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Coming Together

The nonprofit housing development field has myriad intermediaries and support organizations, but no one unified voice. Should it have one?

By DEE WALSH AND ROBERT ZDENEK

"The housing development field could benefit from having a national trade association." Calvin Holmes, executive director of the Chicago Community Loan Fund, made this suggestion earlier this year at a meeting of housing and community development practitioners and intermediaries, noting that community development financial institutions have such an association.

Holmes's suggestion was timely. With the new administration, there is a great opportunity to shape federal programs and expand resources. One could argue that now is the time for the nonprofit housing sector to step forward and redefine the system within which it works. But there is a big drawback to making this happen: There is no single voice, nor a unified agenda or strategy, for promoting such change.

While the nonprofit housing sector has greatly matured over the past 40 years in size, experience, and sophistication and is currently supported by myriad networks, associations, and intermediaries, it doesn't have a single representative trade association. Each of the existing entities has its strengths and allies, but collectively there is duplication of effort and a fracturing of the message. Without a single voice for the field, it has been difficult to formulate or respond to national policy initiatives.

Where We've Been

To better understand the evolution of the field, one must look back to the early 1970s when the sector's first trade association, the National Congress for Community Economic Development (NCCED), was created. Early community development corporations (CDCs), created by Title VII of the Office of Economic Opportunity in the mid 1960s, formed NCCED so they would have a common voice to maintain the federal funding that supported their organizations. As the CDC field started to grow, NCCED broadened its focus to initiatives such as the formation of new federal community development programs.

After the election of Ronald Reagan, the Office of Economic Development (OED), which had provided financial support to 40 to 50 CDCs for over a decade, was eliminated, as were several other key HUD programs. NCCED had received the lion's share of its funding base from OED, so it had to scramble.

Also during the 1980s, an independent support system began to emerge for the field. The Ford Foundation, one of the earliest funders of CDCs, helped establish the Local Initiatives Support Corporation (LISC). LISC was capitalized in 1981 with $10 million from Ford and six other private funders to serve as an intermediary providing technical assistance and project-based support to a couple dozen CDCs. LISC grew rapidly and within a few years was able to raise money from hundreds of private and public institutions.

At the same time, real estate developer James Rouse, who had volunteered at Jubilee Housing in Washington, D.C., decided to establish his own intermediary, The Enterprise Foundation, now Enterprise Community Partners. Both LISC and Enterprise had powerful boards of directors and were well connected to private and public sector leaders at the national level.

In the late 1980s, the creation of the Low-Income Housing Tax Credit and the National Community Development Initiative (now Living Cities) enabled LISC and Enterprise to move to scale, supporting hundreds of CDCs across the country and offering them a variety of tools, from core operating support and capacity building grants to pre-development and project financing.

Another intermediary that grew significantly during this period was Neighborhood Reinvestment Corporation (NRC), now NeighborWorks America, established by Congress in the late 1970s with a significant direct appropriation. By the mid 1980s it started supporting CDCs.

Between these four organizations, by the early 1990s a significant CDC support system had been established, largely focused on affordable housing production. The number of CDCs dramatically increased during this period, from under 500 in 1980 to 2,000 in 1991. In this period NCCED also experienced a rapid growth in membership and programs and helped establish over a dozen state CDC associations. For many in the field, NCCED was the public face of CDCs through its national census, conferences, publications, and policy work.

The national and regional intermediaries supported NCCED to varying degrees, but did not see NCCED as a major resource for CDC capacity building and training. Development Training Institute had emerged as the leading training resource for CDC practitioners in the 1980s and 1990s, and intermediaries were themselves able to offer both grant and loan programs and free resources (training, policy support) to CDCs. NCCED, on the other hand, charged membership dues, did not provide financing, and had difficulty delivering the same level of support.

During this same period, metropolitan and regional nonprofit housing organizations emerged out of public-private efforts to address housing needs. Unlike the CDCs, which were rooted in specific neighborhoods and focused on community change, these organizations were focused primarily on housing production. Additionally, several national service organizations, such as Volunteers of America, began to become active in affordable housing production. These national nonprofits operate on a much larger scale than traditional CDCs.

Slow Decline of NCCED and Growth of Niche Networks and Associations

Several important developments in the mid to late 1990s started the slow decline of NCCED. In the search for funding, NCCED started placing greater emphasis on special projects and initiatives that were outside its core mission, shifting, in the words of Opportunity Finance Network president Mark Pinsky, from an entrepreneurial spirit to chasing government money. This made NCCED's array of services less relevant to its members, causing membership numbers to drop. This exacerbated NCCED's financial challenges, causing it to pursue funding that led it further afield.

A growing number of Latino and Asian American community development organizations, many immigrant focused or led, felt they were not being well represented by NCCED and either became less active or dropped out. These organizations formed their own associations, including Coalition for Asian Pacific American Community Development (CAPACD) and the National Association of Latino Community Asset Builders (NALCAB). Roberto Barragan, a founder of NALCAB and long-time director of Valley Economic Development Corporation, says NALCAB "focuses on asset-building activities that create wealth and build on the strengths of Latino communities in a culturally relevant way."

At the same time, there was continued growth in the number of state and local CDC associations, often aided by NCCED, and an increasing number of CDCs participating in these state and local associations. None of these associations were in direct competition with NCCED, but the cumulative effect was the weakening of NCCED. NCCED was dissolved in 2006, and there was no apparent successor.

After NCCED's demise, state association leaders formed the National Alliance of Community Economic Development Associations (NACEDA) with initial support from the former Fannie Mae Foundation. As its name suggests, NACEDA is an association of associations, and its bylaws stipulate that the 3,200 members of its members are also members of NACEDA. Focusing on capacity building initiatives to strengthen CDC infrastructure, Jane DeMarines, NACEDA's immediate past executive director, sees one of the major challenges for the future to be the willingness of philanthropy to continue to support CDC infrastructure.

Also throughout the last decade, specialized network organizations began to emerge to represent the interests of the new, larger housing producers. The Housing Partnership Network (HPN), composed of about 90 large metropolitan and regional housing development organizations, was formed to provide peer exchange opportunities among senior leadership for organizations that shared a business model that was distinct from CDCs.

Sustained Excellence Alliance Corporation (SEA Corp) is a group of 10 advanced CDCs that participated in the Fannie Mae Sustained Excellence Initiative. It incorporated in 2001, with the mission of providing peer learning and access to capital. According to Board President Barbara McCormick, the smallness of the group is an advantage in that there is a high level of trust and frankness that allows for sharp and focused learning.

Another small association, but with a much different membership profile, is Stewards of Affordable Housing for the Future (SAHF), which is composed of nine of the largest nonprofit housing organizations in the country. President Bill Kelly says that SAHF was formed in 2003 to create a peer group for nonprofit housing organizations that worked across several jurisdictions.

These "peer networking" organizations were created because their members found that neither the intermediaries nor NCCED could provide them with the level of peer exchange and support that they sought.

By 2006, the funding scene began to shift for the national intermediaries. Both Enterprise and LISC, which had derived much of their pass-through funding from Living Cities, were given notice that the Living Cities money was being reprogrammed for other purposes. The financial crisis in 2008 also greatly reduced their philanthropic contributions from corporations, specifically financial institutions, and their earned income through the proceeds of their housing financing programs. These changes contributed to a shift in strategic direction. Bill Frey, executive vice president for Enterprise Community Partners, believes that intermediaries and funders are still committed to a strong and effective nonprofit housing sector; however, he predicts that there won't be resources from either to support as many groups in the future.

The trickle-down implications of these resource reductions mean that many of the nation's nonprofit housing organizations, especially small CDCs, who have come to rely on both operating support from the intermediaries and development fees from real estate projects, are in real financial trouble, with no one entity to turn to for help.

Which Way Forward?

Going forward, the field needs to answer these questions: Can we get more accomplished with multiple voices? How can the community development field be repositioned? Is it possible and desirable to mobilize these groups into a national constituency? Is the field getting what it needs in way of support given its fragmented support system?

Ben Hecht, president and CEO of Living Cities, believes that it is a healthy and natural evolution of a sector to have multiple associations representing it when the organizations in it are so diverse: "When you try to centralize all organizations in one place, you reduce the voices at the table. The centralized organization gets more professionalized and more narrowly focused. Those that feel left out will create their own platform. This allows for the seeding of new ideas and the pruning of older, dead ideas." However, Hecht points out that this is not a substitute for leadership: "No one is thinking about the field as a whole. However, given that there are really three different types of nonprofit housing organizations active today [CDCs with a small geographic or specific client focus, metropolitan/regional nonprofit housing organizations, and national nonprofits]. It would be difficult to have just one association to provide this leadership, because the agendas and world view are so different."

Roberto Barragan believes that associations must be relevant to their communities and that associations that serve a specific constituency better represent low-income communities of color. He too is not convinced that the community development movement needs a national CDC association analogous to NCCED in its prime.

With the growing diversity in the CDC field and the overlapping roles among associations and intermediaries, Barry Zigas, former president of the National Low Income Housing Coalition and Fannie Mae executive, says it is hard to imagine one national organization representing all the needs of the field. Zigas notes that public housing authorities (PHAs), on the surface a more unified field, have a trade association, but in the past two decades separate associations have emerged for large and small PHAs.

Bill Kelly of SAHF agrees that a single association for the field is not desirable: "If you bring too many people under your umbrella, it becomes harder and takes longer to reach agreement, and you frequently end up with the lowest common denominator position on policy issues." Kelly does point out that it does make sense for groups to come together around specific issues where their views are likely to be consistent or where policy makers are pressing the field for unanimity.

Tom Bledsoe, president and CEO of the Housing Partnership Network (HPN), believes that while the field encompasses many different business models, it is generally aligned on mission and would be stronger if it spoke together on certain issues, such as financial reform and CRA. He cites several examples of how the field has recently collaborated successfully on policy issues, including the LIHTC coalition. He says one key to success is having a group that can provide staff resources to coalition efforts, but stays in a facilitative role so buy-in from everyone is not imposed from the outside.

Debra Schwartz, director of program-related investments for the John D. and Catherine T. MacArthur Foundation, says that it will be important to evaluate recent examples of how organizations have worked together on legislation, such as LIHTC and TARP. "Maybe the answer isn't having one big association," she notes, "but getting groups access to money to quickly catalyze these efforts in the future, so when we need to bring 15 groups around the table, it can happen. There may be ways to be more deliberate about supporting these collaborations; right now it is totally ad hoc."

But not everyone thinks collaborations and coalitions are the way to go. The National NeighborWorks Association (NNA), a trade association composed mostly of NeighborWorks organizations (but distinct from NeighborWorks America itself), is currently, in partnership with other national housing and community development advocates, launching a practitioner-led initiative to explore creating a new organization to be the unified voice for community development. Dave Brown, executive director of NNA, makes the point that other housing interests, primarily real estate agents and public housing authorities achieved significant success with funding from the American Recovery and Reinvestment Act ("stimulus" dollars) by presenting a unified voice. The leadership of NNA thinks the time is right to appeal to the leadership at HUD and focus on expanding federal housing and community development resources. They are proposing the creation of a new organization called Practitioners Leveraging Assets for Community Enhancement (PLACE) and are working to build a constituency for this new organization.

CDCs in Flux

One of the challenges to developing a national voice for the field is the ongoing effects of the financial crisis on CDCs.

Barry Zigas points out that it was the withdrawal of the private sector from affordable housing production in low-income communities in the early 1980s and the establishment of the Low-Income Housing Tax Credit in 1986 that created the opportunity for CDCs to become major housing producers and generate significant revenues and fees. The current economic crisis has affected low-income housing tax credits drastically, forcing many CDCs to rethink their business model for long-term sustainability.

Debra Schwartz expects that if the current financial crisis lasts, a lot of organizations—CDCs and regional providers—will be in trouble over the next few years. "There will be assets, people's homes, in jeopardy, and we need to think about how to help organizations that are in trouble," she says. "The answer is almost never a merger, and only sometimes an organizational acquisition. If you are looking for something that stabilizes a situation quickly, it probably means transferring assets and supporting an orderly wind-down of the failed organization."

Ben Hecht expects the current financial crisis to weed out groups that don't have sustainable business models, leading to more consolidation and a move to larger organizations for housing production. Zigas believes that scale and specialization will become increasingly important for community development, and that more CDCs will pursue strategies beyond housing, including organizing, services, or commercial development. Both Zigas and Pinsky stress that CDCs need to be ruthless and disciplined in assessing and if necessary changing their business model based on their core purpose and strengths.

But in the meantime, Zigas notes, it may be difficult to develop and articulate a national strategy while local business models and strategies are in flux.

According to Bill Frey of ECP, intermediaries may be able to help the field by leveraging resources in a strategic way that allows strong nonprofits to do more and struggling nonprofits to redefine their role in the community. To make that happen, Frey believes that there needs to be some honest conversations around the country about solutions to the current financial crisis: "This isn't about big versus little, or about place-based versus non-place based organizations, it is about redefining roles and developing strategic alliances that result in an effective housing delivery system that meets the needs of the community."

What we have now is a field with three primary models of delivery and a web of interrelated associations and networks. If it is too diverse to support one national association, then the key to success is to figure out how to continually collaborate effectively on key policy issues, while sharing information and vigorously analyzing and debating new strategies, directions, and roles together. Making this happen will come down to leadership, a willingness to cross boundaries, and a commitment to adapting and advancing the field's common goals and opportunities.

Related Resources

National Congress for Community Economic Development

The National Alliance of Community Economic Development Associations

Local Initiatives Support Corporate

Coalition for Asian Pacific American Community Development

Stewards of Affordable Housing
for the Future

Enterprise

NeighborWorks America

Housing Partnership Network

National Association of Latino Community Asset Builders

Real Solutions in Real Time: SEA Corp's Community of Practice, *Shelterforce*, Jan/Feb 2004

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