioned in the next issue of *Communities & Banking* should contact:

Elizabeth McMurtrie, Editor
Communities & Banking
Public and Community Affairs
Department
Federal Reserve Bank of Boston
P.O. Box 2076
Boston, MA 02106-2076

THE EVOLUTION OF COMMUNITY-BASED HOUSING DEVELOPMENT

ANDREA CASPARI, FEDERAL RESERVE BANK OF BOSTON

For more than a decade, the country's supply of affordable housing has been shrinking. In the private sector, the number of unsubsidized low-cost units has fallen steadily since the mid 1970s. Many units were demolished because low rents could not cover rising operating and maintenance costs. Others were converted to non-residential use, sold, or upgraded to attract higher rents.

In the public arena, federal funding for programs supporting low- and moderate-income housing declined by more than 80 percent during the 1980s. The U.S. Department of Housing and Urban Development (HUD) saw its budget drop from \$27.8 million in 1981 to \$8.6 million in 1990.

The shrinking supply of affordable housing has meant that households living at or below the poverty level have had to allocate larger shares of their incomes for housing than they did in the 1970s. Among those receiving no public assistance, 77 percent of poor renters and 54 percent of poor homeowners spent more than half their incomes on housing in 1989.

Faced with this situation, community development corporations (CDCs) throughout the country have taken on increasingly greater responsibility in the production and preservation of affordable housing. In Massachusetts, which has one of the most active community development sectors, some 35 percent of the state's existing stock of privately developed affordable housing has been built by community-based

development organizations.

What Are CDCs?

The term "community development corporation" has come to represent a broad spectrum of community-based development organizations directly involved in housing and/or business development efforts.¹ They operate in

some of the country's poorest regions and neighborhoods, both urban and rural. They are predominantly nonprofit organizations, although in many instances they have for-profit subsidiaries that do development work or run profit-making enterprises.

According to a recent survey, 88 percent of CDCs are involved in the production and preservation of afford-

able housing. Their achievements in this area are impressive. It is estimated that almost 320,000 low-income housing units have been developed by the country's CDCs, with about 87,000 of these units completed in the last three years. A recent study shows that in the late 1980s, CDCs developed 19 percent of all new, low-income housing units.

In all this, CDCs have played varied and multiple roles, including those of community sponsor, investor, construction contractor, and property manager. This approach has allowed them to minimize costs and ensure that projects meet community needs.

¹ Bank-owned CDCs are distinct from community-based development organizations in that they are capitalized and owned by financial institutions. They will be discussed in more detail in the next issue.

WHERE DOES THE MONEY COME FROM?

Primary Sources of CDC Operational Support

Federal, State, and Local Government
Corporations and Corporate Foundations
Charities and Religious Organizations
Banks and Other Financial Institutions
Private Foundations
Intermediaries *

* e.g., Revolving Loan Funds, Community Development Credit Unions

COALITION FOR A BETTER ACRE:

FIGHTING DISINVESTMENT IN THE INNER CITY

BETH MCMURTRIE, FEDERAL RESERVE BANK OF BOSTON

"A medium-sized city with big city problems and a small town mindset." That is how the head of the only community development organization in Lowell, Massachusetts characterizes his city. In the past 10 years, Lowell has seen a rapid increase in its immigrant population, rising unemployment, increased property abandonment, and a growing crime and drug problem. These conditions exist throughout the city but prevail in its lower-income communities, particularly in one known as the Acre.



THE STAFF OF COALITION FOR A BETTER ACRE

The Acre got its name from the mill bosses of the previous century, when the textile industry was the driving force behind Lowell's booming economy. Mill owners offered an acre of their land in the city's center to build tenement houses for their workers. Bordered by the Merrimack River, the downtown business district, and the University of Lowell, the Acre has developed over the past century into a tightly knit and increasingly impoverished community.

The two- and three-decker homes, which once housed predominantly Irish, French-Canadian, and Greek working-class families, now also provide shelter for families from Southeast Asia, Latin America, Portugal, and India. According to the 1990 census, approximately two-thirds of the Acre's 17,000 residents have low or moderate incomes. Most residents today are renters and, given the aging housing stock and the lack of upkeep, most of the rental properties are in need of repair.

It was the threatened demolition of the Acre's Triangle neighborhood ten years

ago that sparked the creation of one of the most successful development organizations in New England. In 1982 the Coalition for a Better Acre (CBA) was formed by residents, local churches, and Hispanic groups in reaction to a city-sponsored plan to tear down this Hispanic neighborhood. The plan, which was stopped by CBA, would have ultimately led to the displacement of the neighborhood's lower-income residents.

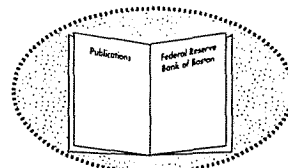
CBA then spent several years working to preserve the affordability of the Triangle's North Canal Apartment complex, a 221(d)(3) project built in the 1960s that provided housing for 1,100 low- and moderate-income people. Under the 221(d)(3) program, the U.S. Department of Housing and Urban Development (HUD) financed the development of low-income rental properties using below-market-rate mortgages. The program allowed owners to convert their properties to market-rate housing after a period of 20 years. Recent legislation has modified this agreement to allow nonprofits first right to purchase these properties, so that they remain affordable.

In 1991, after seven years of negotiations involving HUD, Fannie Mae, the Lowell Development Finance Corporation, and every lender in the city, the North Canal Apartment complex became the first 221(d)(3) project in the country to be sold to a community group. From the outset, CBA recognized that the property, which was sold to them for one dollar, needed

CONSUMER CREDIT: RIGHTS AND OPPORTUNITIES

In conjunction with National Consumers Week 1992, the Federal Reserve Bank of Boston is sponsoring a conference on October 21 for community service professionals on consumer credit. This seminar will review the common forms of credit and sources of loans, fair lending and consumer credit protection laws, refinancings and bankruptcy, and where to get help with consumer complaints. For more information, contact Susan Rodburg of the Public and Community Affairs Department at (617) 973-3450.

NEW PUBLICATIONS...



The 1992 edition of **A Guide to HMDA Reporting: Getting It Right!** is available from Patricia Allouise of the Federal Reserve Bank of Boston Legal Department at (617) 973-3755.

The Federal Reserve Bank of Boston's **Annual Report 1991** is available to the public. For copies, write to:

Publications
Public and Community Affairs
Federal Reserve Bank of Boston
P.O. Box 2076
Boston, MA 02106-2076
Or call (617) 973-3459

extensive renovation and worked to secure equity through low-income housing tax credits. In order to qualify for the credits, the project was structured as a syndicated partnership. The general partner is the North Canal Housing Trust, consisting of CBA and the North Canal Tenants Council (an elected body of North Canal residents). The limited partners are Fleet Bank and Fannie Mae. In addition, a \$13.3 million permanent loan was extended through the Lowell Development Finance Corporation, which is funded by all of Lowell's lending institutions. Income is secured through project-based Section 8 rental certificates on 200 of the 265 units.

"They really know what they're doing in developing and managing low-income housing," notes David Rockwell, Vice President and Community Investment Officer of the Real Estate Division at Shawmut Bank. Rockwell has worked extensively with CBA on the North Canal project. "They've managed it well, especially the complex task of creating a tenant governance structure. They kept an eye toward preserving the value of the property while involving residents in the process."

While these negotiations were taking place, CBA was busy working on other projects. In 1987, it finished the Triangle Homeownership Project, a mixture of rental and ownership properties. This project also involved extensive community input. According to Neal Newman, Executive Director of CBA, "It was important to show that residents have the skill and the initiative to manage their own properties." The Project also legitimized CBA in the eyes of local lenders, and forged a strong working relationship that has proved fruitful for both. "Banks trust us and respect our work," affirms Newman.

The development and preservation of affordable housing is only one of several far-reaching goals of CBA, which has also implemented several commu-

nity service and economic development programs. The Hispanic Empowerment and Leadership Project, the Urban Neighborhood Intervention Teams for Youth Project, and the Southeast Asian Organizing Project are three major initiatives designed to



RESIDENT LEADERS IN THE ACRE



THE NORTH CANAL APARTMENT COMPLEX UNDER RENOVATION

strengthen intra-community ties and support residents working to increase local control over the Acre's development. CBA has also created the Minority Enterprise Development and Assistance Initiative, which offers low-interest loans and technical assistance to small businesses and microenterprises within the community.

Currently CBA is focusing its energies on purchasing and renovating some of the 50-plus abandoned buildings in the Acre. As in many other parts of New England, skyrocketing real estate prices in the 1980s attracted buyers more interested in profit potential than in creating long-term stability in the community. Further, the large mortgages that owners took on left

little room for them to undertake substantial renovations, except to attract higher rents. As a result, CBA is left with the task of turning these rundown properties into well-maintained and *affordable* housing. This doesn't allow them to carry a lot of debt on these

properties. "It's difficult," Newman admits, "to redirect a neighborhood torn apart by 20 years of disinvestment." Ron Applegate, CBA's Development Director, notes that as local lenders have begun to appreciate more fully the links between affordable housing, local control, and community stability, their respect for and support of CBA have increased. David Rockwell concurs. "If nonprofits weren't managing these low-income housing properties, our neighborhoods would likely be in much worse shape."

Where will financial support come from for CBA's future projects? The federal government is "almost non-existent," in Newman's view. "There is no federal housing policy for low- and moderate-income people." He also recognizes that banks "are in a period of retrenchment."

The result is that CBA continues to develop financing structures that blend "cheap" public money from state and local government programs with whatever private financing it can secure.

As Newman sees it, the new environment can be viewed from different perspectives. "On the one hand, these new public/private partnerships signal the collapse of the historic financing structure created to underwrite housing provision for the low-income end of the market. On the other, they present an opportunity to rebuild this structure, incorporating what we have learned in communities like the Acre." Community development corporations like CBA, he adds, "are working to seize the opportunity, not to accept the collapse." **CB**

GILMAN HOUSING TRUST:

CREATING AFFORDABLE HOUSING IN RURAL VERMONT

BETH MCMURTRIE, FEDERAL RESERVE BANK OF BOSTON

The Northeast Kingdom, an area of 2,000 square miles bordering on Canada, epitomizes what many people imagine when they think of Vermont. The most rural and least developed region in the state, the landscape is dotted with family farms and self-started businesses. Not surprisingly, the Northeast Kingdom suffers from high unemployment and has the lowest per capita income in Vermont. Family farms and the timber resource industry historically have supported the local economy; but with small farms in rapid decline and no major businesses moving into the area, the unemployment rate for the 58,000 residents hovers around 12 percent. Still, a strong sense of community prevails. According to Steve Marsh, Senior Vice President and Cashier at Community National Bank in Derby and a 40-year resident, people often joke that the area should secede from the rest of the state; "It's always been an 'us versus them' society."

Several years ago, the North East Kingdom Community Action Agency (NEKCA), the largest social service agency in the region, decided to address the housing needs of low-income renters. The majority of public and private housing assistance has primarily been channeled into homeownership programs, either new construction or renovation. This focus is not surprising considering that over 70 percent of the region's households are homeowners. However, for very low-income families for whom ownership is not possible, finding decent and affordable housing is extremely difficult.

In 1988 NEKCA set up the Gilman Housing Trust (GHT) to buy and renovate some of the rundown houses in the area, primarily large Victorian homes that had been subdivided in the earlier part of the century to board farm and timber industry workers. NEKCA saw that with moderate rehabilitation these

properties could be turned into housing for lower-income families, the elderly, and people with special needs.

Gilman Housing Trust's mission is to develop perpetually affordable housing for people earning less than 80 percent of the area median income, with no more than 30 percent of their income going toward rent. In practice, they have made their properties affordable for people earning between 50 and 60 percent of the median. More importantly, the quality of GHT's properties is significantly better than what low-income renters can get in the existing market. The depressed economy that has kept rents low has also prevented most property owners from sufficiently maintaining their buildings.

Making Housing Affordable

How does Gilman Housing Trust make its properties affordable? According to Executive Director Ed Stretch, GHT follows three basic rules: minimize the purchase price; set rehabilitation priorities on placing the structure and systems in good condition while lowering secondary or operating costs; and shop for the best advantage in financing, looking for fixed-rate, low-interest money. GHT has three primary sources of funds: Vermont Community Loan Fund, Vermont Housing and Conservation Board, and local banks. All three are critical to the work of GHT. The role of each of these organizations is described below.

Vermont Community Loan Fund is a private nonprofit organization that provides loans and other services to community-based housing projects for low-income and other disadvantaged groups. The fund is supported by very low-interest loans from socially conscious investors. A typical loan to Gilman Housing Trust would be at 5 percent for five years. At the end of the term, GHT refinances the loan through a private lender.

CHAS GUIDES

The Comprehensive Housing Affordability Strategy (CHAS) is a five-year planning document required of state and local governments that wish to receive money from several federal housing programs, including HOME. The CHAS must describe local housing needs and conditions, available resources for affordable housing, and existing or planned policies and programs designed to meet local housing needs. Below are listed several publications that describe the CHAS development process.

CHAS Monitor, Low Income Housing Information Service (1992). This periodical is intended to provide timely information to low-income housing advocates that will help them influence the design of their state and local CHAS. Includes information on CHAS developments around the country and updates on HUD activity as it relates to the CHAS. Write to LIHIS National Support Center, 1012 14th Street, N.W., Suite 1200, Washington, D.C. 20005. Or call (202) 662-1530. Free for nonprofit community-based organizations.

CHAS: A Citizen's Action Guide, Center for Community Change (1991). A guide for organizations who wish to get involved in the CHAS process. Provides an overview of the law and regulations, suggestions on how to get involved, and an outline of how a CHAS is put into action. Write to the Center for Community Change, 1000 Wisconsin Avenue, N.W., Washington, D.C. 20007. Or call (202) 342-0519. Free for low-income community-based organizations, \$9.50 for other nonprofits, and \$17 for all others.

CHAS Under the National Affordable Housing Act, National Council of State Housing Agencies (1992). This guidebook on preparing state and local CHAS documents is primarily intended for government officials involved in CHAS development. Includes the most recent instruction and forms issued by HUD. Write to NCSHA, 444 North Capitol Street, N.W., Suite 412, Washington, D.C. 20001. Or call (202) 624-7710. Prices vary.

Vermont Housing and Conservation Board is a state agency that supports both affordable housing and conservation projects. It offers long-term deferred loans and capacity grants to nonprofit organizations. The loans act as equity in a project for the first 20 years, with both principal and interest (usually 3 to 5 percent) deferred. This allows Gilman Housing Trust to leverage additional financing from private sources.

In order to receive funds from the Vermont Housing and Conservation Board, GHT includes a requirement in the covenant on the property that if the building is sold to an entity that does not ensure perpetual affordability, part of the profit upon sale must go to VHCB. This clause helps to ensure that the property will remain affordable.

A local bank provides the first mortgage, typically a 20-year loan at or slightly below market rate. If GHT defaults on its mortgage, the bank has first claim to the property.

"The affordable housing advocates in Vermont work together closely," notes Stretch. "They share the information necessary to efficiently utilize state and federal programs, keep legislators informed of the needs in the community, communicate with lenders, and create an atmosphere of confidence."

Gilman Housing Trust has four projects under its belt to date: small, four- to eight-unit properties in the towns of Barton and Newport. They are currently working on a larger property, with 22 units, for which they are hoping to receive federal low-income housing tax credits. According to Stretch,

their greatest need is for low-interest permanent financing.

Bank and Community Ties

The Board of Directors of Gilman Housing Trust plays a strong role in guiding the organization and reflects its diverse community. Directors include tenant representatives and representa-

Trust. It is a small bank (\$150 million in total assets) whose delineated community falls within the Northeast Kingdom. CNB has developed strong ties with Gilman Housing Trust, as much through their shared vision for the community as through their financial relationship. According to its Community Reinvestment Act statement, "As a local bank which derives substantially all of its income from the local community, Community National Bank takes its responsibility to the community very seriously."

In addition to financing Gilman Housing Trust projects, the bank is applying for membership in the Federal Home Loan Bank system. This would allow CNB to access critical long-term below-market financing through the Affordable Housing Program that was set up specifically to support low-income housing development. White noted that past GHT projects financed by CNB have been very attractive to his bank. Vermont Housing and Conservation Board support, in particular, allows the projects to work with low loan-to-value ratios. Further, having the proposals reviewed by other financing agencies, such as VHCB and Vermont Community Loan Fund, ensures that they are soundly structured.

Community National Bank Vice President Steve Marsh feels strongly about supporting local development initiatives: "A community-

based approach is better than a state or federal one," he says. "Community development organizations like Gilman Housing Trust are filling a void that needs to be filled. They deserve the support of lenders." Stretch concurs: "It is, ultimately, the local nonprofit that provides the catalyst around which local needs are converted into real housing opportunity." **CB**



GHT RENOVATED THIS SIX-UNIT RENTAL PROPERTY LOCATED IN NEWPORT, VERMONT.



GHT'S LATEST ADDITION: PART OF A TWENTY-TWO UNIT COMPLEX LOCATED IN NEWPORT, VERMONT.

tives of several community agencies. Its board president, Richard White, is also President of Community National Bank in Derby.

Community National Bank is one of five banks in the Northeast Kingdom, and one of three that have helped finance projects of the Gilman Housing

FFIEC ADOPTS REVISIONS TO INTERAGENCY QUESTIONS AND ANSWERS ABOUT COMMUNITY REINVESTMENT

In March and April of this year the Federal Financial Institutions Examination Council (FFIEC) adopted two revisions and two additions to the Interagency Questions and Answers designed to help institutions meet their responsibilities under the Community Reinvestment Act and to increase public understanding of the regulations and examinations procedures. Following are the two new questions and answers. For a copy of the complete document, contact the Public and Community Affairs Department at (617) 973-3097.

Question 30: When assessing CRA performance, do the regulatory agencies consider a financial institution's lending, investment, development and general support activities outside of the institution's delineated community?

...[A]ssessment of an institution's performance under CRA focuses on its record in helping to meet credit needs within its delineated community. The agencies are aware, however, that financial institutions may organize, support, or use a wide variety of programs, organizational mechanisms or intermediaries that help finance such things as low- and moderate-income housing, small and minority businesses and other community projects on a statewide, regional or even national basis. Although these programs or mechanisms may be available to support loans and investments within an institution's delineated community, they often provide the bulk of their financial support in other geographical areas.

Under certain circumstances, the agencies will give positive consideration in assessing CRA performance for active participation by a financial institution in such programs and mechanisms, even where most or all of the financing provided may ultimately benefit low-

and moderate-income borrowers or neighborhoods located outside of the institution's delineated community.

In determining whether and to what extent positive consideration will be given, the agencies assess the activities undertaken in the context of an institution's overall CRA program. Where such participation augments or complements an overall CRA program that is directly responsive to the credit needs in an institution's delineated community, it will be considered favorably in reaching an overall CRA conclusion. However, such activities and involvements will be insufficient to compensate for an otherwise deficient record of addressing the credit needs of an institution's delineated community.

Examples of such programs or intermediary organizations (other than traditional direct lending) are:

- lending consortia or loan pools that provide community development financing and technical assistance for low- and moderate-income housing, small and minority business development, or other neighborhood revitalization projects;
- multi-investor community development corporations;
- limited partnerships that invest in low- and moderate-income housing;
- secondary market corporations and programs which explicitly target loans for low- and moderate-income housing, small and minority businesses, or small farms;
- quasi-public housing, community development or economic development finance corporations in which state or local government agencies

participate, often with financial institutions or other contributors;

- state bond programs for housing, community and economic development, or public infrastructure projects;
- public or private intermediaries which provide loan guarantees or other credit enhancements used by financial institutions to support community development lending and investment.
- capital investment, loan participation and other co-ventures undertaken with minority and women-owned financial institutions. These and similar vehicles help institutionalize and support community development lending and investment. In general, they enhance the capacity of financial institutions to help meet community credit needs, including those of low- and moderate-income neighborhoods.

Question 31: What effect would an institution's selling loans it has originated within its delineated community have on the institution's CRA performance?

The agencies have found that the sale of loans in the secondary market enhances CRA performance where such sales enable an institution to recycle funds for origination of additional loans within its delineated community.

Where loans are part of a comprehensive CRA program designed to ascertain and help meet credit needs within the institution's delineated community, such loans clearly help demonstrate CRA performance, whether or not they are ultimately sold on the secondary market. To ensure that appropriate consideration under CRA is given for loans sold, however, institutions should consider retaining information concerning when and where the loans were originated.

HOME PROGRAM GUIDES

The HOME program was created under the National Affordable Housing Act of 1990 and represents the largest source of new federal funds for the creation and support of low-income housing. The following publications provide detailed information on the HOME program, including which projects and organizations are eligible to receive HOME funds and funding requirements.

HOME: A Guide for CDCs, Local Initiatives Support Corporation (1992). This guide explains how the HOME program works, including organization and activity eligibility criteria, legal issues, and program requirements. For a photocopy, write to the Community Information Exchange, 1029 Vermont Avenue, N.W., Suite 710, Washington, D.C. 20005. Or call (202) 628-2981. \$13.

Rural HOME: An Introduction to Using the HOME Program in Small Towns and Rural Areas, Housing Assistance Council (1992). This publication describes the HOME program and how it can be effectively used to support rural housing projects. Write to HAC, 1025 Vermont Avenue, N.W., Suite 606, Washington, D.C. 20005. Or call (202) 842-8600. \$4.

HOMEworks, National Community Development Association (1992). This bimonthly publication is designed to provide a forum for the analysis of successful housing partnerships around the country and updates on legislative and regulatory initiatives that affect the HOME program. Write to NCDA, 522 21st Street, N.W., Suite 120, Washington, D.C. 20006. Or call (202) 293-7587. \$150 per year.

The HOME Program: Home Investment Partnerships, U.S. Department of Housing and Urban Development (1991). This program guide provides general information on the HOME Program, including eligibility criteria for organizations and projects. Call the HUD Office of Community Planning and Development at (617) 565-5381. Free.

What makes CDCs unique, and uniquely effective, is their comprehensive approach to community development. CDCs are likely to work simultaneously on a range of community-building and support activities. Over 60 percent are involved in job training and placement, youth and health care programs, counseling, and community advocacy and organizing. This involvement in multiple community development activities signifies a detailed understanding of their communities' problems and needs.

What follows is a brief overview of the evolution of the CDC movement in relation to the federal government's role in the production of affordable housing.

The 1960s: Urban Unrest and the Great Society

In the early 1960s, some of the first CDCs, whose roots lay in neighborhood-based advocacy, were supported by grants from the Ford Foundation. Working in a context of widespread urban decay and, by mid-decade, urban riots, these CDCs sought to address urban renewal problems by tackling both social and economic issues. Significant achievements of these early CDCs included the provision of human services, assistance to developing businesses, and the creation of jobs.

Federal interest in funding CDCs grew in the mid 1960s as the urgency of urban problems increased. Although the federal government had actively participated in housing production since the 1930s, primarily through the Federal Housing Administration's mortgage insurance program targeted at middle-income homebuyers, it was not until the 1960s that social welfare policies began to significantly shape federal housing programs. Essentially,

these policies were based on a philosophy that government intervention and expenditure were necessary to reduce the inequalities that resulted from the market system.

By 1966, as part of President Johnson's 'Great Society,' a range of federal anti-poverty measures had been implemented, designed to empower the poor and support community-based economic development. Among them were programs that gave substantial funding to a relatively small number of CDCs. In 1968, landmark housing legislation established major housing programs that provided for the participation of nonprofit sponsors, although at that point CDCs had only limited involvement in developing low-income housing.

The 1970s: A Period of Transition

The number of CDCs grew by the hundreds in the 1970s. Some, though not all, were supported by federal funding. Several of the Johnson

WHAT IS HOME ?

The National Affordable Housing Act of 1990 authorized the creation of the HOME Investment Partnerships program. HOME funds are block grants allocated to state and local jurisdictions by formula and can be used for the acquisition, new construction, and rehabilitation of affordable housing, and for tenant-based rental assistance.

Each participating jurisdiction is required to provide a matching contribution to projects in which HOME funds are used. A 25 percent match is required for rental assistance and rehabilitation projects, 33 percent for substantial rehabilitation, and 50 percent for new construction. These matching requirements have been waived for FY92 funds.

Administration's housing initiatives and programs to support CDCs in comprehensive community economic development activities continued for a time. However, by the mid 1970s external factors such as the oil crisis and the recession, combined with the failure of some ill-conceived or badly implemented large federal programs, caused many to question 'big' government's ability

to solve social and economic problems. The changing mood was reflected in the design of one of the most significant new programs created under the Nixon Administration, Community Development Block Grants, which handed control over federal money to state and local governments.

During this period CDCs began to develop new roles for themselves. Some

CDCs, having pressed for passage of the Home Mortgage Disclosure Act (1975) and the Community Reinvestment Act (1977), initiated partnerships with lenders to provide private mortgage financing for housing in formerly 'redlined' neighborhoods, and then moved into the actual production of affordable housing themselves.

While the first generation of CDCs began as community advocates and deliverers of social services, the CDCs formed in the 1970s have been described as a transitional group, moving toward housing and economic development but not yet as focused as the newest CDCs.

The 1980s: A Laissez-Faire Approach to Housing

With the arrival of the Reagan Administration, federal planning and intervention in the housing market was rejected under the Administration's belief that, in the words of the President's Commission on Housing (1982), "the genius of the market economy, freed of the distortions forced by government housing policies that swung erratically from loving to hostile, can provide housing far better than Federal programs." In the same report, however, it was noted that "the private market has been unwilling or unable to house many of the families [who live in public housing], including many single-parent, minority, and large

CONTINUED ON PAGE 12

FOR FURTHER READING...

Listed below are some of the publications on which this article is based. For information on ordering these books, please call the Public and Community Affairs Department at (617) 973-3289. They are also available for review in the Department's Resource Library.

Against All Odds - The Achievements of Community-Based Development Organizations, National Congress for Community Economic Development, 1989.

Changing The Odds - The Achievements of Community-Based Development Corporations, National Congress for Community Economic Development, 1991.

Community Economic Development Assessment: A National Study of Urban Community Development Corporations, A. Vidal, Community Development Research Center, New School for Social Research, 1989.

Corrective Capitalism - The Rise of America's Community Development Corporations, N. Peirce & C. Steinbach, Ford Foundation, 1987.

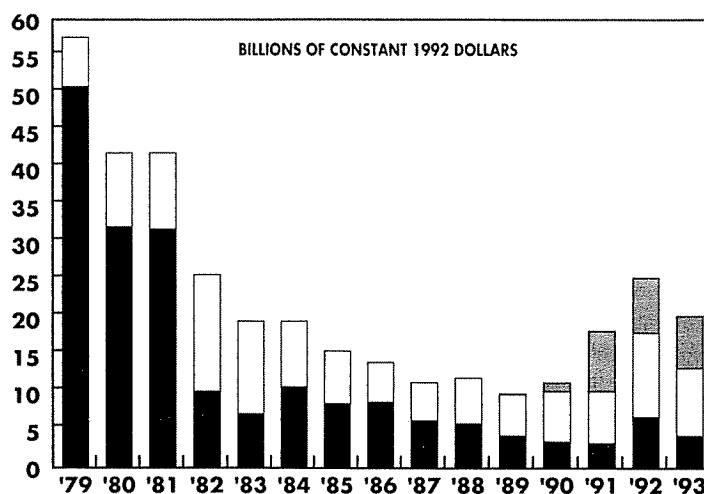
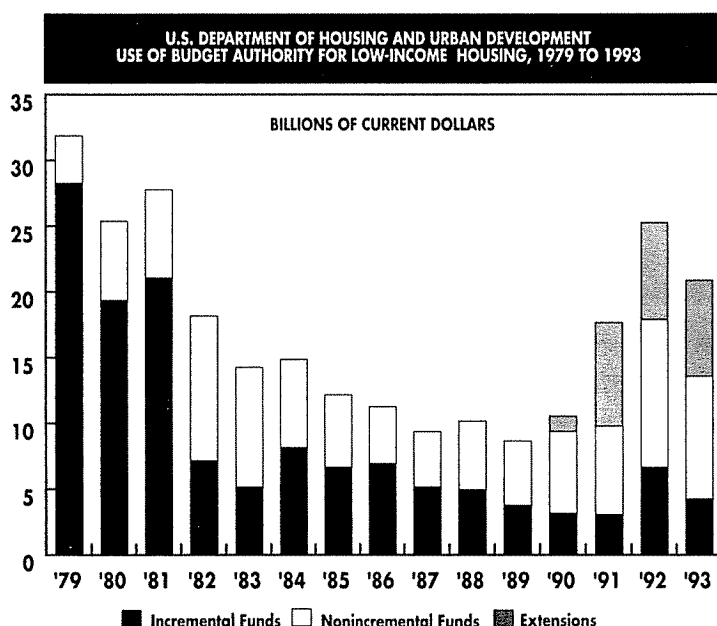
Critical Perspectives on Housing, R. Bratt, C. Hartmann, A. Meyerson, eds., Temple University Press, 1986.

Rebuilding a Low-Income Housing Policy, R. Bratt, Temple University Press, 1989.

The Federal Government & Urban Housing - Ideology and Change in Public Policy, R. Allen Hays, State University of New York Press, 1985.

The State of the Nation's Housing 1991, Joint Center for Housing Studies of Harvard University, 1991.

One-Third of a Nation: A New Look at Housing Affordability in America, Michael E. Stone, Economic Policy Institute, 1990.



Incremental funds are used for increasing the supply of low-income housing, including both project- and tenant-based subsidies.

Nonincremental funds include expenditures for maintaining existing subsidized or low-income housing.

Extensions represent the cost of extending or renewing expiring subsidy contracts.

Source: *At a Snail's Pace: Charts & Tables on the 1993 Budget*, Low Income Housing Information Service (1992)

PUBLICATIONS

CRA NOTES

Affordable Housing

*** *At a Snail's Pace: Charts and Tables on the 1993 Budget***, Cushing N. Dolbeare (1992). This report provides an overview of Federal spending over the past 8 to 10 years, with an emphasis on housing. Includes statistics on the federal budget authority and outlays for major functions and programs. Write to the Low Income Housing Information Service, 1012 14th Street, N.W., Suite 1500, Washington, D.C. 20005. Or call (202) 662-1530. \$10 for members, \$20 for nonmembers.

*** *A Place to Call Home: The Low Income Housing Crisis Continues***, Center on Budget and Policy Priorities and the Low Income Housing Information Service (1991). Based on the U.S. Census Bureau/Department of Housing and Urban Development *American Housing Survey 1989*, this report documents the nationwide housing affordability crisis for low-income households. Write to LIHIS, 1012 14th Street, N.W., Suite 1500, Washington, D.C. 20005. Or call (202) 662-1530. \$10 for members, \$20 for nonmembers.

*** *Low Income Housing in America: An Introduction***, Larry Yates (1990). An informal introduction to the issues surrounding low-income housing. Includes information on various groups and public agencies involved in affordable housing. Write to the Low Income Housing Information Service, 1012 14th Street, N.W., Suite 1500, Washington, D.C. 20005. Or call (202) 662-1530. \$5 for members, \$10 for nonmembers.

*** *The State of the Nation's Housing 1991***, Joint Center for Housing Studies of Harvard University (1992). Examines housing market trends and outlooks as they affect housing affordability in America. Includes statistics on the ability of various groups to afford homeownership and

low-cost rental housing. Write to Publications Department, Joint Center for Housing Studies, Harvard University, 79 John F. Kennedy Street, Cambridge, MA 02138. Or call (617) 495-7908. \$15.

*** *Low Income Housing Needs***, Cushing N. Dolbeare (1992). An extensive statistical analysis of the housing needs of low-income renters and homeowners, housing trends, and government policy. Write to the Low Income Housing Information Service, 1012 14th Street, N.W., Suite 1500, Washington, D.C. 20005. Or call (202) 662-1530. \$10 for members, \$20 for nonmembers.

*** *Low Income Housing FY93 Budget Analysis***, Low Income Housing Information Service (1992). An analysis of the FY93 federal budget, focusing on housing and low-income allocations. Write to LIHIS, 1012 14th Street, N.W., Suite 1500, Washington, D.C. 20005. Or call (202) 662-1530. \$5.

Rural Housing and Development

*** *A Guide to Housing and Community Development Programs for Small Towns and Rural Areas***, Housing Assistance Council (1990). A catalogue of programs offered by the Farmers Home Administration, the Department of Housing and Urban Development, the Economic Development Administration, and other federal agencies. Write to HAC, 1025 Vermont Avenue, N.W., Suite 606, Washington, D.C. 20005. Or call (202) 842-8600. \$7.

*** *The Other Housing Crisis: Sheltering the Poor in Rural America***, Center on Budget and Policy Priorities and the Housing Assistance Council (1989). Based on the U.S. Census Bureau/Department of Housing and Urban Development *American Housing Survey 1985*, this report examines the problem of housing affordability in rural areas. Among the issues covered are housing needs and costs, the level and effectiveness of federal housing

assistance programs, and characteristics of the rural poor. Write to HAC, 1025 Vermont Avenue, N.W., Suite 606, Washington, D.C. 20005. Or call (202) 842-8600. \$8.

Microenterprises

*** *Directory of Microenterprise Programs***, Self-Employment Learning Project (1992). This directory describes the various organizations involved in microenterprise development and the programs they offer. Each entry includes basic programmatic information and contact names and addresses. Write to The Aspen Institute, Publications Office, P.O. Box 150, Queenstown, MD 21658. Or call (410) 820-5326. \$10.

Community Land Trust

*** *Community Land Trust Legal Manual***, Institute for Community Economics (1992). A resource for community housing organizations and their attorneys seeking comprehensive information on community land trusts. Includes information on incorporation, tax-exempt status, designing resale formulas, and financing homes on leased land. Also includes model legal documents. A free hardcover copy of the **Community Land Trust Handbook** is also provided with each purchase. Write to Outreach Dept., ICE, 57 School Street, Springfield, MA 01105-1331. Or call (413) 746-8660. \$100.

CRA/HMDA

*** *Making CRA Work for You: A Guide for Community Organizations***, Woodstock Institute (1991). A guide to assist community organizations wishing to ensure that local institutions fulfill their obligations under the Community Reinvestment Act. Includes existing laws and regulations, examples of reinvestment agreements, and suggestions for successful strategies. Write to the Woodstock Institute, 407 South Dearborn, Suite 550, Chicago, IL 60605. Or call (312) 427-8070. \$20 for for-profits, \$10 for nonprofits.

*** Using the Community Reinvestment Act in Low-Income Historic Neighborhoods,**

National Trust for Historic Preservation (1992). Explains CRA legislation and documents the efforts of a coalition of community organizations in Pittsburgh to bring historic-preservation benefits to low-income and minority neighborhoods. Write to the Preservation Forum, National Trust for Historic Preservation, 1785 Massachusetts Avenue, N.W., Washington, D.C. 20036. Or call (202) 673-4296. \$5.

*** Understanding the Community Reinvestment Act,**

Organization for a New Equality (1992). This 30-minute training video provides an introduction to CRA. Ready for cable access, public television, classroom, or organizational use. Intended for a general audience. Write to O.N.E., 485 Columbus Avenue, Boston, MA 02118. Or call (617) 424-6631. \$50.

CRA/HMDA Update. This periodical covers the latest developments in CRA and the Home Mortgage Disclosure Act. Topics include regulatory developments in CRA, fair housing law, and fair lending law enforcement; advancements in HMDA monitoring among community organizations; changes in the secondary market that support CRA lending; and legislative news. Write to CRA/HMDA Update, P.O. Box 42387, Washington, D.C. 20015. Or call (301) 951-1240. \$250 for nonprofits, \$295 all others.

*** Report of the Mortgage Lending Task Force of the American Bankers Association,**

ABA (1992). This report offers a series of recommendations for the development of sound mortgage lending programs to people in minority and low/moderate-income communities. Write to C. Howie Hodges III, Director of the Center for Community Development, American Bankers Association, 1120 Connecticut Avenue, N.W., Washington, D.C. 20036. Or call (202) 663-5480. Free.

Organizational Development

*** Building on Success: A Report on State Capacity-Building Programs Targeted to Nonprofit Housing Developers,**

Low Income Housing Information Service and National Housing Law Project (1991). Based on a survey of state agencies, this report examines the effectiveness of state programs designed to build the capacity of nonprofit housing development organizations. Call LIHS at (202) 662-1530. \$20.

The Strategic Planning Workbook for Nonprofit Organizations,

Bryan Barry (1986). A guide for nonprofits and government units to develop a method of strengthening their organizations within an atmosphere of funding cuts and increased competition for resources. Write to Rebecca Andrews, Amherst H. Wilder Foundation/MSS, 919 Lafond Avenue, St. Paul, MN 55104. Or call (612) 642-4025. \$27.

* Denotes publications available for review in the Public and Community Affairs Resource Library.

CONFERENCES

July 20

"Retooling Your Local Economy," National League of Cities. Chicago, IL. This seminar is designed to help participants develop strategies for community-based economic growth. Sessions include Understanding The Health of Your Local Economy, and Critical Strategies for Retaining and Growing Businesses and Jobs. For more information, call the NLC at (202) 626-3170.

July 23-24

"Financing Local Economic Development," National League of Cities. Baltimore, MD. Workshops include The Role of Financial Intermediaries in Economic Development, Community Development and Small Business Financing, and Downtown Development and Real Estate Financing. For more information, call the NLC at (202) 626-3170.

July 30

"Preparing Competitive Funding Proposals," Economic Development and Industrial Corporation of Boston. Boston, MA. This seminar is geared primarily for nonprofit organizations and is designed to help improve proposal writing skills by reviewing actual proposal submissions and RFPs. For more information, contact Karen Popplewell of EDIC at (617) 635-4700 ext. 114.

Sept 10-13

"Institute on Women and Economic Development," Ms. Foundation. Atlanta, GA. Workshops include Changing Policy: Turning Program Skills into Policy Activism and Second Stage Issues for Loan Funds. For more information, contact Danielle Burnside of the Ms. Foundation at (212) 353-8580.

September

"Business, Jobs, and Community: Strategies for Economic Recovery," Massachusetts Minority Enterprise Investment Corporation and Federal Reserve Bank of Boston. Boston, MA. This conference is designed primarily for minority small business entrepreneurs. Workshop topics include business management, financing sources, and MESBIC options. For more information, contact Kelli Hand of MEIC at (617) 338-0425.

September

"Neighborhood Commercial Revitalization," National Council for Urban Economic Development. Chicago, IL. Topics include financing options for commercial revitalization and development, growing small businesses as a strategy for neighborhood development, and capital access for small commercial businesses. For more information, contact NCUED at (202) 223-4735.

Public and Community Affairs Department
Federal Reserve Bank of Boston
P.O. Box 2076
Boston, Massachusetts 02106-2076

CONTINUED FROM PAGE 9 THE EVOLUTION OF COMMUNITY-BASED HOUSING DEVELOPMENT

families," suggesting a contradiction within the laissez-faire approach.

Despite this ambivalence, the cuts in federal spending that accompanied the reorientation of policy were far-reaching. Whether through direct production, rental-income subsidies, or incentives to developers, federal support of affordable housing was significantly reduced.

Although or perhaps because CDCs saw federal support of affordable housing production and preservation drastically reduced during the 1980s, their numbers increased from 1,000 in 1980 to 2,000 by the end of the decade. This is a significant achievement in light of the fact that virtually all direct federal funding of CDCs for operational support and technical assistance was cut by 1981. These newly emerging CDCs differed significantly in focus and structure from their predecessors. As they saw both the public and private sectors fail to meet affordable housing needs, CDCs aggressively moved into the development arena. And, as federal subsidies declined, they were forced to broaden their support base, looking to local and national private corporations and foundations. CDCs also became adept at forming partnerships with state and local governments and local lending institutions. These new partnerships still only represented a fraction of the federal support available to CDCs before the 1980s, however. Particularly crippling was the lack of operating, capacity-building, and pre-development funds.

1990: The National Affordable Housing Act

In 1990, Congress passed the National Affordable Housing Act (NAHA), stating that "the living environments of an increasing number of Americans have deteriorated over the past several years as a result of reductions in federal assistance to low-income and moderate-income families." NAHA has been identified as the most significant housing bill since the mid 1970s, in that it sets out to expand housing assistance and reaffirms the central role of federal government in supporting the production and renovation of

low-income housing. Simultaneously, NAHA decentralizes the design and administration of housing programs, giving state and local governments, and, potentially, CDCs, more control over the process of addressing their communities' housing needs.

CDCs' importance as developers of affordable housing is acknowledged and supported in this legislation in several ways. Specifically, NAHA sets aside 15 percent of funds in its HOME program (see box, page 8) for projects sponsored by nonprofit community housing development organizations. Funds have been made available for technical assistance and to develop the capacity of these organizations. Furthermore, they are identified as priority purchasers of privately owned, publicly subsidized low-income housing (subject to so-called "expiring use restrictions") wherever this housing is put on the market.

Challenges for CDCs Today

Although NAHA increases federal support of CDCs as developers of affordable housing, it is clear that CDCs often operate under extremely difficult circumstances in order to meet the needs of their communities. For example, their flexibility in working with multiple partners, while valuable from the perspective of broadening the community development base, can result in complex projects and the need to meet many different funding eligibility requirements simultaneously.

Further, commentators recognize that more is needed in terms of long-term support, such as predevelopment funds, grants and other sources of "cheap money," long-term debt financing, and basic operational and capacity-building funds.

Not only do CDCs fill a gap in the provision of affordable housing, but their efforts may also strengthen a neighborhood and leverage money that was not previously available into both their own and other community projects. Their successes in the area of housing production and preservation have proven CDCs to be effective, dedicated, and sophisticated partners in community development. **CB**