

CHAPTER HIGHLIGHTS

THE STATE OF NONPROFIT AMERICA

LESTER M. SALAMON *editor*

Chapter 6 Highlights **HOUSING AND COMMUNITY DEVELOPMENT**

Avis C. Vidal

Brookings Institution Press
Washington, D.C.

Published in collaboration with the Aspen Institute

HOUSING AND COMMUNITY DEVELOPMENT *

Avis C. Vidal

The nation's stock of affordable housing is inadequate and growing increasingly difficult to maintain. The number of unsubsidized low-income units is diminishing, and the subsidized housing supply is also in jeopardy, due to the phasing out of the government programs under which much of it was developed.

While it barely existed 30 years ago, today the nonprofit housing and community development field is a major force in producing assisted housing for low- and moderate-income Americans. In this chapter, Avis C. Vidal details the rapid growth of this vital new area of nonprofit activity. This analysis is part of a broader assessment of *The State of Nonprofit America* coordinated by Dr. Lester M. Salamon of the Johns Hopkins University and published by the Brookings Institution in collaboration with the Aspen Institute.

In the past three decades, nonprofits have been responsible for 14 percent of the housing built or preserved with federal support. Community development corporations (CDCs), the dominant type of nonprofit in this area, grew in number from 2,200 in 1987 to 3,600 in 1998. The average budget and staff size of CDCs, as well as their productivity, financial support, and political influence, all experienced accelerated growth during the 1990s.

In addition to producing housing, CDCs and other types of nonprofits contribute in a variety of ways to improving the quality of life and economic opportunities for some of the nation's most distressed communities. They help to develop commercial real estate and support private businesses in their neighborhoods. Community organizing groups and neighborhood associations fight for infrastructure improvements, such as better sidewalks, streetlights, and recreational areas. Education and workforce development organizations help residents in low-income communities develop their human capital.

But it has been in the production of affordable housing that nonprofit community development organizations have made their most notable contributions. This has been possible, moreover, thanks to the remarkable innovations in financing that nonprofits have achieved in this area. Networks of nonprofit intermediaries have formed to finance low-income housing projects and help nonprofit housing organizations take advantage of broadened tax benefits available in this field. With great ingenuity, they have cobbled together financing packages combining foundation and corporate support with below-market rate loans and tax-induced corporate equity investments. As a result, they have produced improvements in poor communities while at the same time generating rates of return rivaling those of conventional banking.

More vigorous enforcement of the Community Reinvestment Act, a federal law requiring financial institutions to devote a proportion of their lending to low-income neighborhoods, has also contributed to the financial growth of nonprofit housing. In addition, the National Community Development Initiative, a collaboration involving about a dozen national foundations, corporations, and the Department of Housing and Urban Development, has provided more than \$250 million in support to CDCs since 1991. Finally, the Low-Income Housing Tax Credit and other government incentives have importantly boosted the field.

Despite these accomplishments, nonprofit housing organizations confront enormous challenges. Government assistance still only reaches 20 percent of eligible families. Gentrification in large urban areas is pricing nonprofit developers out of many of the neighborhoods in which they operate. Limited funding for the operations of nonprofit housing groups has created serious organizational and management problems, especially the inability to provide salaries competitive enough to attract and retain quality leadership and technical talent.

Vidal believes that in order to maintain their strength and deal with the nation's thinning supply of affordable housing, nonprofits in this field must continue to expand their partnerships with private corporate sponsors and broaden their scopes of operation to address the full range of community improvements. Vidal also advises housing organizations to cultivate alliances with religious congregations, labor unions, environmental organizations, and others interested in "smart" growth.

In the meantime, however, Vidal commends nonprofit housing organizations and their affiliated intermediaries for demonstrating that private capital is available for nonprofit work, if organizations make the effort to build the necessary links.

* Adapted from "Housing and Community Development" by Avis C. Vidal in Lester M. Salamon, editor. *The State of Nonprofit America*. Washington: The Brookings Institutions Press, 2002. Published in cooperation with the Aspen Institute.

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– Dorothy S. Ridings, President, Council on Foundations

“Provides a revealing insight into the important role that nonprofit organizations have come to play in the effective operation of our publicly funded services. It makes clear why we must make this partnership work.”

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– Peter B. Goldberg, President and CEO, Alliance for Children and Families

Chapter highlights are from “Housing and Community Development” by Avis C. Vidal, a chapter in *The State of Nonprofit America*, edited by Lester M. Salamon and published by the Brookings Institution Press in collaboration with the Aspen Institute.

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