

COMMUNITY DEVELOPMENT PROGRAM

GRANT STRATEGY

**The New York Community Trust
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This paper will:

Define community development and describe the organizations that work in the field.

Discuss the changing role of government in community development.

Identify major private funders.

Review the local context.

Review The Trust's Community Development grant program and recommend a revised strategy.

INTRODUCTION

The Housing and Community Development Act of 1974 defines community development as “*the development of viable communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for persons of low and moderate income.*”

- Housing and other forms of physical development are a central part of community development.
- Community development has its roots in the War on Poverty, emerging in the sixties as an alternative to “urban renewal,” the practice of demolishing large tracts of land to clear urban blight.
- It brought an overlay of self-determination to anti-poverty efforts that were often imposed without the consent of or consultation with those most affected.

COMMUNITY DEVELOPMENT ORGANIZATIONS AND ACTIVITIES

Community development is carried out by a wide variety of groups:

- Community development corporations, known as CDCs, develop and manage real estate, usually housing, but also commercial and community facilities.
- Private developers who use public subsidies to build affordable housing or commercial facilities.
- Community organizations that:
 - offer services and advocate for improved housing conditions for low-income renters or homeowners;
 - work with local businesses to improve the quality of commercial services and increase job opportunities;
 - focus on improving environmental conditions in their neighborhoods;
 - provide financial services to low-income residents (e.g., counseling, benefits assistance, and Earned Income Tax Credits).
- Intermediaries and trade associations that build the capacity of the field and citywide groups that advocate and do research on community development policies involving housing, land use, and economic development.

Increasingly, community development groups have expanded their scope of work to include other neighborhood improvement efforts, such as access to healthy food, better schools, the waterfront, adequate transportation, and cultural events.

Sometimes the “community” in community development is the whole City, dealing with special populations or issues, such as:

- Immigrants who are widely dispersed across the City;
- People with special housing needs, such as homeless veterans or youth aging out of foster care;
- Job creation and other economic matters that are not confined to a single neighborhood.

GOVERNMENT SUPPORT FOR COMMUNITY DEVELOPMENT

The federal government began supporting community development in the 70s and continues supporting it today.

- The 1974 Housing and Community Development Act gives block grants to states and local governments to address community development needs in low-income communities. It is overseen by the U.S. Department of Housing & Urban Development (HUD). New York City is the nation's largest recipient of community development block grants; its 2012 allocation is \$149.7 million, down from approximately \$250 million just a few years ago.
- The Section 8 program, also introduced in 1974, subsidizes rents for low-income tenants by making up the difference between 30 percent of household income and the "fair market rent" for a privately owned apartment unit. Subsidies are expiring and significantly less funding is now available.
- The 1977 Community Reinvestment Act requires banks to provide grants and loans to help meet community development needs in low- and moderate-income areas where they had refused to lend.
- The Low Income Housing Tax Credit was introduced in 1986, authorizing CDCs to sell tax credits to investors who want to decrease their tax liabilities and use the proceeds to construct or renovate housing. It is now the nation's principal program for affordable housing production, financing over two million units of housing nationally in 2011.
- A similar tax credit was introduced in 2000 to generate private sector investment in non-housing development (retail centers, charter schools, child care centers, community facilities, etc.). This New Markets Tax Credit program has so far generated \$6 billion in commitments out of a total \$15 billion available nationally.
- In 1994, the Community Development Financial Institutions Fund was set up as a unit of the Treasury Department to make grants to and investments in credit unions, banks, and other financial institutions established to provide credit and financial services to underserved markets and populations.

New York City government, particularly the City's Department of Housing Preservation and Development (HPD), has led the nation in community development investments.

- Thirty-five years ago, when City government was New York's biggest landlord, Mayor Koch used City and State funds to launch the nation's most ambitious municipal housing plan. It was a ten-year plan to create 180,000 units of housing.
- In 2003, Mayor Bloomberg started a \$3 billion Housing Marketplace plan to create and preserve 65,000 units of housing. In 2005, the plan's goals were revised to 165,000 units of housing at a projected cost of \$7.5 billion. To date, some 120,000 units have been completed or are under construction.
- The City also issues more than \$100 million annually in tax exempt bonds to finance affordable housing construction and renovation.
- City housing and community development officials often work with foundations, banks, and for-profit and nonprofit housing developers to address critical housing problems. A recent example is the Center for NYC Neighborhoods, a source of training and financial assistance for neighborhood groups responding to the foreclosure crisis.
- A few City agencies support business and economic development programs that affect low-income neighborhoods.
 - The Department of Small Business Services funds commercial revitalization programs and business improvement districts (BIDS), City-regulated entities in which incremental taxes are assessed to pay for enhanced sanitation and other services in commercial areas.
 - The Office of Financial Empowerment, a unit of the Department of Consumer Affairs, supports financial counseling and other financial services.
 - The City's Economic Development Corporation oversees large scale real estate and infrastructure development projects that generate jobs and revenue.

The State plays a more limited role.

- From 1959 until 1978, the Mitchell-Lama program generated more than 100,000 units of affordable rental and co-operative housing throughout the state. Developers received tax abatements and subsidized mortgage loans, in exchange for keeping rents (or maintenance charges) affordable. Up to a third of the City's Mitchell-Lama apartments have been lost in the past 20 years as the subsidies end and owners opt out of the program.
- The State's Division of Homes and Community Renewal provides grants for weatherization to neighborhood housing groups, allocates tax credits for housing and commercial development, and monitors rent regulations.
- SONYMA (State of New York Mortgage Authority) issues bond financing for affordable housing development, and provides grants and other support for first-time homebuyers.
- Some State agencies offer resources and programs that support economic development in low-income neighborhoods:
 - NYSERDA (New York State Energy Research and Development Authority) provides energy-efficiency grants and loans.
 - The Departments of State and Environmental Conservation support efforts to reclaim and redevelop brownfield sites.
 - The Department of Labor and the Empire State Development Corporation are resources for community development organizations working on employment and economic development issues.

PRIVATE FUNDING SOURCES

Many national, regional, and local foundations support community development. The most prominent local funders include:

- Altman Foundation—neighborhood housing and workforce development groups.
- Brooklyn Community Foundation—community development in Brooklyn neighborhoods.
- Mertz-Gilmore—community development activities and technical assistance.
- Robin Hood Foundation—several community development corporations as part of its network of “one-stop-shops” offering benefits counseling, job training, and other services to low-income New Yorkers.
- Scherman and New York foundations—community organizing.

The community development field has benefited from collaborative funds nationally and locally.

- Neighborhood Opportunity Fund (formerly the Neighborhood 2000 Fund) comprising banks, foundations, and intermediaries, has distributed \$25 million for housing development and housing policy advocacy.
- Living Cities, a prominent group of national foundations and financial institutions, has invested nearly \$1 billion over 20 years. It recently shifted its emphasis from community development to focus on asset-building and changing systems that affect poor communities, such as transportation and schools.

The corporate sector also supports community development.

- Banks are required by the Community Reinvestment Act (CRA) to make grants, loans, and investments in low- and moderate-income neighborhoods in their service areas.

- Local CRA support has declined significantly as the number of banks has decreased through mergers and consolidations: 11 of the City's largest 25 banks have been acquired and merged with other banks since 1999.
 - The New York City Council recently passed the Responsible Banking Act, a local version of CRA, to assess how banks holding City deposits are meeting the community development needs of low-income neighborhoods.
- Other corporations invest in community development through their purchase of tax credits for housing and commercial development, but that also is declining as the allocations of housing and new market tax credits have been reduced consistently in recent years.

COMMUNITY DEVELOPMENT: THE NEW YORK CITY CONTEXT

The need for community development is strongest in the same areas of concentrated poverty that most of our other program areas focus on: northern Manhattan, central and eastern Brooklyn, and the Bronx south of Fordham Road.

- But there are pockets of poverty in areas throughout the City, often coinciding with large public housing developments.
- Most low-income neighborhoods also include some moderate and even upper-income households.
- Queens and Staten Island also have many low-income immigrant neighborhoods characterized by illegal dwelling units and overcrowded housing conditions.

Communities are fluid, responding quickly to market forces that can cause tensions between long-time residents and newcomers, creating community development challenges.

Housing

- In the seventies and eighties, City officials and community development groups working together reclaimed thousands of *in rem* apartment buildings that were abandoned by owners and taken by the City for nonpayment of taxes.
 - Community organizations formed to rescue their neighborhoods, supported by City programs that transferred title to low-income residents (in exchange for “sweat equity”) using community development block grants for capital costs.
 - Leaders of these organizations typically had limited knowledge of real estate and no formal training in how to run and sustain a nonprofit organization. Over time, many of the groups became full-fledged CDCs with professional skills in real estate development.

- Despite enormous investment, the City’s shortage of affordable housing continues unabated. High housing costs are a chronic problem.
 - The percentage of New York City households spending more than half their income on rent grew from 26 percent in 2008 to 29 percent in 2011.
 - About a quarter of the City’s renters live in rent-stabilized apartments, but that number is declining as some provisions of rent stabilization result in the permanent removal of thousands of units from rent regulation.
 - One out of every 20 New Yorkers lives in public housing. The New York City Housing Authority is by far the nation’s largest operator of public housing, and is one of the largest real estate operations in the world.
 - Overall foreclosures rates among low-income homeowners are slowing down, but foreclosures are still a serious problem in neighborhoods of every borough except Manhattan.
 - Homelessness is undiminished: some 40,000 individuals and children sleep in City shelters on a typical night.

Economic Development

- For the business community:
 - Despite the City’s loss of manufacturing jobs, local development corporations manage several neighborhood industrial parks that continue to be an important source of blue collar jobs in communities such as Hunts Point, Sunset Park, and around the Brooklyn Navy Yard.
 - Many community development organizations work with neighborhood businesses to strengthen local commercial strips. Commercial revitalization programs occasionally “grow up” to become business improvement districts.
- For individuals:
 - Financial literacy classes and individual financial counseling, often combined with tax refund and tax credit assistance during tax season, are popular community development services of late.

- Helping entrepreneurially inclined residents start and sustain small businesses and microenterprises is an attractive community economic development strategy, especially when job opportunities are limited.
- For the community:
 - CDFIs (community development financial institutions) are Treasury Department-certified financial institutions with community development missions. A CDFI can be a bank, a credit union, a loan fund, a community development corporation, or even a venture capital fund.
 - Four borough-wide economic development entities (for each borough except Manhattan) focus on job creation and small business development in coordination with businesses and community development organizations in their boroughs.

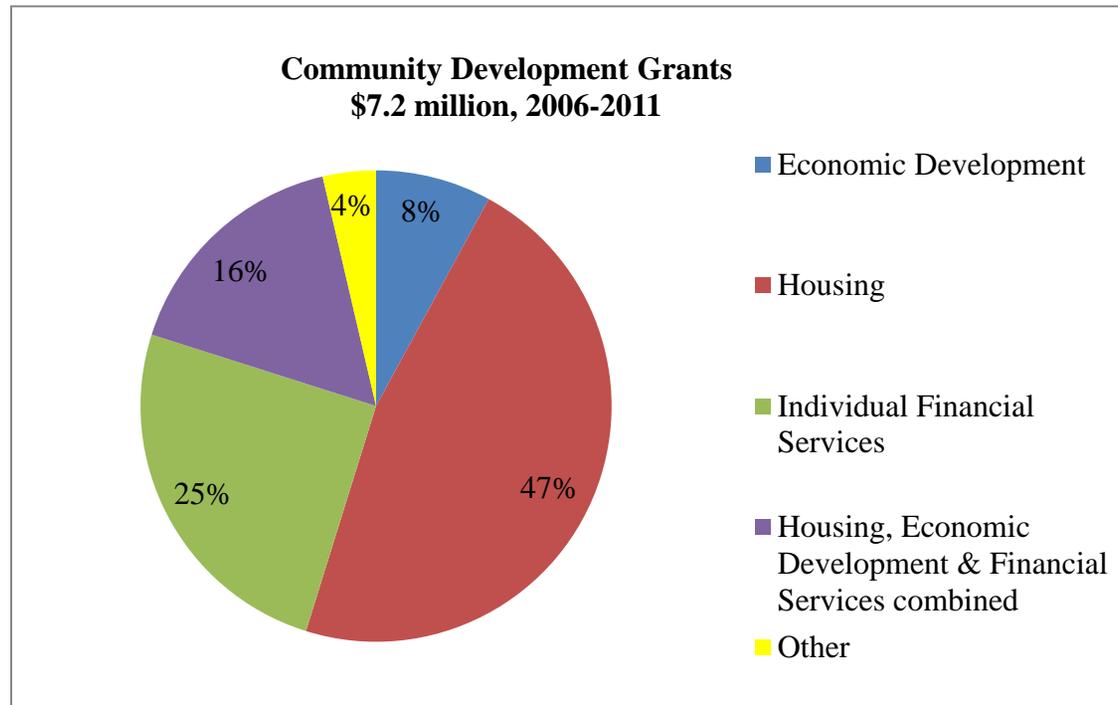
THE TRUST’S COMMUNITY DEVELOPMENT PROGRAM

Since 1996, our community development grantmaking strategy has focused on:

- Housing preservation, with an emphasis on property management;
- Job creation;
- Development of new sources of capital, such as credit unions and CDFIs;
- Capacity building for community development groups;
- Research and advocacy inform community development programs and policies.

The Trust’s community development grant budget is approximately \$1 million annually; the average grant size is \$52,000.

From 2006 through 2011, we made 155 grants totaling \$7.2 million to support the following:



Since 1979, the Neighborhood Revitalization Program (NRP) has been an important part of our community development program.

- Its purpose was to provide critical operating support for emerging neighborhood organizations working on housing and business development.
- Since 1992, NRP has focused on specific issues, such as new housing development strategies, income support, needs of immigrants, and workforce development.
- Close to \$15 million in NRP grants have been awarded since the program's inception.
- Over the years, many grantees have become multi-million dollar operations with millions in real estate holdings and hundreds of employees.

The Trust's community development grants were often blended with money from other program areas for innovative projects, such as:

- Developing a network of neighborhood centers for free tax assistance that generated \$82 million in earned income tax credits and other cash benefits for low-income New Yorkers.
- Starting a program to help CDCs develop housing options for youth aging out of foster care.
- Providing financial and technical assistance in energy retrofitting for several subsidized apartment buildings in Manhattan and the Bronx.

The Trust's community development grantmaking has had many accomplishments.

- Early support of community development intermediaries, including LISC, Enterprise, Association of Neighborhood and Housing Developers, Supportive Housing Network, Corporation for Supportive Housing, and others that are today's go-to resources for advocacy and capacity building.
- Influenced economic development policies on issues such as tying corporate tax subsidies to job creation and strategies for retaining manufacturing jobs.
- Founding member of Neighborhood 2000 Program, now Neighborhood Opportunities Fund, the preeminent collaborative funder for local community development in the nation.
- Seeded the start-up of several community development entities that became models of public-private collaborations, such as the New York Acquisition Fund, which helps CDCs bring equity to development projects.
- Used modest community development grants as catalysts to jump-start million-dollar development deals.
- Helped neighborhood credit unions establish an emerging community development subsector of financial and asset-building services for residents of low-income communities.

A PROPOSED CHANGE IN STRATEGY

Much has changed since 1996, the last time our Community Development grant program was reviewed.

There are fewer housing development opportunities for community development organizations.

- CDCs must compete with private affordable housing developers for high-priced sites.
- Development subsidies through Section 8 and other federal programs have been reduced considerably.
- CDCs are having a hard time managing their properties:
 - The small size of many CDC real estate portfolios provides no economies of scale.
 - Residential and commercial rent arrears have increased, and groups are falling behind in real estate and other taxes.
 - Reserves for capital improvements are short at the same time that roofs, boilers, and other major systems need replacement.
 - Many tax credit-financed buildings are in a legal limbo as limited partners/investors have been party to multiple mergers.
- With little development, revenue from fees has dropped significantly or disappeared.

As the City's economy has continued to change, community development groups have found new ways to create jobs.

- Although there are fewer manufacturing zones, local development corporations and the City have identified growing sectors in the remaining industrial parks in Brooklyn and the Bronx, including biotechnology and food, as well as booming distribution services around the airports.
- Entrepreneurial programs have been developed to help unemployed residents open home businesses; this strategy has been particularly useful in immigrant communities.
- In the South Bronx and other areas, community development organizations have created remediation plans for brownfields, built new parks and greenways, and planted green roofs and gardens, all of which have attracted private investment and jobs.
- Expanding commercial services, such as food or hardware stores, have created jobs and improved neighborhoods.

Community development groups also have added services to help residents get ready for jobs.

- Neighborhood workforce development efforts are limited unless they are connected to broader citywide networks of organizations or have strong ties to groups of employers in a particular sector or neighborhood.
- In 1999, The Trust started a workforce development program to create a more effective citywide system of publicly funded job placement centers with a focus on sector employment strategies. It does not support individual training and placement.
- Combining workforce development services with local networks of employers or industrial centers provides better jobs and career paths.

A number of community development organizations have become full-fledged settlement houses in their neighborhoods with programs that include human services in addition to more traditional housing and economic development.

- Community development organizations have reached out to work with public housing residents in their neighborhoods.
- Financial empowerment and literacy programs have helped neighborhood residents manage household budgets.
- Youth development, after-school, and summer job programs are offered.

Because of these changes, we recommend a more targeted grantmaking strategy with three priorities:

- Preserve affordable housing by:
 - Maintaining rent regulated and/or subsidized rental apartment buildings;
 - Helping low-income homeowners, including owners of limited equity cooperatives and condos;
 - Encouraging community development organizations to provide services in public housing and include residents in Community life;
 - Supporting creative and cost-effective housing management practices for CDCs.

- Develop local economies and strengthen household finances by:
 - Preserving and developing manufacturing and other well-paying blue collar jobs;
 - Supporting services for local business districts and neighborhood entrepreneurs;
 - Promoting the redevelopment of brownfields for economic development;
 - Helping low-income New Yorkers save money and build assets.

- Build the capacity of community development organizations to serve as hubs for neighborhood services by:
 - Helping develop new business models to replace real estate-related revenue;
 - Encouraging partnerships, consolidations, and alliances where there is duplication of services.