



investing where it matters

A SURVEY OF COMMUNITY DEVELOPMENT IN THE SAN FRANCISCO BAY AREA



The Bay Area’s affordable housing shortage is well known to all, and despite the region’s general affluence, poverty and disinvestment still plague too many of our neighborhoods and families. Perhaps less well known is the decades-long effort of a special kind of community-oriented nonprofit group — community development corporations — to help create the kinds of sustainable and affordable communities that children and families need to thrive.

For 25 years, the Local Initiatives Support Corporation (LISC) has believed that putting the power of real estate development into the hands of community-led institutions is a key avenue to improve community quality of life. This study fills a decade-long gap in our ability to document community development trends and provide important strategic guidance for the future. Study information comes primarily from a survey of community development corporations (CDCs) in the nine-county Bay Area, consisting of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma Counties. Between September 2004 and January 2005, surveys were sent to 69 organizations, of which 45 (or 65 percent) completed the survey.



Housing Production		
	Total	2000–2005
Units	60,307	15,488
Projects	1,598	251
Rental Units		12,442
Ownership Units		1,474
Other		1,572
Total Units		15,488
CDC Average Units/Year		79
CDC Median Units/Year		43
Average Cost per Unit		\$170,207
Estimated Total Development Cost		\$2,636,173,711





Commercial Development

	Total	2000–2005
Square Feet	1,023,362	509,477
Projects	72	32
CDC Average Square Feet/Year		9,263
CDC Median Square Feet/Year		4,000

Community Facility Development

	Total	2000–2005
Square Feet	419,795	272,795
Projects	42	19
CDC Average Square Feet/Year		5,456
CDC Median Square Feet/Year		1,500

The results of this study confirm what community development insiders have long known: that CDCs are crucial to filling the gaps created by individual and family poverty and the market’s disinvestment in low-income communities. They are, in many instances, the only effective agent of revitalization in neighborhoods abandoned by private markets.





Housing

In many ways, the story of affordable housing in the Bay Area is the story of nonprofit housing development, meaning that efforts to ramp up regional production to meet a widening shortfall of units will rest heavily on the continuing capacity of nonprofit developers to deliver these units. Between 2000 and 2005, nonprofit community developers produced 15,488 rental and ownership housing units serving low and moderate-income individuals and families. Over the course of the last 30 years, more than 60,000 units have been built by nonprofit producers across the Bay Area in almost every community. Even more impressive, nationally the Bay Area accounts for about five percent of all nonprofit units developed annually and about eight percent of all nonprofit housing ever produced in the United States. This record of accomplishment has led to significant improvements in the lives of thousands of families and in the ability of local communities to maintain a diverse workforce and economic base.

60,307 AFFORDABLE HOUSING UNITS

15,488 AFFORDABLE HOUSING UNITS SINCE 2000

Commercial Development and Community Facilities

But community development does not rest on housing alone. Nonprofit developers have increasingly turned their attention to commercial and retail facilities development, developing some 500,000 square feet since 2000, about one half of all the square footage ever developed by Bay Area nonprofits. Survey figures also report 275,000 square feet of community facilities since 2000 — such as senior centers, recreation facilities, and charter schools. And because of their community ties, Bay Area CDCs are increasingly called on to carry out essential services for low-income households and neighborhoods under contract with public agencies or supported by foundations and other philanthropic funders.



Challenges

Despite their clear successes in responding to community problems, CDCs face daunting challenges that go to the core of their “business model.” Because these groups take on the hardest projects and serve people with the lowest incomes, securing sufficient funds to make projects work is often difficult. Community development groups must navigate a fragmented system of public and private finance that adds even more costs on top of already high land and construction costs. The result is a shortfall in working capital and access to crucial predevelopment and acquisition funding at early project stages. Moreover, operating the developments is often a financial strain. These challenges place CDCs in a difficult financial position: about 30 percent of CDCs reported running at a deficit. By contrast, in an average year, about 25 percent of all nonprofit groups nationwide run an operating deficit. These operating losses result in part from government and foundation reluctance to provide direct operational support to CDCs, often preferring to fund specific projects instead.



1,000,000

1,000,000 SQUARE FEET OF RETAIL AND OFFICE SPACE

419,795

419,795 SQUARE FEET OF COMMUNITY FACILITIES



RECOMMENDATIONS

Fortunately, the Bay Area has created a sophisticated network of public and private institutions and programs designed to meet both these challenges. To help the regional community development system respond to challenges faced by CDCs, we urge policymakers to:



I. Identify new sources of financing for affordable housing and community development

There is no escaping the need to find new sources of financial support if progress is to be made toward strengthening low-income communities. We strongly urge creation of a state housing trust fund with dedicated funding, and urge regional leaders to consider creating a public-private funder collaborative able to exercise financial and civic leadership in community development.

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II. Better coordinate community development activities across the region

Greater collaboration is needed to bring development and services to neighborhoods currently underserved by community development organizations. The geographic coverage of CDCs is highly uneven: some needy areas remain underserved and local residents have little voice in development decisions. New and innovative partnerships are needed to bring housing and community development to underserved communities.

III. Communicate the community development story more effectively

Despite their many accomplishments, there remains a need for coordinated, sustained outreach and communications to make the case for CDCs among community leaders, public officials and foundation staff.



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OF MILLIONS INVESTED FOR LOW-INCOME FAMILIES

Conclusion

The overall picture of community development corporations in the Bay Area is of an industry that has grown, and continues to grow, and that has been flexible and creative in response to changing conditions in a dynamic period. It is also a picture of an industry that still faces challenges and requires sustained assistance and innovation on the part of funders, policymakers, and other supporters in order to continue to adapt and grow. Community development nonprofits are a vital force in the Bay Area meeting a critical need for affordable housing and community revitalization.



CDC Timeline of Group Formation

The founding 1960s generation of CDCs aimed primarily for economic empowerment through business and workforce development. Groups emerged primarily in the major cities of the Northeast and Midwest, although the Unity Council in Oakland and the Mexican American Community Services Agency in the South Bay date from this period. Throughout the 1970s and 1980s, as Federal programs shifted emphasis and emerging groups reacted to the disappointments of the earlier economic development efforts, CDCs as a group turned their attention toward affordable housing development. The national industry expanded throughout the West, particularly in Los Angeles and the San Francisco Bay Area. The CDC timeline presented here displays the growth of the of the Bay Area community development field over the past few decades as a result of key federal, state and regional policy shifts and events that shaped the evolution of the industry.

Acknowledgements

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Founding Dates of Responding Bay Area Organizations

1961	Christian Church Homes	1981	Tenderloin Neighborhood Development Corporation
1964	Mexican American Community Services Agency, Inc.		Richmond Neighborhood Housing Services
	Unity Council	1983	East Oakland CDC
1966	Satellite Housing		Bridge Housing Corporation
1968	EAH	1984	Resources for Community Development
	Eden Housing		Community Housing Opportunities Corporation
1970	Mid-Peninsula Housing Coalition	1985	First Community Housing Inc.
	Palo Alto Housing Corporation	1986	Silicon Valley Habitat for Humanity
1971	TODCO		Family Emergency Shelter Coalition
1972	HIP Housing		Shelter, Inc.
1973	Asian Neighborhood Design	1987	East Bay Habitat for Humanity
1974	Housing Conservation and Development Corporation	1988	San Francisco Housing Development Corporation
	Oakland Community Housing Incorporated		Mercy Housing California
1975	East Bay Asian Local Development Corporation	1989	Episcopal Community Services
1977	Napa Valley Community Housing	1990	Community Development Corporation of North Richmond
	Chinatown Community Development Corporation	1992	Habitat for Humanity—San Francisco
1978	Bernal Heights Neighborhood Center	1993	Charities Housing Development Corporation
	Northbay Family Homes		Operation Dignity
1979	South County Housing Corporation		Citizens Housing Corporation
	Community Housing Developers, Inc.		Affordable Housing Associates
1980	Emergency Housing Consortium, Inc.	2000	Alameda Development Corporation
	Burbank Housing Development Corporation	2001	Calistoga Affordable Housing
	Housing for Independent People, Inc.		