

BACKGROUND REPORT
HUDC MUNICIPAL AND NGO SUPPORT OPTIONS
DRAFT FOR DISCUSSION

DRAFT

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HUDC Municipal and NGO Support Options
Draft

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Introduction

This report is based upon background research on the integration of NGOs into municipal development, housing and service delivery strategies. It stresses the complementary roles that can be played by the private and public sectors with a review of the recent experience of municipal and community based organizations in the Boston area. This geographical emphasis is not meant to point a direction for replicability in Jordan or the Housing and Urban Development Corporation (HUDC) but provide examples of approaches that have effectively integrated and leveraged public/private activities.

The report provides examples of how the HUDC can develop stronger partnerships with the private sector, municipalities and NGO's. A more structured collaborative framework would respond to a ongoing shift in development priorities towards poverty alleviation, a new electoral processes that is increasing local political accountability and a shift in economic development policies that is relying on a stronger private sector role in the economy. Within the scope of development strategies offered by external development organizations (UMP, UNCHS-Habitat) there is a new interest in developing projects using community oriented approaches. Initiating new participatory approaches while relying solely on existing institutional frameworks and methodologies will limit the long-term potential of these approaches to have a significant impact. To develop more effective and responsive alternative delivery systems for services to the urban poor, different institutional delivery mechanisms need to be established. This report gives examples (elaborated upon in the appendices) of institutional structures that allow a community oriented development strategy to effectively function in a sustainable institutional framework that supports public/private partnerships and links central/local government strategies. The examples in this report illustrate concepts and methods that when adopted to a local context can:

- Offer Strategies for the HUDC to work in partnership with local government, NGOs and the private sector; and
- Create an institutional framework to provide programs that support community-based organizations including the creation of entrepreneurial NGOs.

Context

Strategies to improve and maintain low-income urban communities have been dramatically affected by the shift in administrative responsibility and political authority from central to local government. Within a context of diminishing central government support, municipal governments and the private sector are increasingly responsible for the production of housing and the provision of urban services.

Changes in economic development policies are also causing a shift away from housing delivery mechanisms that provided direct and indirect subsidies for lower-income housing to market oriented approaches that emphasize policies to: increase the efficiency of the housing finance sector, broaden the range of consumer options for housing credit, and open the low-income housing production to private developers. While a market oriented approach can make the housing production and marketing cycles more efficient within the formal sector and dislodge long established and inefficient subsidy programs, these policies alone will not be able to reach down to the lower income families without targeted programs. Often, in an effort to make the housing market more efficient, central government commitments for low-income housing become marginal in light of need, and a single focus strategy on for example, housing finance, will concentrate benefits among the middle and upper income households.

To be equitable, housing programs must respond to the diversified nature of the housing delivery system, especially when both demand and supply elements of the market are either over priced, over regulated or not available. In Jordan's major cities for example, the high price of land, zoning regulations and a lack of available credit makes the entry threshold for purchasing a plot extremely difficult for lower income families.

The challenge is to establish housing and urban development programs that can function in a decentralized administrative framework, a more dynamic market economy and where government resources can build upon and leverage private resources to achieve specific social and economic goals.

Emerging Central/Local Roles

The greater political autonomy and accountability at the local level is changing the relationship between central government agencies and local authorities. Effective urban policies are those that build upon collaborative central/local linkages and avoid attempts to over concentrate responsibilities in one level of government. In Jordan the responsibility for delivery services to

urban residents is shared by central and local levels of government. For the most part, services such as health, education and housing are financed by the central government while local government is responsible for land development and municipal service. Even in decentralized market economies, funding for major infrastructure or social projects often originates from central public resources and private capital markets while the planning, implementation and maintenance is driven by local concerns and capabilities. In Jordan, local priorities will increasingly be driven by a political process where residents, through their elected local and national representatives are having a major say regarding the content, timing and cost of improvements to their community.

Increasing the availability and efficiency of services, removing regulatory bottlenecks and building up municipal technical and managerial capabilities are necessary long-range objectives in a strategy to create an effective central/local programs. It is also apparent that sustaining urban improvements and ensuring that programs reach down to lower income groups will require a broader private sector role. This can be achieved by opening up opportunities for private developers and expanding the role of urban NGO's beyond their traditional functions to effectively work with municipalities and local districts to plan, implement and physical improvements and operate urban services.

To leverage these private resources, municipalities will require more effective and participatory linkages into communities that encourage program innovation and partnership to close the gap caused by affordability requirements and the need to maintain sustainable intervention strategies.

The Role of Non-Government Organizations

When introducing market oriented approaches to housing, concurrent support should be given to increasing the capacity of NGO's to take on a broader role in addressing the housing needs of the very poor. In many countries where market oriented approaches are prevalent, non-government organizations have become critical partners with central and local government in implementing housing and neighborhood revitalization programs.

During the past decade, there has been a considerable growth in the number of community-based organizations in both developed and developing countries and their capability to develop housing, urban environmental improvements and also provide credit and job training to lower income urban residents. The pool of skilled and educated professionals available to work in these organizations has also grown given the higher educational profile that has emerged during the past decades in developing countries.

In Jordan, the potential contribution of NGOs in shelter and neighborhood revitalization is largely untested and underestimated. Non-profits can fill a special role in shelter and urban service programs for lower-income families. Their mandates can clearly define their client group according to special needs, income, gender and location. NGO's will work in communities and sectors that are not attractive for the private sector. Non-profits with a community base and focus, can address neighborhood revitalization issues that often require solutions on an inter-sectoral basis. Regional and intermediary level NGOs can tap multiple public and private resources and package specific projects that are implemented through community based NGO's. As private entities, these intermediaries can have flexible operational strategies and can develop partnership agreements with central and local agencies, banks, corporations, the private sector and international organizations. To effectively tap the potential contribution of community groups, policies and programs at both the central and local levels of government are required to create a framework that supports the development of community based organizations and links them with local government. These approaches can create a long-term capability among the NGO sector in Jordan and identify urban intervention strategies that are:

- Responsive in defining community needs and provide a longer-term commitment leading to sustainable improvement strategies.
- Play a pivotal role in creation and maintenance of housing and generate jobs by providing support to smaller business at a critical stage of their entrepreneurial development.
- Provide an institutional link to the formal sector including government agencies and financial markets. Through this linkage, technical assistance, programs and funding can be effectively channeled into communities.
- Create the opportunity for joint ventures with the private sector to increase the potential for revenue generation, leverage government funds and broaden cross-subsidization mechanisms.

In Massachusetts community based organizations involved in urban programs grew five fold in a ten year period, there are now some 60 groups within the state. The Massachusetts Association of Community Development Corporations, founded in 1980, was the first professional association of Community Development Corporations (CDCs) established in the United States and represents

the interest of 90% of the state's CDCs by formulating and advocating for public policies concerning affordable housing and economic development. The growth of these organizations can be directly correlated to the diminishing federal resources targeted for housing. Funding now comes from multiple sources including federal, state and local government, foundations and private donations.

Partnership with Local Government

There has been a change in the relationship between local governments and NGOs. During the 1970's these community based organizations were viewed with mistrust and suspicion by local government. More recently they have become a major element in state and local government strategies to address issues low-income housing and neighborhood revitalization. In Massachusetts the share of CDC sponsored housing and economic development activities has grown dramatically in recent years; cumulatively they have been responsible for producing 35%¹ of the privately developed affordable housing stock in the 1970's and 1980's. In different cities, major programs and resources at both the state and local government level are directly targeted to the NGOs and Community Development Corporations, examples include:

- San Francisco provided one million annually to community development groups to meet basic operating expenses.
- The Pittsburgh Partnership for Neighborhood Development, financed with two million dollars from the Ford Foundation, corporate endowments, the city and local banks provides \$100,000 annually to six well established community organizations.
- In Boston, the city's Public Works Department and the Boston Redevelopment Agency works directly with community-based organizations to coordinate public improvements and facilitate the use of vacant and under-utilized land for affordable housing and economic development projects. It also provides "land loans" and low-interest loans for targeted projects.

¹ Between 1970 and 1990, CDCs affiliated with the Massachusetts Association of Community Development Corporations had produced nearly 10,000 housing units and leveraged over \$30 million in loans to business, created close to 6,000 jobs and developed over 1 million square feet of commercial and industrial space.

- In New York, the city has pledged to turn over 5,000 city-owned vacant apartments to both nonprofit and for profit developers.

The South End Housing Initiative or SENHI project in Boston provides an excellent example of how a city can initiate a structured land management program to address specific housing and redevelopment objectives. In partnership with community groups and non-and-for-profit developers, the city's redevelopment agency structured a process that resulted in affordable housing and neighborhood redevelopment projects. It also established a longer-term institutional capacity within the community for the development of new poverty alleviation projects. The SENHI approach demonstrated how a community planning process can result in a much better project that achieves social, economic and sustainability objectives.²

Tiered Institutional Framework

An important reason for the increased effectiveness of community-based organizations is the growth of intermediary organizations that when combined with public programs begins to form an integrated institutional framework. Intermediary organizations provide technical assistance to emerging groups, assist in packaging financing and help to promote public/private partnerships. In the United States these groups function on national, regional and community levels.

National intermediaries include the Local Initiatives Support Corporation (LISC), Neighborhood Housing Services and the Enterprise Foundation.

- *The Local Initiative Support Corporation (LISC)*, was created in 1979 with a 9.35 million dollar grant from the Ford Foundation and six corporate sponsors. It provides grants, equity investments and technical assistance to community groups to develop housing and economic development projects. Funding is generated from corporate and foundation grants, loans, tax credits and fees. Between 1980 and 1987 it helped non-profits to produce 11,000 units of new and rehabilitated housing and achieved a leveraging factor of 11:1. LISC also established a financial corporation that sells low-risk loans from community groups to a secondary market and a National Equity Fund that uses the 1986 Low-Income Housing Tax credit to

² See Appendix A for a description of SENHI.

generate investments from large corporations. It has just recently launched a 1.8 billion dollar national program in ten major cities in the United States. Boston will receive 80 million dollars over the next five years that will be channeled through local Community Development Corporations to build or rehabilitate over 1,500 units of affordable housing.

- *The Neighborhood Housing Services (NHS)* began with Federal funding, through its local partnerships of residents, government and businesses, the organization is active in some 240 neighborhood housing service groups. Its funding also comes from a combination of federal, state and local government programs as well as grants and equity investments from private corporations. It operates two secondary market instruments that recycle NHS loan and low interest loans made by the government.
- *The Enterprise Foundation* supplies grants and technical assistance to community-based development organizations and has over 100 groups in 30 cities. Through separate foundations, it has raised over 90 million dollars in equity funding from 50 corporations (Enterprise Social Investment Corporation) while another spin-off group (Rehabilitation Work Group) seeks to cut the cost of rehabilitating housing in Baltimore.

Regional and Municipal level intermediaries have been created to provide an ongoing support system for community development groups, help to arrange financing, and provide training and technical assistance.

- *The Metropolitan Boston Housing Partnership (MBHP)* is a nonprofit started in 1983 by the Chairman of a leading Boston Bank. Its twin objectives are to:
 - Improve the quality of life in Boston's neediest neighborhoods by increasing the supply of affordable, quality housing; and
 - Encourage the development, ownership and management of housing by community development cooperations and housing cooperatives.

Its Board of Directors is drawn from leading businesses and public officials and its major operating principle is to work through local community organizations and package projects to achieve economies of scale in both the generation and

distribution financial resources and technical assistance. It leverages the impact of its projects by incorporating other local government economic and social development agencies within project development and implementation. It relies on community mobilization and empowerment approaches and achieves sustainability by having the neighborhood organizations involved in long-term maintenance.³ It has developed eight separate programs since 1983, each tailored to meet specific housing and community revitalization goals (see appendix B for a more detailed description).

- *Community Builders*, a New England regional intermediary grew out of a small rehabilitation group and now acts as a project developer, acquires land and zoning approvals and overseas management of housing. It has assisted over 40 community-based organizations to develop 5,000 units of affordable housing in Massachusetts and manages 2,500 units of housing for non-profit organizations. As an intermediary it organized 32 limited partnerships that included over 407 million dollars in debt and equity financing 25% of which was investor capital.
- *Neighborhood Progress Inc.* in Cleveland channels operation support, largely in the form of multi-year commitments to 19 community groups in 14 Cleveland neighborhoods.
- *The Bridge Housing Corporation in Northern California* was established in 1982 through a start-up gift from an anonymous donor. A committee of area business and public officials concerned with the lack of affordable housing in the area took these initial funds and used them to begin a fund raising campaign to create a permanent development trust fund that provides a secure source of operating funds. Its Board of Directors is drawn from area business. Its annual production has reached 1,000 units a year with some 40% of the units affordable to its lower income target group. It has also expanded its activities to create income generating services such as the management of senior housing. It developed high quality housing and achieves cost savings by entering into development agreements with local government to achieve

³ This was one of the recommendations that came out of the Sustainability Study conducted by HUDC and the Unit for Housing and Urbanization at Harvard.

higher densities and land use concessions and also joint ventures with other non-profit and for profit housing developers.⁴

Community based organizations in the form of community development corporations, cooperatives and neighborhood associations have become major implementors of housing, redevelopment and economic projects.

- *The Dorchester Bay Community Development Corporation*, established in 1979 through the efforts of three contiguous civic associations to address the problems of economic disinvestment, deteriorating housing stock and the lack of public works and services in the neighborhood. To date it has renovated or built 245 units of owner-occupied and rental housing and has an additional 200 units in its pipeline including a 40 unit cooperative project developed by the Boston Housing Partnership. It has also entered into commercial revitalization projects and planning is underway for a light-industrial park. It is governed by a Board of Directors drawn from its client communities. It operates using private sector entrepreneurial strategies and organizational structures (see Appendix C) and has a highly qualified staff of eight and an annual operating budget of approximately half a million dollars.
- *The Inquilinos Boricuas en Accion (IBA)* another Boston CDC was incorporated in 1968. It has built or renovated 844 units of affordable housing, 24,000 square feet of commercial space, built a 400 seat multi-purpose cultural center and developed a housing management company, child development center, credit union and security company.
- *The Four Corners Development Corporation* of Boston was incorporated in 1987 by neighborhood activists to build Langham Court, a 84 unit limited equity cooperative that combined market rate and subsidized units to close the gap between affordability objectives and a desire to maintain high standards. This project grew out of a joint neighborhood and city initiative called the South End Housing Initiative (SEHNI) that developed six sites of affordable housing in one neighborhood (reference Appendix A).

⁴ This has been a recommendation for HUDC to work with private developers.

Other types of programs operating in the NGO and private sector have included:

- *Commercial Banks*, pressured by the Community Reinvestment Act and the regional Federal Reserve Banks have formed consortia to combine their resources with softer money from public and nonprofit agencies to make below interest loans for low and moderate income housing. In Boston three major commercial banks have targeted anywhere from 2 to 10% of their lending portfolio for lower income borrowers; while loans are at market rates, under writing criteria are more flexible and loan officers receive extensive training regarding special needs of low income families;
- *Public and private hospitals and universities* are working with local organizations and intermediaries to produce housing and improve neighborhoods around these institutions; and
- *Religious groups* that tend to sponsor smaller self-help projects.

In Boston for example, the public works department has personnel who work directly with CDCs to facilitate projects including basic information on accessing municipal resources and data on land holdings. Based upon recent experience, the Boston Redevelopment Authority (BRA) has learned that engaging in a community planning process will result in a much stronger and longer lasting neighborhood revitalization strategies. The BRA now formally incorporates community based organizations into its planning process. Through effort of LISC and the United Way, a Neighborhood Development Support Collaborative was formed in 1986 to assist ten Boston CDCs with operating funds (ranging between 20 and 25%) and technical assistance for a five year period until these organizations firmly establish themselves.

International experience also points to a strong role for intermediaries in the development of successful NGO projects. In Pakistan, the *Aga Khan Rural Support Program (AKRSP)* has developed an extremely effective outreach program that has led to the AKRSP being selected as the lead NGO to implement the World Bank micro-enterprise project including projects in urban areas. It has been able to reach a large number of people over widely scattered geographic areas, create a capacity in local NGOs to plan and implement projects, establish links between central and local authorities and sectoral agencies responsible for infrastructure and services, established effective linkages among NGOs, acted as a channel for international donors and initiated community credit and collection programs to offset the cost of improvement and services. The *Grameen Bank* and its credit programs have also greatly benefitted from its ability to take

advantage of the economies of scale generated by a network of local branches for resource generation as well as allocation and technical assistance.

The effectiveness of these groups and the impact of their activities is greatly leveraged through linkages to local government, development authorities and larger NGO networks. When combined, these different agencies and organizations represent an institutional framework that provides support to community based approaches.

Support Required

To develop into significant participants in shelter and urban service delivery, non-government organizations and community based organizations need support and incentives to function. They face the same barriers in accessing financial resources, land and technical capacities as the private sector. Examples of supportive actions that can be undertaken by policy makers to create an enabling environment for these groups to effectively function on scale that matches the need include:

- Targeted programs implemented by NGOs⁵;
- Contracting with NGOs and private sector organizations for specific projects and services;⁶
- Loans and equity investments in NGO sponsored projects;
- Incentives for generating funds including matching loans and grants;
- Assistance with pre-development costs, feasibility studies;⁷ and
- Assistance in financing including accessing private funds and loan guarantees.

The growth of these effective community development organizations in Massachusetts was largely facilitated by the seed money and programs offered for CDCs by different state agencies, municipal

⁵ HUDC has begun this process on a limited basis in its community development activities.

⁶ HUDC has started to contract with local NGOs for specific services in community development activities, this should be strengthened and even expanded, for example the privately owned Womens Training Center in Aqaba could operate some HUDC community facilities and training activities.

⁷ Potential activity by the newly formed Policy and Training Unit.

programs and private funding sources. Non-profits also benefitted from capacity building grants and access to operating funds until they established a combination of self-financing mechanisms and fund raising capabilities.

Types of Programs

National level programs to address housing and community development priorities can work directly with municipalities, housing authorities, private banks,⁸ business corporations, housing partnerships and community development corporations. Noted below represent some examples of programs for distributing funds and administering programs through both the private and public sectors. (see appendix D for detailed examples of programs in Massachusetts.

- Planning and Implementation grants or loans targeted towards specific policy objectives and implemented by municipalities (economic development, acquisition and rehabilitation of housing etc);
- Municipal Land Acquisition grants to community groups to preserve land for affordable housing;
- Low-cost mortgage insurance programs to overcome lending restrictions;
- Development funds to on-lend to businesses (can be through the municipality) to create or retain jobs;
- Municipal infrastructure programs and credit for projects that serve low-income households;
- Tax credits to encourage private sector participation in targeted areas.

Some of these programs have been tried in Jordan, for example loans to municipalities through the Cities and Villages Development Bank, and other programs are not directly transferable for example, tax credits. While these programs may not be directly transferable, they represent approaches that if well structured, are more "transparent" and "targeted". Operationally, they seek to leverage private and public resources to achieve policy objectives. Programs can include incentive structures to leverage private resources by establishing matching requirements for grants and loans and targeting funds towards projects costs and not organizational overhead. Planning grants and loans can provide the incentive for a municipality to plan that address specific social, economic or environmental objectives and could provide incentive to undertake a riskier project.

⁸ The World Bank's Morocco program will be providing direct assistance to private sector banks to increase the availability of credit to private sector developers.

Another critical role of these programs is to develop financing programs to facilitate access to credit funds. The inability of both individual homeowners and small to large housing developers to access financing is a major constraint to private sector's ability to develop new housing with the major constraint being the need to raise large amounts of equity (30 to 50%) to initiate a project. Creating a more incremental development process and providing technical support through pre-development activities helps smaller NGOs and private developers to initiate projects in manageable increments. Types of programs that can assist the private sector, ranging from NGOs to large private developers include:

- Equity Financing Guarantees to obtain construction financing from private banks;
- Loans and advances to finance mortgageable predevelopment costs;
- Site Control Loans;
- Technical Assistance Loans and advances that are repaid when permanent financing is available; and
- Financing for land purchase through group lending mechanisms.

New Institutional Frameworks in Jordan

HUDC is a strong implementing agency with a body of experience and capabilities developed over the last ten years. These skills and approaches are for the most part not available within municipal government or the private sector, especially in the case of implementing large-scale housing developments and community upgrading projects. HUDC has begun to reorient its functions and programs to work more effectively with local government (Aqaba) and community groups (the Association of Community Centers, Nour El Hussein Foundation and the Near East Foundation). Its housing and urban development agenda can include programs that work with and buildup the capacity of local governments, the private sector and nonprofit organizations to undertake housing and urban neighborhood revitalization projects.

As a national agency the HUDC can establish programs that lead and leverage the participation of municipal government and the private sector by packaging programs to create incentives for municipal government to address housing, land development, environmental and other policy issues. It is in a unique position of having considerable land holdings that can be used to leverage other resources. Without these incentives, municipalities will often postpone or ignore addressing critical issues including environmental problems that are not fiscally manageable or politically acceptable for a municipality. These incentives must relate to priority needs within a local

government or create a significant incentive for local government to want to participate.⁹ Recent seminars have identified bottlenecks in the effective functioning of the land markets in Amman including: tax structures, zoning, development regulations, financing and provision of infrastructure.¹⁰ As a central government agency, it can promote and structure effective central/local relationships by working with central ministries and local officials to make land management and urban development strategies more dynamic and effective.

Building Capacity of Urban NGOs

In Jordan, broadening the definition of the private sector to include a more active role by non-government organizations should be an essential element of a longer-term strategy that address the housing and urban service issues of the very poor. Building a capacity within the private sector to address low-income housing and urban services creates a balance between the private and public sector strategies and avoids a tendency to over concentrate skills and capabilities within either sector. Policies, programs and institutional support mechanisms can increase the efficiency and capabilities of local NGOs by:

- Creating and supporting joint ventures among NGO's, government agencies and for-profit companies;
- Encouraging entrepreneurial techniques and developing programs using a client based approach; and
- Developing a tired approach to NGO's reaching from community based to intermediary organizations.

The existing NGO activities in the urban sector are primarily involved in small-scale economic development projects, and skill training activities. These organizations cannot be asked to assume housing and urban development activities without a buildup in their institutional capacity to undertake these new activities. Typically they will require:

- A well focused mission statement defining their objectives;
- Seed capital to establish themselves or new programs;

⁹ The HUDC's current project to provide technical assistance to the Russeifa municipality land parcelization activities was largely stalled because of the unwillingness of the local political leadership to participate in the project.

¹⁰ World Bank HUDC seminar of July 1993.

- An executive director and staff with strong financial, technical, project level experience in housing, infrastructure and community development;
- A Board of Directors whose membership incorporates both public and private concerns and whose function is to set policy, monitor work and assist in fund raising;
- An ability to build and maintain strong relationships between public and private agencies; and
- Flexible operational strategies and institutional frameworks (for example subsidiaries etc) that allow the organization to respond to difficult and changing circumstances.

HUDC as a national agency can play a leading role in establishing the financial and institutional support needed for nonprofits to establish themselves in housing and urban services. This can be achieved by working directly with community groups, providing them training and technical assistance through the newly formed Policy and Training Unit, using them to implement projects and encouraging municipalities to include community organizations in their own projects. The HUDC should undertake an assessment of existing NGOs and their capabilities to undertake larger urban projects and the support and incentives required to make these groups significant contributors on a scale that matches the need.

Establishing an Municipal Focus through NGOs

The housing partnerships outlined earlier in this report all grew out of local conditions which defined both the issues and approaches. To be successful, both the Boston Housing Partnership and Bridge Housing Corporation in San Francisco have had to operate in an highly entrepreneurial fashion. The Boston Housing Partnership built upon a model that initially relied on identifying existing resources, keeping its overhead low by utilizing outside contracting and consulting services and using neighborhood groups as the implementing organizations. The program provided a focus to redirect existing resources in a innovative and flexible manner, something that the existing state and local housing programs could not achieve because of their narrow focuses and inflexible bureaucratic structures.

The Bridge Housing Corporation, working in a nine county area around San Francisco, function much like a private developer and will co-venture with private groups, municipalities, and non-profits. It operates in an urban environment with extremely high land costs that had driven up the cost of housing beyond the affordability levels of lower and middle income families. The Board of

Directors set an aggressive goal of trying to provide 5% of multifamily housing demand in the region and meet affordability objectives using a ratio of 60% market rate to 40% subsidized target group.¹¹ Critical to its success and ability to expand, was the establishment of a strong working capital fund that it replenishes from income from projects. Looking for future income generating activities, it is developing fee based services and for-profit activities in the provision and management of elderly housing.

It is interesting to note that the goals and methods of the Boston Housing Partnership and the Bridge Housing Corporation reflect the twin organizational structure under development for the HUDC, a Policy and Planning Unit that is geared to working with communities and municipalities on poverty alleviation programs and the Projects Unit which is to function as a land developer.

In the case of each NGO that developed into a partnership, replicability was not a goal since they were developed out of the initiative of leadership within the community and reflected the existing strengths and priorities of the community. In Amman the basis for an intermediary with a municipal focus exists with the activities of the *National Committee for Welfare Services*, a task force formed by the Prime Minister's Office to identify sites in need of upgrading in the Amman region.¹² If established on a permanent basis, the group's current representation (HUDC, Amman Municipality, Nour El Hussein Foundation, Queen Alia Fund, the Professional Womens Associating, General Union for Voluntary Associations, and the Association for Community Centers) can be broadened to include academic, financial and private institutions and provide guidance and coordination for urban poverty programs. This group could become the board of directors of an intermediary that provide a focus for municipal based projects in Amman targeted towards urban poverty alleviation and building the long-term capacity NGOs to undertake community based projects on a significant scale. It could also provide a new institutional framework to create more effective linkages than currently exists between the private sector and public organizations. The involvement city officials is crucial since they are responsible for the land

¹¹ The opposite of the current HUDC ratio based on earlier projects.

¹² Note that this type of structure (higher committees) is not unique to the region and has been used by donors as a counterpart organization. For example in the World Bank's Morocco project, a land development coordinating committee chaired by the Ministry of Housing director of planning and programming that includes representatives of utility agencies will constitute the principal local counterpart for Bank supervision missions, there will also be coordinating committees at the local level in each city.

and services while HUDC's involvement will bring in the skills of a redevelopment agency. Additionally, HUDC has its own land assets that it could use to leverage private participation in a project.

A municipal based NGO could funnel projects to local groups and provide training and technical assistance by either building up an internal capacity or relying on both locally available expertise. It would have the advantage of a geographically based organization that can identify local issues and priorities and can build on the tradition of higher councils that are convened to address priority issues. While a municipal based partnerships will not be able to solve housing problems influenced by policy bottlenecks (interest rates, land regulations) it could provide a focus for targeting programs to the urban poor and provide an avenue for international funds that support specific priorities of the Urban Management Program such as poverty alleviation, land management and small enterprise development.

To "jump start" the process existing HUDC staff that have technical and subject expertise could be seconded to function as staff for the NGO. The initial task would be to undergo a planning period to identify issues, methods, opportunities and constraints as well as projects it could develop in collaboration with the HUDC, the Housing Bank, the Amman Municipality, other NGOs, private developers and even international lending agencies. This initial period would also require seed money and operating support to set and operationalize its goals and objectives and define longer-term funding structures including program support from components of larger ongoing projects. It could also serve as an pilot project that if successful, can become a tested approach for creating alternative institutional structure (rather than another project) in other cities in Jordan and even in the West Bank given the current structure of councils to implement projects in different sectors.

Appendixes

Appendix A, SENHI, an example of a Structured Land Management Approach in the South End of Boston

Appendix B, Review of Metropolitan Boston Housing Partnership

Appendix C, Dorchester Bay Economic Development Corporation--Statement of Mission, accomplishments and organizational chart.

Appendix D, Housing and Economic Development Agencies in Massachusetts

Bibliography

This background report has drawn upon various sources of information including compiled notes and some well written reports on the role of community development organizations in the United States that are noted below. The MIT reports by Philip Clay and Neil Mayer review the accomplishments and policy implications of using a CDC strategy. The Peirce and Steinbach report is an non-critical overview of community-based development strategies. The book by Diane Suchman (and others) reviews five public/private housing partnerships in Boston, Chicago, Cleveland, Wisconsin and the Bridge Housing Corporation. The material on Boston is from documents and reports from the city of Boston, the Boston Redevelopment Authority and individual CDC's that at implementing projects.

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The Boston South End Housing Initiative

The South End Housing Initiative or SENHI provides an excellent example of how a city can initiate a structured land management program to address specific housing and redevelopment objectives. It also illustrates how a community planning process can result in a much better project that achieves social, economic and sustainability objectives.

The South End of Boston is a economically diverse community of some 30,000 residents located close to the city center. In the 1980's, portions of the neighborhood were experiencing a demand for housing resulting in new construction and the conversion of rental units in older buildings into condominiums. In 1980 the vacancy rate was 13 percent, by 1985, it had dropped to 4.4 percent. In 1987, at the height of the housing boom in the Boston region, eighteen projects totaling some 700 units of housing were underway or planned. The city had also made considerable investments in upgrading major infrastructure facilities in the neighborhood in the later half of the 1980s.

The boom in housing construction created an affordability problem for many of the neighborhoods lower-income families. The SENHI program was developed in 1986 through a fifteen-month community planning process to provide affordable housing and build the capacity of locally-based development corporations to undertake their own housing and neighborhood initiatives. Creating affordable rental and home-ownership opportunities for families and protecting current residents from further displacement were basic SENHI objectives. The Boston Redevelopment Authority and some thirty community groups that were involved in the process (see attached "Update Article" from the Boston Redevelopment Authority).

The SENHI program established basic principles for development of new housing on city land by either for profit developers or non-profit NGOs including:

- Affordabilty objectives were met by requiring that one third of the units be affordable to families with incomes below 50% of the metropolitan median

income; one third of the units be affordable to families at or below 80% of the metropolitan income; and the remaining third sold or rented at market rate.

- New housing developments would conform to existing zoning and development regulations;
- The developer selection process gave preference to community development corporations, minority businesses, non-profits groups and also encouraged for profit developers to joint venture with the community groups.
- The Boston Redevelopment Agency would provide technical assistance to these groups.

In phase I on SENHI, six parcels of strategically located vacant city-owned land were designated as affordable housing projects. At present, 307 units of rental and homeowner units representing an investment of over \$50 million have been built by both non-and for-profit developers using innovative financing strategies and cross-subsidy schemes.

Numerous projects have won awards for both their quality of design and achievement of program objectives. Typical sources of financing included:

Private Sector	Public Sector
Limited Partnerships	Land Loan--Boston Redevelopment Authority
Developer Equity	Loan--City of Boston Linkage Program
Tenants/Coop Members	Mass Housing Innovation Fund (loan)
Commercial Bank Loans	Mortgage (Massachusetts Housing Finance Agency)

Phase II of the SENHI project includes the creation of a community open space management plan by transferring eight parcels of city land to a non-government organization to develop and manage community gardens. The SENHI process demonstrates how the city can take advantage of its ownership of key land parcels within a defined area and to leverage additional investments by the private sector. Utilizing a capacity building approach and predevelopment assistance, the city has encouraged community based organizations to initiated projects and these groups have gone on to become stabilizing forces with the community.

SOUTH END NEIGHBORHOOD HOUSING INITIATIVE

UPDATE

BOSTON REDEVELOPMENT AUTHORITY

March 1990



Dear Neighbor:

Since I was first elected Mayor in 1984, the creation of affordable housing for low- and moderate-income Boston residents has been among the highest priorities of my administration. The March 19th groundbreaking for the Langham Court housing development marks a significant milestone in Boston's efforts to address this priority.

The Langham Court site is the largest parcel of land included in the Boston Redevelopment Authority's South End Neighborhood Initiative (SENI). On this site, 84 units of limited-equity cooperative housing will be created, two-thirds of which will be affordable to low- and moderate-income families. When completed, the project will represent a \$14.5 million investment in housing for Boston residents.

Beyond its contribution to Boston's supply of affordable housing, Langham Court is a model of a community housing partnership at work. In addition to the Four Corners Development Corporation — made up of 15 highly committed Trustees, 13 of whom are South End residents — numerous consultants, companies, banks, government agencies, and community organizations have played major roles in the planning and shaping of Langham Court.

As we break ground and move forward to construction on this remarkable project, many contributors deserve our congratulations. Along with everyone in the South End community, I look forward to the day when we return to this site to welcome the first residents of Langham Court.

Sincerely,

Raymond L. Flynn

Raymond L. Flynn
Mayor of Boston

LANGHAM COURT AND THE SOUTH END NEIGHBORHOOD HOUSING INITIATIVE (SENI)

The start of construction on the 84-unit Langham Court Cooperative marks more than just the beginning of another much-needed South End affordable housing development. The groundbreaking ceremonies also celebrate the fruition of the highly-successful community process that yielded the South End Neighborhood Housing Initiative (SENI), a collaborative effort between South End residents, the Boston Redevelopment Authority (BRA), and the Mayor's Office of Neighborhood Services. The story of Langham Court is one of neighbors working together to improve the future of their community.

The Langham Court project alone represents a \$14.5 million total investment, including \$2.308 million from Boston's housing linkage funds. In order to address a wide range of housing needs, 15 of Langham Court's units will be constructed as Single Room Occupancy (SRO) units. The long-term affordability of both the family and SRO units will be ensured through a combination of modest share prices and controls on resale value.

Despite State budget cutbacks and the recent slowdown of the region's housing market, each of the seven SENI Phase I projects has either begun construction or reached the point where groundbreaking is imminent.

Three of the housing developments built under SENI have already begun construction — the Marc Tyler Condominiums on Berkeley Street, which is nearly ready for occupancy, with 35 units; Taino Tower on Tremont Street, 27 units; and the Paul Sullivan Lodging House on Washington Street with 33 SRO units. As Langham Court breaks ground, the fourth and largest SENI development is underway.



Parmelee Court Linda Hass (South End News)

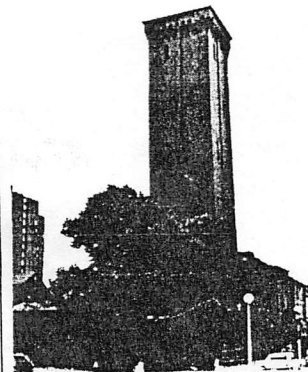
The SENI program was developed in 1986 as the housing boom of the 1980s began to affect the South End in the form of dramatically-escalating housing prices. The program was initiated to address the housing needs of the South End community by facilitating housing development on publicly-owned property. Through SENI, Mayor Raymond L. Flynn established a process to maximize the potential for publicly-owned land to serve the public. Working with local residents, the BRA decided that its South End property inventory should be earmarked for the development of affordable housing.

An opportunity for cooperation

In 1987, after a series of well-attended and lively community meetings, Mayor Flynn and BRA Director Stephen Coyle offered 11 South End parcels for development under Phase I of SENI. Developers submitting proposals were required to reserve at least one-third of all units for low-income families and another one-third for families of moderate income.

Nearly 20 top-quality development proposals were submitted and after a series of well-attended community meetings, tentative designation was awarded to seven development teams. Of these, five are community-based non-profit development teams, and five are directed by minorities.

Phase I of the SENI program, when complete, will provide South End residents with 347 housing units — 231 of which will become homes for low- and moderate-income families. The SENI projects will create a mix of ownership, rental and cooperative opportunities.

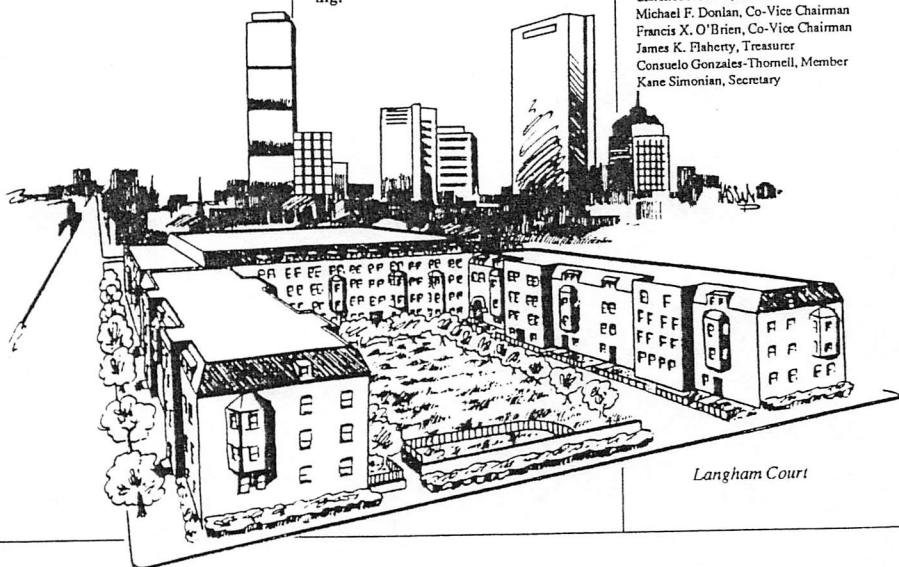


Taino Tower Rose Marston (South End News)

An impressive and meaningful measure of SENI's progress is the fact that seven projects — totalling over \$50 million in investment — will be under construction by this summer. In addition, SENI will produce approximately 18,000 square feet of commercial space, providing important retail opportunities for neighborhood based businesses.

BOSTON REDEVELOPMENT AUTHORITY

Stephen Coyle, Director
Clarence J. Jones, Chairman
Michael F. Donlan, Co-Vice Chairman
Francis X. O'Brien, Co-Vice Chairman
James K. Flaherty, Treasurer
Consuelo Gonzales-Thornell, Member
Kane Simonian, Secretary



Langham Court

SENHI I SUMMARY

Number of Units:	347
Parking:	199
Commercial Space (sq.ft.):	18,139
Total Devel Cost:	\$54,239,693

1 OLD BOSTON RESTORATIONS, 6-24 East Concord

Number of Units:	40
Parking:	38
Commercial Space (sq.ft.):	0
Total Development Cost:	\$3,717,103
Type of Interest:	Rent
Make-up of Devel:	For Profit
Status:	Spring 1990

2 LANGHAM COURT, Shawmut Avenue and West Springfield

Number of Units:	84
Parking:	51
Commercial Space (sq.ft.):	0
Total Development Cost:	\$14,524,028
Type of Interest:	Coop
Make-up of Devel:	Minority Non-Profit
Status:	Winter 1990

3 ROXBURY CORNERS, 1777-1815 Washington

Number of Units:	54
Parking:	19
Commercial Space (sq.ft.):	5,889
Total Development Cost:	\$11,249,073
Type of Interest:	Coop
Make-up of Devel:	Minority Non-Profit
Status:	Spring 1990

4 PARMELEE COURT, Massachusetts Avenue and Washington

Number of Units:	74
Parking:	49
Commercial Space (sq.ft.):	5,800
Total Development Cost:	\$13,245,390
Type of Interest:	Rent
Make-up of Devel:	Minority For-Profit
Status:	Spring 1990

5 TAINO TOWER, 640 Tremont

Number of Units:	27
Parking:	21
Commercial Space (sq.ft.):	3,650
Total Development Cost:	\$4,570,652
Type of Interest:	Own
Make-up of Devel:	Minority Non-Profit
Status:	Under Construction

6 PAUL SULLIVAN LODGING HOUSE, 1734 Washington

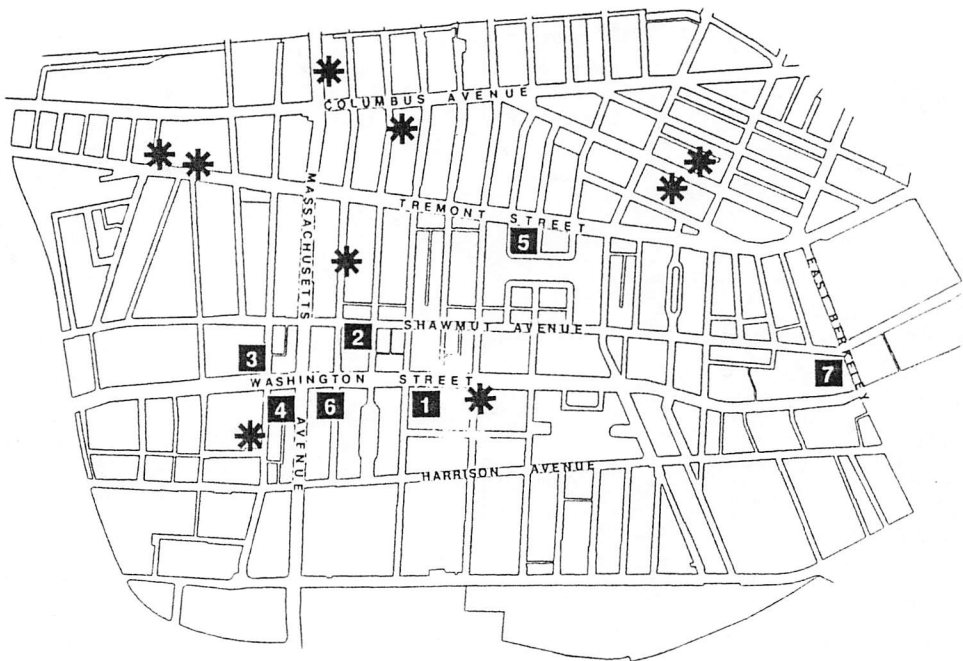
Number of Units:	33
Parking:	0
Commercial Space (sq.ft.):	2,800
Total Development Cost:	\$2,137,812
Type of Interest:	Rent
Make-up of Development:	Non-Profit
Status:	Under Construction

7 MARCTYLER CONDOMINIUMS, 69-81 East Berkeley

Number of Units:	35
Parking:	21
Commercial Space (sq.ft.):	0
Total Development Cost:	\$4,795,635
Type of Interest:	Own
Make-up of Devel:	Minority Non-Profit
Status:	Complete

* Garden and Open Space Sites

SENHI I, COMMUNITY GARDENS AND OPEN SPACE SITES



COMMUNITY GARDENS AND THE SOUTH END OPEN SPACE LAND TRUST

Open space is a critical component of a balanced and comfortable community. The South End Open Space Initiative is designed to preserve much-needed open space and community gardens for present and future residents to enjoy.

The South End Planning District, covering the South End and Lower Roxbury, is one of the most densely populated areas in Boston. In 1987 a study completed by Boston Urban Gardeners (BUG) identified a need for 50-53 acres of public open space more than the 40 acres designated at that time as permanent public open space.

In June of 1989, the BRA granted tentative designation to the Trust for Public Land (TPL) as redeveloper of nine open space parcels in the South End. In recent months, TPL, a national non-profit organization that provides technical assistance to local preservation organizations, has worked with local residents and open space advocates to plan for the permanent preservation, improvement and maintenance of community gardens and "pocket parks" in the South End.

The BRA plans to grant "final designation" to a South End Land Trust established by local residents with the help of TPL and convey the land to the trust in 1990. Working together, local residents and the BRA have created a plan that will safely preserve much-needed open space for present and future residents to maintain and enjoy.

THE SOUTH END DEVELOPMENT POLICY PLANNING PROCESS

A key component of the Mayor's commitment to our neighborhoods is the series of neighborhood-based planning efforts initiated by the BRA in many communities. Through master planning and the establishment of Interim Planning Overlay Districts (IPOD), local residents have been involved in the urban planning and neighborhood development decision-making process.

South End residents identified affordable family housing and open spaces as two key priorities for their neighborhood in the late 1980s and beyond. In order to provide a comprehensive plan to achieve these goals, the South End Development Policy Planning Process was launched.

Since mid-1989, members of a "working group" appointed by Mayor Flynn have been meeting regularly with BRA planning staff to develop a neighborhood master plan. The final product, the "South End Development Policy Plan," will be designed to guide planners and policy-makers at every level of government as they make decisions about life in the South End.



The success of the SENHI program is the result of a collaboration between the city and the neighborhood. Acknowledgement is given to the following for their contribution:

York Bay Development Corporation
Daniel Ocasio
Calvin Johnson

Old Boston Restorations
David Parker
Karen Parker
Four Corners Development Corporation
Jeanette Boone
Victor Bynoe
David Douglass
Thomas Plant
Pat Cusick
Jane Brayton
Dorothy Johnson
Deborah Lewis
Richard Thompson
Vikki Meredith
Myra McAdoo
Nancy Palmer
Beverly Simms
Lorne Steedley

Inquilinos Boricuas En Accion (IBA)
Clara Garcia
Sol Deina Cabun
Juanita Rivera
William Ubinas
John Mahoney
Sarah Mitchell
Paulina Jimenez
Louisa Torres
Carmen Torres
Elisa Ayala
Jovita Fontanez
Pedro Rodriguez
Carmen Cotto
Cynthia Porrita
Anibal Flores

Tenants Development Corporation
LeRoy Evans
Arthurlyn Slayman
Mary Longley
Nathaniel Geer
Francene Honoray
Nikki Nickerson
Mary Clinkscales
Mary Gill
Robert Underhill
Faye Rackly
Ethel DeLoach
Doris Howell
Gladys Saheed
Brenda King
Samuel Williams
Girma Belay

Paul Sullivan Housing Trust
Ann Slattery
United South End/Lower Roxbury Development Corporation
Sylvia Hyman

Neighborhood Housing Trust
Lawrence A. Dwyer, Chair
Councillor Bruce Bolling
Councillor Brian McLaughlin
Lee Jackson
John Connolly
Francis O'Brien
Marlena Richardson
Lawland Long

Boston Redevelopment Authority
Tom O'Malley
Mark Johnston
Jim Kostares
Maria Faria
Laura Burns
Bob McGilvray

Metropolitan Boston Housing Partnership

The Metropolitan Boston Housing Partnership (MBHP) is a non-profit corporation started in 1983 through the leadership of the chairman of a major commercial bank in Boston. Its objectives are to "improve the quality of life in Boston's neediest neighborhoods by increasing the supply of quality housing that is affordable to low and moderate income residents".

In the early 1980's the Boston region was experiencing rapid population growth and a vibrant economy that spurred the demand for housing. In addition to high demand, inflation coupled with the high cost of land and housing production created a housing affordability crisis in the region. The supply of affordable rental housing diminished quickly with the conversion of rental apartments to expensive condominiums. Based on conventional qualifying criteria for a mortgage, the average price of a single family house required an income that was twice the median household income in the city. By 1989, the metropolitan area median household prices exceeded \$200,000 while median household income was \$36,000.

Its approach is based upon a model that: (1) emphasizes capacity building through the development, ownership and management of housing and services by community-based organizations and housing cooperatives; and (2) setting its program objectives into a neighborhood context that links with municipal projects, social services and economic development organizations.

Organizational Structure

The MBHP is governed by a very active twenty-eight member Board of Directors that include:

- Senior executives of major financial institutions (banks, finance and insurance companies);

- Directors of government state and local agencies (Massachusetts Housing Finance Agency, Boston Housing Authority, Public Facilities Department, and the Boston Redevelopment Authority);
- Leading city-based NGO's and Community Development Corporations who are also implementors of its programs; and;
- Leading academics and representatives of private real estate companies.

Its major operating principle is to work through local community organizations and package programs to achieve economies of scale in both the generation and allocation of financial resources and technical assistance. It operates with a highly qualified staff of less than twenty that includes an executive director, program managers, financial specialists, a property management, an accountant and support staff. Three major reasons why it can operate with a small staff is that the Board of Directors is active and the MBHP draws upon the expertise of each member; secondly, MBHP relies on the individual Community Development Corporations to identify projects and assume responsibility for project and construction management; finally, it uses a major for-profit consulting group, the Community Builders Inc., to package projects and provide technical assistance to individual CDCs (see description of Community Builders that follows).

Programs

Each major program developed by the MBHP addresses a particular issue identified by the staff, the Board of Directors and the CDCs that the MBHP has worked with. In its ten years of operation, the MBHP has launched eight major programs.

- MBHP I--the reclamation of 700 of severely deteriorated and abandoned housing units in cooperation with ten CDCs, total debt and equity financing amounted to \$38 million.

- MBHP II--The sale and rehabilitation of 925 HUD¹-foreclosed housing units to seven CDCs in two of Boston's more distressed neighborhoods, total debt and equity financing amounted to \$77 million.
- MBHP III--(a) MBHP administers a portion of the state of Massachusetts rental subsidy program and acts as a public housing authority under contract with the state to inspect units, verify tenant certifications and pay monthly rent subsidy checks. (b) It operates a Small Building Program to renovate and improve building owned by CDCs and units rented to low income residents in owner occupied buildings. MBHP assists the building owners to obtain financing to improve the properties from private banks and guarantees the rent required to finance the improvements through a state rental subsidy program. Tenants pay 25% of their income towards rent. To date approximately 190 units have been renovated.
- MBHP IV--Resident Resources Initiative. Supported by grants from foundations and banks, the program funds staff for CDCs who can focus on the social issues faced by tenants and owners in CDC projects.
- MBHP V--Boston Co-op Initiative, the construction of 200 limited equity cooperatives on vacant land and resources from the city, state and the private sector. This MBHP project was developed in cooperation with participating CDCs.
- MBHP VI--Creation of a one million dollar site acquisition fund to provide short-term loans to CDC's to acquire sites with initial priority MBHP V sites.
- MBHP VII--currently in the planning stages is planned to involve the rehabilitation of 1,800 units of HUD and MHFA foreclosed properties.

¹ Housing and Urban Development, the central government agency responsible for housing and urban development policy and programs.

Desired strategic objectives and operational procedures are incorporated into each program through the development of specific requests for proposals (RFPs) that CDCs respond to, for example criteria can include:

- Income criteria, for example at least 66% of the residents should have incomes below 80 percent of the median household income for Boston and at least 25% with incomes below 50 percent of the median household income;
- Inclusion of resident relocation costs within project cost estimates;
- Project size eg. the number of units;
- A preference for tax delinquent properties since these the city will forgive taxes which in turn lowers the acquisition cost from a private owner; and
- Compliance with all existing municipal development regulations;

Follow-up programs have also been designed based upon lessons learned from earlier projects. For example, MBHP IV is resident resource program that provides assistance to lower income residents to access resources and the organizational and management skills required to develop self-initiative efforts such as day-care facilities. This specific program was viewed by commercial banks as an essential strategy to ensuring the "sustainability" of their investment for at least the loan term. Another mechanism used by the MBHP to maintain quality control and ensure that social objectives are maintained is to remain as a limited partner within each project for the life of the loan.

Linkages to the Local and State Government

An active link to the city of Boston has been key to the leveraging MBHP activities. City support includes political leadership (including membership of key city agencies on the Board of Directors), grants and loans, tax abatements, access to federal funds which are on-lent to MBHP and specific staff assigned to coordinate city activities. The ability of the partnership to tap state housing programs has also been important to the MBHP's ability to raise funds that are redistributed to individual CDCs. The MBHP has also been able to tap into a tax free bond issued by the state of Massachusetts and contract with the state to operate specific housing projects.

Funding Sources

A major strength of the MBHP is its ability to draw upon and package many diverse sources of funds for each program. Sources include grants from some 40 foundations and corporations, equity investments from corporations, existing state and city housing and redevelopment programs, fee generating services including administering state housing programs, development fees, loans from both state and city agencies and tax exempt bonds issued by the Massachusetts Housing Finance Agency. Examples of some specific project related sources of funding include:

Commercial Banks

Individual CDCs also benefit by commercial banks expediting loans to CDCs based upon their involvement with the MBHP.

Linkage Program

City of Boston linkage program provides loans at market rates, terms vary with unpaid principal and accrued interest due at the earlier of sale, refinancing or loan maturity. The linkage program is funded by an assessment on new commercial buildings in the city.

Lend Loan

Federal community block grant funds (administered by the city) are provided to the sponsor (the CDC) who then loans the monies to the partnership (formed for each individual project). Interest is often at market rates, terms vary with unpaid principal and accrued interest due at the earlier of sale, refinancing or loan maturity.

Land Loan

From the sponsor (CDC) to the partnership, market rate interest, 20 year term.

Bridge Financing

Often provided through a loan by the city until the project can obtain permanent financing.

Federal Tax Credits

Created through the tax reform act of 1986 allows corporations to offset all of their ordinary tax liability up to \$25,000 and 75% of amounts over 25,000. Low income tax credits are carried for 15 years.

Federal and State Lending Programs

There are numerous federal programs that lend at market and subsidized rates or provide loan guarantees to encourage commercial banks to lend to NGO sponsored programs.

The success of the MBHP is that it created a focus to mobilize diverse sources of public and private resources to achieve specific housing and revitalization goals that were not being met by existing programs. It fulfilled a major capacity building objective by building up the capability of individual CDC's to plan, implement and develop projects that reflected neighborhood priorities and concerns. Sustainability objectives were also achieved by structurally building in long term management and maintenance objectives into projects.

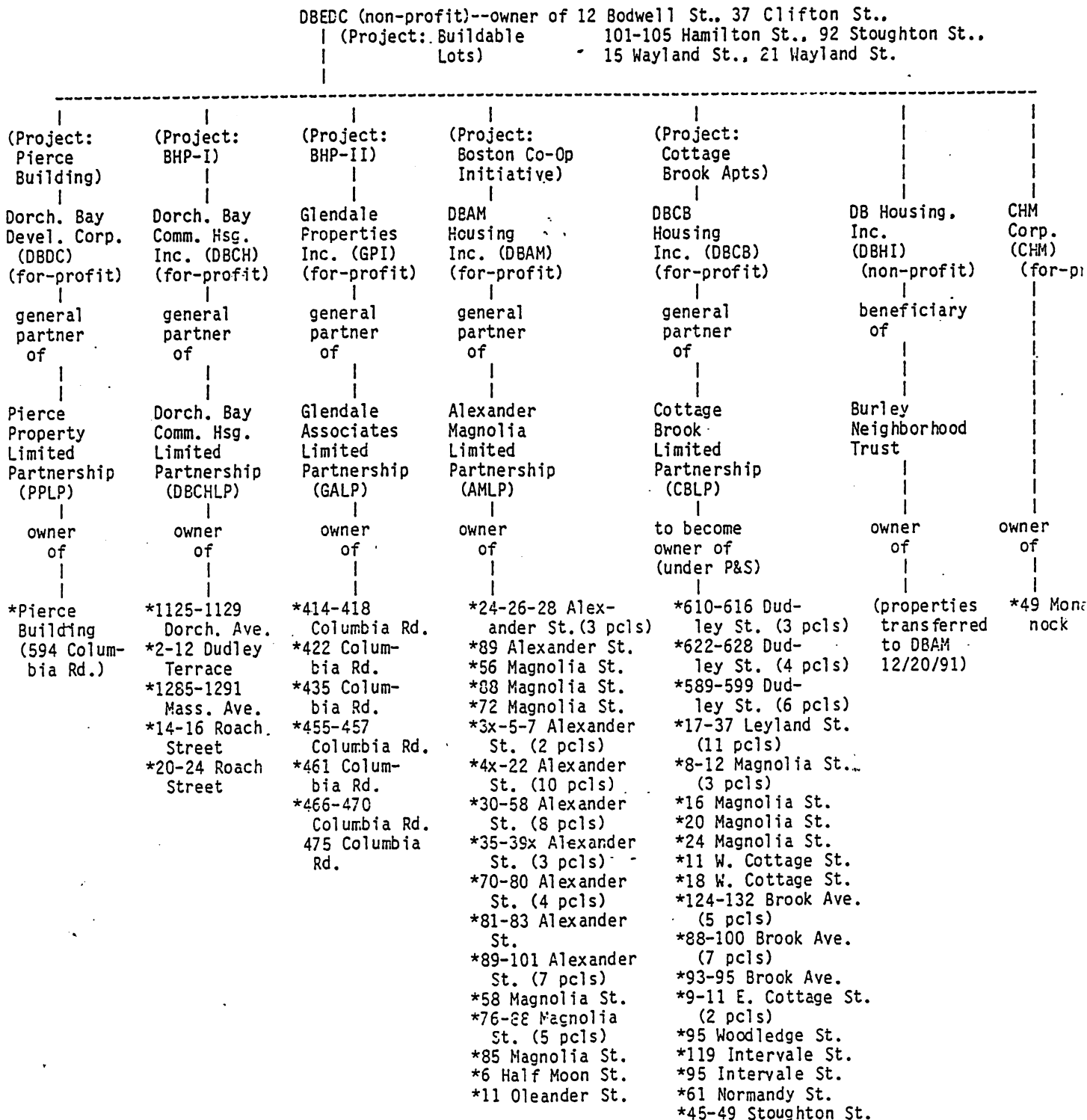
Community Builders Inc.

Community Builders Inc. is a for-profit corporation that started as a community-based developer that has assisted over 42 community-based organizations to develop some 5,000 units of affordable housing units in Massachusetts. It also manages 2,500 units of housing developed by non-profit organizations. It also has economic development activities including the development of 250,000 square feet of light industrial, research and office space.

As an intermediary providing technical assistance and consulting services, it has organized 32 limited partnerships that included over more than 407 million in debt and equity financing including 103 million in investor capital. The investors receive the right to share in the economic and tax benefits generated by the non-profits real estate investments.

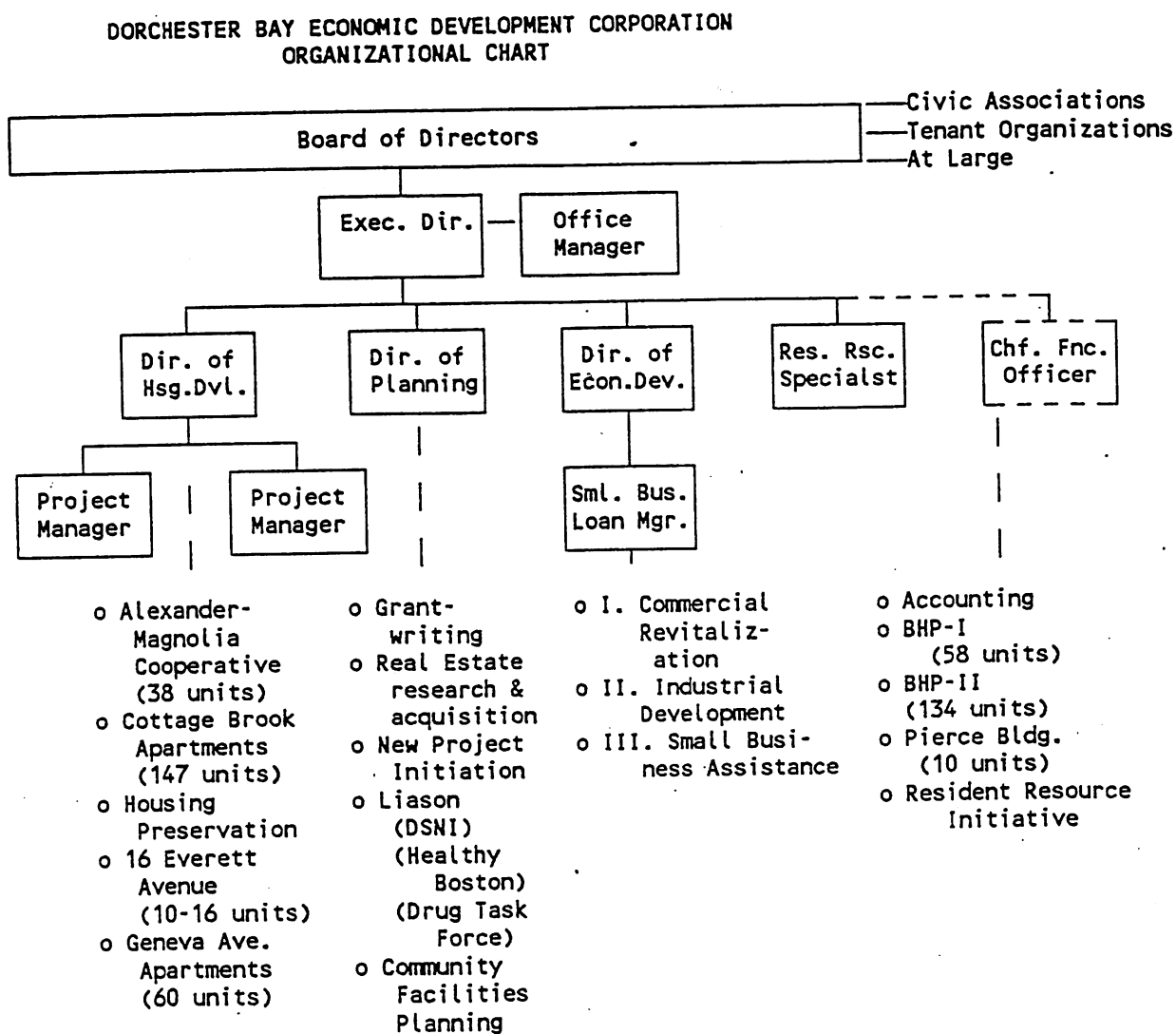
Appendix C, Summary of Dorchester Bay Economic Development Corporation, Mission Statement and Organizational Chart.
Page 3 of 3

PROPERTY OWNED BY DBEDC AND ITS SUBSIDIARIES



Appendix C, Summary of Dorchester Bay Economic Development Corporation, Mission Statement and Organizational Chart.

Page 2 of 3



NOTE: The Chief Financial Officer position will be added for FY-1994. At that time the Resident Resource Specialist will report to the CFO.

Appendix C, Summary of Dorchester Bay Economic Development Corporation, Mission Statement and Organizational Chart.

Page 1 of 3

DORCHESTER BAY ECONOMIC DEVELOPMENT CORPORATION

594 Columbia Road, Suite 302
Dorchester, MA 02125
Tel: (617) 825-4200

Incorporated in 1979
Serving North Dorchester and Eastern Roxbury

MISSION

The Dorchester Bay Economic Development Corporation was established through the efforts of three contiguous civic associations (Columbia-Savin Hill, Jones Hill and Virginia-Monadnock) in recognition of the critical need for an organization to address the problems of economic disinvestment; deterioration and abandonment of housing stock; the drastic decline in Upham's Corner, the area's only commercial center; a general lack of public works and services; and high unemployment levels which had plagued the community for two decades.

KEY ACCOMPLISHMENTS

- * 37 renovated units of housing in 15 low- and moderate-income owner occupied buildings.
- * 192 renovated low-income rental units.
- * 9 units artist's live/work space plus one commercial retail unit in renovated four-story Upham's Corner commercial building.
- * 6 newly constructed units of housing for moderate-income owner occupancy.
- * Constructed neighborhood owned/neighborhood built playground/garden with community residents.

CURRENT PROJECTS

- * Construction of 12 new units of housing for moderate-income owner occupancy.
- * Construction of 38 new units of limited-equity cooperative housing for low- and moderate-income families on 2.9 acres of abandoned vacant land.
- * Renovation of 147 occupied low-income rental units.
- * Purchase of foreclosed residential properties for renovation and resale to low- and moderate-income owner occupants.
- * Planning reuse of Upham's Corner commercial buildings for office/retail or residential/retail mixed use occupancy.
- * Planning the acquisition and reuse of a 4.7 acre industrially zoned site as the cornerstone of a modern industrial park with expansion potential to 15 acres.
- * Building neighborhood coalitions to enhance crime prevention and plan new social service programs.
- * Support services and referrals for 192 low-income tenant families, including a yearly summer youth arts and crafts day camp.
- * Planning neighborhood youth recreation facilities.

Housing and Economic Development Agencies and Programs in Massachusetts

The following tables outline state programs for financing housing, economic and community development through public or quasi-public agencies. The information is taken from a five-volume set developed by the Federal Reserve Bank of Boston in 1991¹ to inform financial institutions of the public resources available to provide loan guarantees, subsidies and other financial enhancements for housing and economic development projects. The agencies administering these programs fall into four basic categories:

- A state agency that administers state and federal housing projects;
- An industrial development corporation to support economic development;
- A housing finance agency to support housing policies through financing programs for individuals and institutions; and
- Specialized agencies established to work with a particular sector such as non-profit agencies.

Massachusetts has at least seven different agencies that offer programs and financing for municipalities, non-profits and for-profits to stimulate and support housing and economic development objectives. In addition to agencies created to administer federal housing and urban development projects, others were created to fill the gap created by cutbacks in central government housing funds. Specialized programs and agencies also evolved to either fill particular policy objectives (support neighborhood revitalization by strengthening local community development corporations) or to implement programs under new delivery mechanisms (housing finance, public/private partnerships). There are now discussions to rationalize this sector and consolidate these programs under a larger umbrella agency.

The tables provide examples of the types of assistance offered to both municipalities and the entire range of private sector (for-profit to non-profit groups). Under the program column in each table, a program's name is italicized to quickly illustrate the myriad of strategies that are utilized, they are listed to illustrate concepts and methods and not for direct transfer or replicate to other circumstances. Typically these programs include access to: predevelopment funds, technical assistance, subsidized and market rate financing, equity and program related investments, and loan guarantees. Achieving the highest amount of leveraging is usually a basic operating principle by offering matching grants, loan

¹ To order copies of the *Compendium of State Financing Programs for Housing and Community Development* contact: Publications, Public and Community Affairs Department, Federal Reserve Bank of Boston, P.O. Box 2076, Boston, MA 02106-2047

guarantees that lower the interest rate costs, and equity investments or loans for a percentage of the project's value. An additional strategy is to restrict funds to direct program expenses.

Administering Agency

- *Office of Communities and Development (1976)*

Administers federally sponsored programs including the Community Development Block Grant funds and the Low-income Housing Tax Credits. Both of these federal programs represent a considerable source of public funding and in a fairly decentralized fashion, provide the state administering agency considerable flexibility in administration.

Industrial Development Agency

- *Massachusetts Industrial Finance Agency (1978)*

An independent agency that issues bonds for economic development project.

Housing Finance Agency

- *Massachusetts Housing Finance Agency (19__)*

Self-supporting agency that raises its own funds through bond sales to finance housing projects.

Specialized Agencies

- *The Mass. Government Land Bank (1975)*

A source of financial, technical and development assistance for real estate projects, used to leverage financing from other sources.

- *The Mass. Community Development Finance Corporation (1975)*

A source of public venture capital that is available to Community Development Corporations

- *The Mass. Community Economic Development Assistance Corporation (1978)*

A quasi-public corporation to provide development assistance to Community Development Corporations

- *The Mass. Housing Partnership (1985)*

An independent corporation, financed by the commercial banking industry to promote local efforts to promote affordable housing.

<p><u>Office of Communities and Development</u>, established in 1976, is a cabinet level agency linking state resources with housing and community development. It administers federal development funds for smaller communities and functions as a liaison between the state and municipal governments. It works with an extensive network of local housing authorities, private developers and non-profit agencies to increase the availability of affordable housing and jobs for lower income people.</p>		
Programs	Eligible Recipients/Criteria	Loan Amounts, Rates and Guarantees
<p><i>Community Enterprise Economic Development Program</i>, Grants to support CDC staff that are initiating industrial, commercial and housing development activities that respond to local needs as identified by neighborhood residents.</p>	<p>CDCs, can be used to cover administration costs and operating expenses.</p>	<p>No maximum grant</p>
<p><i>Low-Income Housing Tax Credits</i> on federal income tax liability for ten years for owners of low-income rental housing. Non-profits developers who do not pay taxes enter into limited partnerships with private investors who receive the tax credits. This is a federal program renewed on an annual basis.</p>	<p>Owners of low-income rental housing who incur costs of new or rehabilitation projects and agree to meet rent restrictions and tenant income levels for fifteen years.</p>	<p>Formula based, for project without federal assistance, up to 70% of eligible costs, for projects with federal assistance, 30% of eligible costs.</p>
<p><i>Massachusetts Small Cities Program (MSCP)</i> is funded by the Federal Community Development Block Grants, The MSCP operates three programs for cities with a population of less than 50,000:</p> <ul style="list-style-type: none"> • The Community Development Fund (CDF) for housing, economic development, commercial improvements, public facilities and infrastructure and social services. • Economic Development Set Aside (EDSA) grants for capital projects. • Housing Development Support Program (HDSP) provides gap financing for affordable housing projects. 	<ul style="list-style-type: none"> • The CDF monies are given to smaller cities and towns. • The EDSA funds are grants to the municipalities which that then loaned to local business and non-profits. • Communities must demonstrate need for gap financing. 	<ul style="list-style-type: none"> • For CDF, maximum amount is \$800,000. • For EDSA, flexible rates, 7-10 years for equipment, 15-20 years for real estate. Maximum of 33%, \$500,000 per business annually. • For 25% of development costs, \$100,000 to 500,000.
<p><i>Tax-Exempt Local Loans to Encourage Rental Production</i> for the construction and rehabilitation of mixes income rental housing.</p>	<p>Limited dividend sponsors, cooperatives and non-profits</p>	<p>Variable rates, amount depends of cap allotted to the program and competition from other projects.</p>

<p><u>Massachusetts Industrial Finance Agency</u> was created in 1978 and has the legal authority to issue bonds, insure loans and make direct loans to spur private investment in the State. It is an independent public agency that receives no funding from the state and applies private sector banking techniques to public sector needs.</p>		
<p><i>Child Care Facilities Loan Fund</i> provides loans to assist business provide on-site child care facilities.</p>	<p>Private sector manufacturers, consortia of smaller business or non-profits.</p>	<p>Maximum amount of \$250,000 with rates 1% above 5-year Treasury bills.</p>
<p><i>Economic Development Fund</i> is a \$1.5 million revolving loan fund to assist minority-owned companies with an emphasis on smaller industrial and commercial enterprises located in areas with higher than average unemployment. Usually done in conjunction with other lenders to leverage other sources of capital.</p>	<p>Minority-owned companies. Loans are for fixed asset and working capital needs.</p>	<p>Maximum amount of \$500,000 with variable rates and terms.</p>
<p><i>Non-profit Institutions/Tax-Exempt and Taxable Bond Program</i> provides tax-exempt and taxable bonds to acquire, renovate and construct buildings and to purchase land and new equipment. MIFA can structure bonds for sale in public credit and through private placements with institutional investors.</p>	<p>Massachusetts 501(c)(3) nonprofit borrowers including educational and cultural institutions, long-term care facilities and research and development facilities.</p>	<p>Rates and terms are variable.</p>
<p><i>Taxable and Tax Exempt Development Bonds</i> are available for Industrial projects including manufacturing, warehouse and distribution, research and development and economic development. MIFA has agreements with public pension funds to purchase taxable bonds for small business expansion.</p>	<p>The tax-exempt bonds can be used for environmental projects such as recycling, sewerage, solid waste and hazardous waste facilities.</p>	<p>Taxable bonds have no limits, tax-exempt bonds range in size from 1 to 10 million dollars.</p>

<p><u>Massachusetts Housing Finance Agency</u>, is a self-supporting state agency charged with the construction, purchase and rehabilitation of housing. It raises its own money through the sale of taxable or tax-exempt bonds to private investors.</p>		
Program	Eligible Recipients	Loan Amounts, Rates & Guarantees
<i>Acquisition Set Aside Program</i> offers below rate mortgages as a marketing tool for the sale of units owned by builders, developers or lenders where units are moving slowly. Units must be offered at discounted prices within MHFA's first time homebuyer price guidelines.	Builders, lenders and developers, units must be minimum of 700 sq ft.,	Up to 95% ¹ of purchase price of units to maximum of \$130,000. Rate of 6% initially and after first year 7.7%.
<i>FDIC/RTC Set aside Program</i> offers low-interest mortgages to buyers of foreclosed properties seized by federal regulators and being sold to first time buyers.	Buyers of foreclosed properties selling for first-time home buyer.	Up to 95% of purchase price, 7.7% over 30 years.
<i>General Lending Program</i> offers below market rate mortgages.	Income-eligible first-time home buyers, federal recapture provisions apply if sold within first nine years.	Up to 95% of purchase price, 7.7% over 30 years.
<i>Home Improvement Loan Program</i> offers low-interest loans for home improvement.	Low income homeowners who are elderly or have a disability.	\$15,000 maximum, 5% up to 15 years.
<i>Mortgage Credit Certificate Program</i> offers tax credits in tandem with conventional mortgage financing.	First-time home buyer who meets income guidelines and home meets purchase price limits.	20% of mortgage interest can be subtracted from the bottom line of the taxes, 80% from itemized deductions.
<i>Neighborhood Rehabilitation Program</i> offers below market loans for the purchase and rehabilitation of homes in older neighborhoods needing revitalization.	First-time home buyers, in federally targeted areas, homeowners do not have to be first time buyers.	Below market rate fixed over 30 years.
<i>Rental Acquisition Development Initiative</i> offers tax-exempt financing for rehabilitation of multi-family housing.	Developers or owners interested in rehabilitation of buildings, 20% of units must be reserved for low-income.	Minimum of \$15,000 expenditure per unit, no maximum
<i>Qualified Rehabilitation Loans</i> for refinancing existing mortgages in order to raise funds for home-improvements.	Existing owners of 104 family homes	Minimum \$15,000, cannot exceed 95% of appraised value after rehabilitation. Below-market rate, up to 15 years.

<p><u>The Massachusetts Community Economic Development Assistance Corporation</u> was established in 1978 by the state legislature as a quasi-public corporation to provide a range of development assistance programs to non-profit development corporations, expand the supply of affordable housing and foster the revitalization of economically distressed areas.</p>		
Programs	Eligible Recipients/Criteria	Loan Amounts, Rates and Guarantees
<i>Equity Financing Guarantees</i> for non-profit corporations so that they can obtain construction financing from private banks for multi-family rental projects.	Non-profit corporations incorporated within Massachusetts General Laws	Flexible, as small as \$75,000 and as large as \$400,000. Interest rate is equal to prime plus two percentage points. Secured by a mortgage or investor notes.
<i>Front Money Loans</i> to finance mortgageable predevelopment costs when a borrower can show evidence of site control, financing commitments and strong development team. Eligible costs include all mortgageable predevelopment costs (design and engineering, application fees, the non-profit project manager's time).	Non-profit corporations incorporated within Massachusetts General Laws	Loan amount is based on number of units, range between \$2,000 per unit for smaller projects to and \$1,000 per unit for large projects. Interest rate is 0%, loan payable at time of closing.
<i>Site Control Loans</i> to non-profit developers to make down payments on privately-owned sites.	Non-profit corporations incorporated within Massachusetts General Laws	Loan amount can range from \$2,500 to \$40,000. Interest rate is 0%, loan payable at time of closing.
<i>Spot Technical Assistance Loans and Advances.</i> The Spot TA loans are smaller more flexible loans for time sensitive activities such as a down payment for a purchase agreement or consultant services for a preliminary rehabilitation study prior to purchase. The advances are unsecured loans for larger amounts for professional services by a third party.	Non-profit corporations incorporated within Massachusetts General Laws	The spot loans range from \$1,000 to \$2,500 at 0% and are repayable at the time of construction loan closing. The TA advances range from \$1,500/unit for smaller projects to \$400/unit for larger projects at 0%.

<p><u>The Massachusetts Community Development Finance Corporation (CDFC)</u> was created in 1975 as a source of public venture capital for working capital needs and real estate development in low-income areas, primarily through Community Development Corporations (CDCs).</p>		
Programs	Eligible Recipients/Criteria	Loan Amounts, Rates and Guarantees
<p><i>Community Development Program</i> provides loans and equity investments to a CDC or a partnership for housing, commercial, industrial projects that contribute to the redevelopment and economic well being of the area. Funds are generally used as working capital or bridge financing in anticipation of syndication proceeds (permanent financing).</p>	<p>CDCs, project must be located within a "target area" and conform to applicable zoning and building regulations.</p>	<p>Twenty percent of total project costs or \$250,000, whichever is less. Variable interest rate, CDFC seeks a minimum return on investment of 8%.</p>
<p><i>Small Business Loan Guarantee Program</i> guarantees a loan to eligible small business by a participating financial institution when guarantee is requested by an eligible CDC.</p>	<p>CDCs, business must be located within the CDC's area and offer employment to area residents.</p>	<p>Guarantee loans up to 50% or \$25,000 (whichever is less) with up to five year maturity. Loan rate is negotiated with banks with consideration of reduced risk offered by guarantee.</p>
<p><i>Venture Capital Investment Program</i> offers debt and equity financing to small businesses sponsored by CDCs.</p>	<p>A business venture that has a sponsorship of a CDC and willing to locate in target area.</p>	<p>Preferred investment of \$75,000 to \$300,000; programs seeks 1:3 leverage ratio, will subordinate its loan to secure participation of other public and private financing resources. Interest rate based on risk factor.</p>

<p><u>Massachusetts Housing Partnerships</u> was established in 1985 by statute to promote local efforts to develop and preserve affordable housing through partnerships between the private sector and state and local government. It is an independent corporation financed by the state's banking industry and governed by a forty-member board.</p>		
Programs	Eligible Recipients/Criteria	Loan Amounts, Rates and Guarantees
<i>Early Project Assistance Fund</i> provides predevelopment loans for specific low and moderate income housing development projects.	Local housing partnerships, municipalities and private for-profit developers.	\$50,000 unsecured for non-profits and secured to for-profit. Two years, no interest for non-profit, 5% to for-profit.
<i>Housing Venture Fund</i> provides loans for innovative projects and programs that take risks to demonstrate new or better ways of developing and preserving affordable housing. Projects should demonstrate four policy objectives: leveraging private financing, utilizing excess housing stock, preventing urban disinvestment and preserving existing affordable housing stock.	Local housing partnerships, municipalities and private for-profit developers. Mortgageable costs associated with development projects and seed money for innovative projects which will become self-supporting.	\$50,000 unsecured for all borrowers. Two years, no interest for non-profit, 5% to for-profit until term; if not paid, interest accrues at prime rate until repayment.
<i>Permanent Rental Financing Program</i> provides long-term permanent financing for affordable rental and cooperative housing projects.	Rehabilitation of smaller existing properties acquired at below-market rates, works well in conjunction with Tax Credit Program.	One million dollars, fixed rate over twenty years based on participating bank's cost and spread to cover MHP servicing.
<i>Short-term Technical Assistance Fund</i> provides limited assistance to initiatives undertaken by local housing partnerships. MHP pre-qualifies consultants who receive assignments directly from MHP in response to requests.	Local housing partnerships, municipalities and non-profit developers. Bank negotiations, pro-forma reviews, site evaluations, legal fees, preliminary designs etc.	\$3,000 per project, does not have to be repaid.
<i>Soft Second Loan Program</i> was developed in 1990 and provides partially subsidized loans for first-time homeowners.	Borrowers who meet income guidelines. Communities and lenders can work together to establish special targeting.	Conventional first mortgage and subsidized second mortgage for 30 year term.

The Massachusetts Government Land Bank was established in 1975 to promote beneficial and affordable housing and economic development in targeted regions by providing financial, technical and development assistance to real estate projects designed to complement assistance available from other private lenders.

Program	Eligible Recipients/Criteria	Loan Amounts, Rates and Guarantees
<i>Economic Development Financing Program</i> provides funding for feasibility studies and permanent financing. Eligible uses include industrial parks, multi-tenant industrial buildings, small business incubators and downtown commercial buildings.	Non-profit and for-profit developers.	Loans range between \$1,000,000 to \$4,000,000 for 15 year term with rates averaging 8%.
<i>Residential Financing Program</i> provides permanent financing for the development of affordable rental, cooperative, single room occupancy or transitional housing.	Non-profit and for-profit developers.	Maximum loan of \$2,500,000 for 15 year term with rates averaging 8%.

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