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## Local Success Stories

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## NONPROFIT HOUSING

### LOCAL SUCCESS STORIES WILL HUD'S KEMP SIGN ON?

**A** backyard revolution has been taking place in inner cities and rural areas of the United States: nonprofit and community-based groups have been building and renovating affordable housing on a scale much broader than in the past. Since the late 1800s, settlement houses, labor unions, and wealthy philanthropists have built apartment houses and cooperatives for working-class families. But in the 1980s, the nonprofit housing movement has burgeoned in response to federal housing cutbacks, the withdrawal of for-profit developers from the subsidized housing business, and a deepening shortage of affordable housing in communities across the country.

Since 1981, federal housing funds have been slashed from over \$30 billion to under \$8 billion. New funding for public housing run by local government agencies has been virtually eliminated. When the Reagan administration ended subsidy programs for new apartment construction, most private developers stopped building low-income housing. Not surprisingly, the number of new low-income apartments has declined—from over 200,000 a year during the 1970s to less than 15,000 in 1988.

According to a just-completed survey by the Washington, D.C.-based National Congress for Community Economic Development, however, some 2,000 nonprofit builders—with ties to community organizations, churches, tenant groups, social service agencies, and unions—have tried to fill the vacuum. In lieu of federal monies, they have had to patch together resources from local and state governments, private foundations, businesses, and charities.

Raymond Flynn, the mayor of Boston, has called the emergence of socially-committed developers alongside church and community groups "the only silver lining in the dark cloud of the housing crisis during the Reagan years." Over twenty-five nonprofit groups have built thousands of housing units in Boston during the last several years. At the Boston Housing Partnership (BHP), for example, the chairmen of the city's largest banks and insurance companies sit on the board with city and state government officials and the directors of community-based nonprofit groups. Through the BHP, the city and state

government provide subsidies to builders. So far, ten Boston-based corporations have invested over \$16 million in projects undertaken by neighborhood-based community development corporations (CDC). These CDCs own and manage over 1,600 low-income apartments in the city.

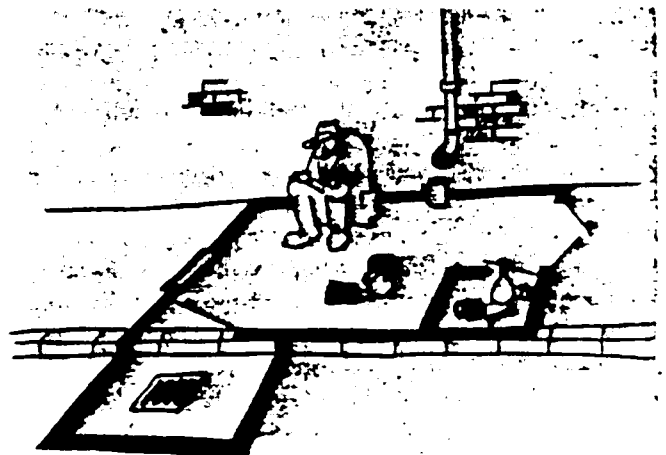
The bricklayers union in Boston pressured the bank that holds its pension fund to lend, at reduced rates, start-up monies needed to form a nonprofit housing group. In two years, the group has built more than two hundred brick, Victorian-style townhouses in three neighborhoods. Over a thousand working-class families applied for the homes, which were sold at the cost of construction, about half their market value.

Private foundations have also played a key role in supporting the nonprofit housing sector. A few years ago, Boston's United Way began funding community development corporations, an experience so successful that the United Way of America began to fund similar projects in Houston, Chicago, Pontiac, Michigan, Rochester, and York, Pennsylvania.

In 1980, the Ford Foundation created the Local Initiatives Support Corporation (LISC) to channel corporate funds to nonprofits. LISC-supported nonprofit groups in twenty-six cities have produced over 14,000 units for low- and moderate-income residents.

Developer James Rouse, who built the new town of Columbia, Maryland and whose urban festival marketplaces (e.g., Baltimore's Inner Harbor and Boston's Faneuil Hall) contributed to the nation's inner city revival, has set up the Enterprise Foundation. Enterprise has provided financial and technical help (on construction techniques, for example) to over a hundred low-income groups in some twenty-seven communities, leading to more than 3,000 new homes.

Corporate America has increasingly recognized that nonprofits are an effective way to provide housing that is affordable for their low-wage employees. Business leaders in Cleveland, New York, Chicago, Baltimore, Boston, and other cities have joined with government officials and community housing activists to form public-private-community partnerships. Some of San Francisco's top business leaders sit on the board of the nonprofit Bridge Housing Corporation, which has built over 3,000 units in mixed-income developments in the Bay Area.



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## Building with a conscience

While nonprofit housing ventures have particular problems and limitations, they also have strengths that deserve to be recognized. "Nonprofit groups are responsive to community needs," says Sarah Smith, president of the Denver-based McAuley Housing Foundation, a group sponsored by the Sisters of Mercy. "They're in a good position to involve local residents." Since 1980, the McAuley Foundation has helped community groups in rural areas and small towns (in Colorado, Idaho, and New Mexico) to build and repair 600 low-income housing units.

Richard D. Driscoll, head of the Bank of New England and Boston Housing Partnership chairman, has said that nonprofits "are a part of the neighborhood and a part of its daily life. They're aware of what matters after the rent is paid"—issues such as crime, job training, child care, and building maintenance.

Most nonprofits in housing have started by fixing up a small building or two. For example:

- In Dallas, the Common Ground Community Development Corporation has, since 1982, rehabilitated for low-

income families fifty inner-city homes that had been slated to be bulldozed.

- In the troubled manufacturing city of York, Pennsylvania, a long-term neighborhood social service agency set up the Cripus Attucks Community Development Corporation in 1983. With financial help from local businesses, foundations, and the city government, the group has fixed up twenty-six apartments, primarily for working-poor families.

Some nonprofits have been able to expand their work significantly:

- The Catholic Archdiocese of Minneapolis/St. Paul has established twenty-four nonprofit groups that manage over 2,200 apartments for poor families, seniors, and handicapped persons. The groups link residents with medical services, child care, and other support programs as well.

- In the wealthy community of Santa Barbara, California, where the average home sold last year for over \$275,000, the nonprofit Community Housing Corporation has constructed 462 units—including single-family houses, garden-style apartments and condominiums, limited equity cooperatives, and a rooming house hotel—for the city's low-income families and elderly residents.

A few nonprofits are sophisticated builders with a social conscience, who have—often through foundations—constructed multimillion-dollar developments. P.D.

Even with these allies however, the bootstrap approach has its limits. Subsidy funds—required to fill the gap between what working-class families can afford and what housing costs to build and operate—are scarce. Meanwhile, waiting lists for any kind of affordable housing are bulging. Even the most penny-pinching nonprofit groups acknowledge that the federal government will have to resume a major role if their local success stories are to expand enough to help relieve the national housing crisis.

Many members of Congress, who went along with the housing cutbacks proposed by the administration during the eighties, were disenchanted with previous big-budget subsidy programs they viewed as expensive give-aways to politically-connected developers or to mismanaged local housing authorities.

While most public housing is well-managed, urban "high-rise ghettos" have hurt the overall image of public housing. As Professor Dennis Keating of Cleveland State University has said, "Subsidizing profit-oriented developers to house the poor...didn't work. They often take the money and run—with the tenants left behind in mismanaged projects and the taxpayers footing the bill. In contrast, nonprofit groups are more accountable to the residents and the surrounding community; they're not carpetbaggers. And they tend to spend public funds more wisely and cost-effectively—to make the housing work...."

Today, some housing experts see nonprofit groups as a helpful middle-ground between government-owned public

housing and government-subsidized for-profit developers. Congress may finally be willing to put the federal government back in the housing business, if nonprofits play a significant role. Last year, when Representative Joseph Kennedy (D-Mass.) filed the Community Housing Partnership Act—to provide federal funding to community-based housing groups—he quickly found over 100 cosponsors. If passed, the bill would provide three federal dollars for every dollar nonprofits can raise from local public and private sources.

"On its own, this \$500 million program is not an immediate solution to the national housing crisis," explained Kennedy. "But it provides a vehicle for steady growth in the nonprofit sector's capacity, so that within a few years it can have a major impact."

With the growing epidemic of homelessness among the poor and the decline of home ownership among the middle class, the Bush administration will be looking for new approaches to the nation's housing woes. Perhaps newly confirmed HUD Secretary Jack Kemp, a conservative former Congressman from Buffalo, will expand the nonprofit approach as part of his overall housing program. To an administration that emphasizes self-help, entrepreneurship, and grassroots initiative, the nonprofit approach could have a decidedly Republican appeal.

PETER DREIER

*Peter Dreier has written widely on housing policy issues. His articles have appeared in the New York Times, the New Republic, the Boston Globe, and other publications.*