Section 4: Capacity Building for Community Development & Affordable Housing

The Section 4 program strengthens the nation's lower-income urban and rural communities by bolstering non-profit community developers that build and invest in those neighborhoods. Since 1993, Section 4 has been the catalyst for these non-profit Community Development Corporations (CDCs) to revitalize lower-income neighborhoods and communities through the expansion of affordable housing, job creation, economic development, and other activities.

How does Section 4 work?

» Section 4 is the only program at the U.S. Department of Housing and Urban Development (HUD) specifically designed for non-profit capacity building.

» Section 4 provides grants on a competitive basis to national intermediary community development organizations, which in turn provide training, education, financial support and development assistance to local CDCs throughout the country.

» Section 4 funds have been deployed by CDCs and other non-profit developers in over **2,000** urban and rural communities in all **50** states and the District of Columbia.

» Section 4 funds are matched on a 3 to 1 basis, and then used to leverage additional private capital. Total leverage is estimated to be approximately **$18 - $27** for each dollar of Section 4 funding.

Brisas de Paz; Desert Hot Springs, Calif.
(Photo courtesy of Perkins & Will)

» The national intermediary awardees are responsible for delivering plans to HUD outlining how the dollars will be invested, selecting the qualified organizations to receive the funding, monitoring their use of the funds, and reporting the results and impacts to HUD.

What are the outcomes?

Helping Communities and People in Need Nationwide

» Over the last decade, Section 4 recipients were located in neighborhoods with an average poverty rate of 26 percent, which is roughly double the national poverty rate. From 2002 to 2011, Section 4 has **created or preserved over 83,000 homes and attracted over $13.2 billion in investment for lower-income neighborhoods and communities across the country**.

» Section 4 funding also helped CDCs located in federally designated disaster areas **rehabilitate housing units damaged by Hurricane Katrina, the Joplin tornado and Hurricane Sandy**.

» **Local communities have seen a $1.16 billion increase in income**, as well as over **$120 million** in taxes and other revenue for local governments. Much of this income comes from investments that might not have been made without these Section 4 investments.

Local Initiatives Support Corporatoin

Strengthening Local Non-Profits

» A 2011 independent study by Social Compact assessing the effectiveness of Section 4, found that despite severe economic challenges, Section 4-assisted **CDCs grew significantly between 2001 and 2011**, resulting in expanded programming efforts for those in need.

» **Median business operating budgets grew by over 157 percent** for Section 4 CDC recipients from 2001 to 2011. This has resulted in increased potential for growth and revitalization, inspiring further investment in areas in which traditional investors have seen little value.

Proven Results

» Evaluations – ranging from the federal government's U.S. Government Accountability Office and Office of Management and Budget to non-profits like the Urban Institute and Social Compact – attest to the effectiveness of the Section 4 model as well as the efficacy of the intermediaries that administer the program.

What has been LISC's involvement?

» Since the initiation of Section 4, LISC has invested Section 4 resources to build the capacity of **970 CDCs in 273 cities and rural counties across 44 states.** LISC Section 4 investments have postively impacted communities as diverse as the Mid South Delta, small urban communities such as Providence, Rhode Island, larger sprawling cities such as Phoenix, Arizona, and urban cores such as the Bay Area in California.

» Over the past ten years alone, LISC's Section 4 investments in both rural and urban areas have leveraged more than **$6.4 billion in direct real estate investments** and have assisted in building, renovating, or preserving approximately **39,000 affordable housing units.**

» LISC uses more than 80 percent of Section 4 Capacity Building dollars to support CDC capacity building, such as strengthening their organizational infrastructure, providing technical support, or supporting pre-development expenses.

Clinton Commons; Oakland, Calif.

» LISC has also invested Section 4 money in programs that address critical national challenges. These initiatives support a wide variety of programs such as green building, the development of healthcare and childcare facilities, the strengthening of neighborhood commercial corridors, job creation and community safety.

What can Congress do?

Restore Section 4 funding to $35 million. The Administration's FY 2014 budget is proposing to cut Section 4 funding to $20 million.

» Without the relatively modest federal investment of $35 million that has successfully boosted the capacity of CDCs in economically disadvantaged communities nationwide since 1993, $105 million in match investments and $350 million in leveraged investment dollars would disappear, resulting in a devastating loss for these communities.

» A 43 percent reduction in funding could mean nearly **3,000 fewer affordable homes** preserved, renovated or developed, as well as fewer community heath centers, job placement programs, safe green spaces, and revitalized commercial corridors.

LISC is a national nonprofit housing and community development intermediary with offices in 30 different cities and a national rural network of 60 organizations. For more information about Section 4, please contact Barbara Burnham at bburnham@lisc.org.