

BUILDING A BETTER NEIGHBORHOOD HOUSING PARTNERSHIP

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Abstract

Prior research has examined the role of intermediary organizations in affordable housing development and community-based housing organization (CBHO) capacity building. This article built on this work by examining an applied research project aimed at assessing the feasibility of creating a neighborhood housing partnership (NHP) organization in Buffalo, New York. NHPs are nonprofit umbrella organizations created through public-private partnerships. They provide technical assistance, training, monitoring, and funding support to local CBHOs. This research was based on case study analysis. Selected NHP best practices in western New York and northeastern Ohio were described, and CBHO capacity in Buffalo was examined. Recommendations were discussed for reforms to Buffalo's nonprofit housing sector shaped by institutional conditions in the public, private, and nonprofit sectors. This analysis highlighted how local intermediaries need to be designed in response to these conditions, and offers insights into why NHP structures vary across the U.S.

Introduction

In many core cities across the U.S. there is a general awareness that community development processes are not adequately addressing urban problems. Economic development is stalled, public schools are underperforming, parks are overgrown with weeds, infrastructure is crumbling, and housing is in disrepair. Often these conditions are aggravated by demographic pressures such as rising poverty and depopulation. Ironically, the plight of core cities is often accompanied by the proliferation of local nonprofits that aim to reverse urban decline. The number of U.S. community-based housing organizations (CBHOs) multiplied during the 1980s and 1990s to the point where 501(c)(3) organizations can be found in most

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distressed communities. Yet, the sheer growth in the number of nonprofits does not translate into high levels of community development capacity.

Recent research (Bratt & Rohe, 2004; Rohe & Bratt, 2003) has found that although the numbers of CBHOs continue to proliferate, there remains a great deal of instability among CBHOs at the local level. This work indicates that despite growth in the overall number of CBHOs, many organizations suffer from limited capacity. As a result, many CBHOs downsize or merge in order to survive. Rohe and Bratt (2003) argued that the future of CBHOs is dependent on increased collaboration among organizations at the local level and the further development of CBHO support systems. They also argued that a central component of these support systems is the presence of local intermediary organizations that can connect CBHOs with institutional resources in the public, private, and nonprofit sectors.

In many respects, Rohe and Bratt echoed Stoecker's (1997) earlier concerns about the limited capacity and fragmentation of CBHOs at the local level. Although Stoecker placed a heavier emphasis on the role of CBHOs as advocacy organizations, Rohe and Bratt reached similar conclusions about the need for reform to the community development industry system. At their core, these reforms focus on the need for metropolitan-wide organizations to provide technical support and assistance to CBHOs. Of course, the environment in which CBHOs operate has changed somewhat since Stoecker (1997) initiated this discussion. The availability of federal and state funding has declined in recent years, and the sustainability of CBHOs has been more dependent on the sophistication of local support systems.

In this new environment, some cities have benefited from strong CBHO support systems while others have not. This article examines how local context can act as a barrier to the development of a CBHO support system and attempts to provide a framework for addressing this problem. In part, this approach draws from the general literature on nonprofit reform and collaborative philanthropy (Hopkins, 2005; Light, 2000). However, it also attempts to apply case study analysis to identify strategies for overcoming obstacles that small and medium sized cities face in building the capacity of CBHOs. In particular, attention is focused on the question of how to develop institutional structures to support affordable housing activities in cities with finite resources and relatively small, low capacity CBHOs.

This was the question Buffalo, New York confronted when the authors were approached by the Buffalo Branch of the Federal Reserve Bank of New York, a local foundation, and the City's Office of Strategic Planning to examine why local CBHOs were not able to have a greater impact on efforts to reverse housing decline. We were asked to assess the capacity of local CBHOs and propose a model for the creation of a public-private-nonprofit partnership that could enhance CBHO capacity. Specifically, we were asked to propose a model for a housing

fund and neighborhood housing partnership (NHP) in Buffalo. NHPs are local intermediary organizations created through public-private partnerships that provide technical assistance, training, monitoring, and funding support to CBHOs. They function as local intermediaries connecting CBHOs with resources from national intermediaries, financial institutions, and government.

Creating an NHP model for Buffalo was a challenge, since the city's nonprofit sector had historically been characterized by fragmentation and a lack of collaboration. However, the need for capacity building and increased coordination among agencies that funded nonprofits was paramount, given the declining pool of resources available to nonprofit housing organizations from local government and foundations. Thus, the researchers were provided with an opportunity to examine the obstacles to capacity building and collaboration in a declining core city, and to propose a model to break the gridlock in nonprofit housing development.

Community-Based Housing Organization Capacity and Housing Partnerships

The goal of this research was to identify a local intermediary model which would aid in enhancing the capacity of CBHOs in Buffalo. It was understood that CBHO capacity was a multidimensional phenomenon. This phenomenon has been described in past scholarship on capacity building in community-based organizations (Glickman & Servon, 1998; Glickman & Servon, 2003; Nye & Glickman, 2000). In this scholarship, community-based organization capacity was argued to be comprised of five components: resource capacity, network capacity, programmatic capacity, political capacity, and organizational capacity. These five components of capacity were argued to be interactive and mutually reinforcing. This body of scholarship was referenced when designing the research methods for this study. However, the primary focus was on developing a local intermediary model that would assist in the development of CBHO capacity as it related to affordable housing.

The emphasis on enhancing the capacity of CBHOs' ability to develop affordable housing was complementary to the broader scholarship on CBHO capacity. This emphasis was also in line with scholars like Fredericksen and London (2000), who emphasized the growing importance of enhancing the capacity of local nonprofits as responsibilities for implementing public policy continued to shift from the public sector to the local nonprofit sector. This shift has been linked to the devolution of federal housing policy from the public sector to the nonprofit sector (Bockmeyer, 2003). The increased emphasis on the implementation of federal policies and programs by nonprofit organizations and for-profit subcontractors has been associated with the development of what has been coined the *hollow state* by Milward and Provan (2000).

Of course, the expansion of the hollow state has resulted in a growing demand for intermediaries to act as facilitators of CBHO capacity building. Initially, the need for intermediaries was identified due to the rapid growth in CBHOs. National intermediaries were established to provide the growing community development industry system with resources and technical support. However, the need for intermediaries became increasingly evident at the local level as CBHO instability remained problematic at the local level (Bratt & Rohe, 2004; Frisch & Servon, 2006; Rohe & Bratt, 2003). In addition to the need for national intermediaries, scholars identified a need for local intermediaries to promote stability in the community development industry system.

There are several examples in the literature where it has been suggested that nonprofit capacity building be facilitated by national intermediaries. For instance, DeVita and Fleming (2001) indicated that national intermediaries have a central role in nonprofit capacity building. In their empirical research, Glickman and Servon (2003) measured the benefits national intermediaries have on CBHO capacity. Liou and Stroh (1998) added to this body of literature in their comparison of three models for national intermediary organizations: the Local Initiative Support Corporation (LISC), the Enterprise Foundation, and the Neighborhood Reinvestment Corporation (which is now called NeighborWorks® America). Moreover, scholars and practitioners ranging from Gittell and Vidal (1998), Dreier (1996), Von Hoffman (2001), and Willis (2004) have emphasized that the scope of national intermediary activities goes beyond the provision of financial assistance to CBHOs. In addition to financial assistance, national intermediaries also play a critical role in other areas of capacity, including social capital development, advocacy, and community organizing.

A great deal of the literature has focused on national intermediaries and their affiliates, such as LISC and NeighborWorks®. However, there is also a body of work focusing on the role of local intermediaries in the capacity building process. Local intermediaries fill a critical role in the community development industry system. They connect CBHOs with resources across sectors and from the national, state, and local levels. For the most part, these local intermediaries are the product of public-private partnerships forged specifically to address nonprofit housing development and CBHO capacity building. The renewed interest in public-private partnerships focused on local community development and housing programs was, in part, driven by a set of reports released by the General Accounting Office (GAO) in the late 1980s and early 1990s (General Accounting Office, 1989, 1990). This interest has also been sustained by national intermediaries and national associations of local intermediaries such as the Housing Partnership Network. An example of this sustained support for public-private housing partnerships was found in a recent report co-published by the Community Development Partnerships' Network, the Enterprise Foundation, LISC, and the National Housing Institute

which identified the importance of local intermediaries in housing revitalization (Mallach, 2005).

In addition to sustained interest in local intermediaries by national organizations, scholars have periodically examined their role in the community development process. For example, Wylde (1986) discussed local intermediaries in New York City. Keyes, Schwartz, Vidal, and Bratt (1996) discussed the role of local intermediaries in Minneapolis-St. Paul and Boston. McDermott (2004) examined local intermediary activities in Cleveland. Lowe (2004) examined the role of community foundations (another type of local intermediary) in Cleveland, Dade County, and New Orleans. Walker (1993) examined the role of local intermediaries across the country in relation to CBHO expansion in housing development. Riggan, Grasso, and Westcott (1992) examined the challenges of evaluating the performance of local intermediaries. Additionally, Neno (1991) examined public-private housing partnership models in Massachusetts, Ohio, Wisconsin, and California.

With the exception of the research cited above, there has been limited academic attention given to NHPs since the spike in such inquiry during the early to mid-1990s. This article attempts to examine some of the challenges of forging NHPs in the contemporary period. In our analysis we reflected on the lessons learned from past research and applied them to the development of recommendations for the creation of local intermediary organizations in declining cities. Specifically, we focus on an effort by the Buffalo Branch of the Federal Reserve Bank of New York, a local foundation, and the City's Office of Strategic Planning to develop a model for an NHP. Through this case study, we describe how past scholarship has informed applied research and the development of local public policy. As university-based consultants hired to assist in the development of a model for a local intermediary, we were in a unique position to describe both how this process unfolded and to analyze it.

Method

This research was conducted between December, 2004 and November, 2005. It was based on three distinct foci. The first set of data collection methods focused on the analysis of NHP best practices in the region surrounding Buffalo. Best practice cities were identified in consultation with the staff of the Buffalo Branch of the Federal Reserve Bank of New York and through an analysis of existing studies of NHPs. The best practice NHPs examined in the study were located in Rochester, New York; Syracuse, New York; and Cleveland, Ohio. One rationale for selecting these three best practice cities was that they were in close proximity to Buffalo. Being in the same region, the three cities had confronted many of the same regional economic trends. All three cities experienced several decades of population and economic decline. However, they had responded somewhat

differently to these trends. For instance, Cleveland was included in the analysis because of its national reputation for innovation in local community development policy. Likewise, Rochester and Syracuse were chosen because of their abilities to adapt to regional economic decline in western New York. These two cities have had similar experiences to Buffalo with economic decline and interact with the same governmental and financial institutions. Yet, they have been more successful in their efforts to adapt to this changing environment and design institutional support systems for CBHOs engaged in affordable housing activities.

Site visits were made to each of the NHPs located in the best practice cities. A structured interview was conducted with each organization's executive director or other executive level staff. The interviews focused on the organization of the NHPs and their approach to CBHO capacity building. The interviews were based on an interview guide designed to measure dimensions of resource capacity, network capacity, programmatic capacity, political capacity, and organizational capacity relevant to affordable housing development. Each of the NHPs provided copies of print materials such as annual reports, strategic plans, budget and financial information, and other programmatic information. In addition to this information, all available IRS Form 990s were collected for each of the NHPs.

The second set of data collection methods focused on the analysis of Buffalo's CBHOs. Organizations were identified in consultation with the City's Office of Strategic Planning, NeighborWorks®, and lists available through agencies such as the New York State Division of Housing and Community Renewal (DHCR). A total of 15 CBHOs were examined in the study. These 15 CBHOs represented the entire population of nonprofits engaged in affordable housing activities in the city at the time of the research. We attempted to schedule site visits with all of the CBHOs in order to conduct a structured interview with each organization's executive director. Ten CBHO executive directors were interviewed in-person; the remaining directors provided responses to the interview questions through the mail. The interviews focused on the organization of the CBHOs, the scope of their housing programs, and components of their capacity. The interview guide used in the research was designed to measure aspects of resource capacity, network capacity, programmatic capacity, political capacity, and organizational capacity linked to affordable housing development. Several of the CBHOs also provided copies of print materials such as annual reports, strategic plans, budget and financial information, and other programmatic information. In addition, all available IRS Form 990s were collected for each of the CBHOs.

The third set of data collection methods focused on interviews with key informants from the public, private, and nonprofit sectors. During the course of the study we met with representatives from the local banking community, the Office of Strategic Planning, local foundations, the local office of LISC, and the regional office of NeighborWorks®. The meetings with key informants involved

both individual meetings and group meetings arranged in coordination with the staff of the Buffalo Branch of the Federal Reserve Bank of New York. These key informants provided information on the history and context of Buffalo's local nonprofit sector. They also provided insights concerning the applicability of various NHP models to Buffalo, and their perceptions of opportunities for institutional support for capacity building.

Combined, these three sources of data resulted in a multidimensional view of the context in which CBHOs were embedded in Buffalo, and the parameters in which a NHP would potentially operate. It should be noted that this research was conducted for an applied research project. After analyzing the data to generate a final report for the clients, we were able to step back and examine it as academics for this article. That analysis is presented in the following sections.

Results and Discussion

Neighborhood Housing Partnerships Best Practices

In this section the NHP best practices that were examined in the Buffalo region are discussed. These best practices are presented in order to highlight aspects of these approaches that influenced our recommendations for developing a local intermediary driven CBHO capacity building strategy for Buffalo and similar declining cities. The four NHP models presented illustrate that a variety of approaches to developing local intermediaries can be found in a single region. This is a reflection of the institutional context in which NHPs are embedded, and the specific challenges organizations were designed to address. Of course, the NHPs examined here represent a sample of NHPs nationally. For example, the Housing Partnership Network, a national peer network and business cooperative of NHPs, includes 85 member organizations in 33 states (Housing Partnership Network, 2006).

Despite the distinctions across NHPs, most share three characteristics. First, they are typically public-private-nonprofit partnerships that fill a local intermediary role for CBHOs. Second, their activities are often financed through a designated housing fund which pools resources from local government, national intermediaries, foundations, and private financial institutions. Third, their activities focus on providing technical assistance, training, monitoring, and funding support to CBHOs.

The NHP best practices presented here share these three general characteristics. They also highlight four additional dimensions of NHPs that were instructive in developing a CBHO capacity building strategy for Buffalo and similar declining cities. First, the best practices highlight the importance of removing the implementation of housing programs from local patronage politics in order to promote transparency in decision making and promote greater efficiency and

effectiveness. Second, they highlight the benefits of increased CBHO collaboration in relation to affordable housing activities. Such collaboration and the creation of one-stop shops for housing services gives stakeholders access to comprehensive services offered by the public, private, and nonprofit sectors. Third, the best practices illustrate how public-private-nonprofit partnerships can expand CBHO capacity through the dissemination of community development techniques and the development of economies of scale. Finally, they illustrate the critical role that NHPs can fill as local financial intermediaries.

Removing Housing Programs from Local Patronage Politics

The creation of the Greater Rochester Housing Partnership (GRHP) was driven by a number of factors. In part, there was a desire to move housing programs out of municipal government in order to depoliticize the decision-making process and leverage additional resources. By embedding housing program implementation in a nonprofit organization, public and private funds could be combined more readily. Additionally, decision making concerning program implementation could be insulated from the local municipal administration and short-term political considerations. Moreover, the governance of the NHP could be structured to include representatives from all of the sectors contributing to the organizations, as well as residents impacted by local housing programs.

In response to these motivating factors, the GRHP was established in 1992. The City of Rochester used proceeds from the sale of publicly owned property to capitalize the GRHP. The initial investment was just under \$5 million. GNRP was organized as a 501(c)(3) with a mission to develop and rehabilitate affordable housing for low- and moderate-income residents in the Rochester area. In partnership with for-profit, nonprofit, and government organizations, it was designed to provide professionally managed access to public and private funds, as well as technical assistance to CBHOs.

Specifically, GRHP packages financing from private and public sources. It offers direct construction and bridge loans to nonprofit and for-profit developers, makes secured construction loans to developers of affordable rental housing, and provides lines of credit to developers of new affordable single-family homes. It also capitalizes and manages a tax credit fund. This fund purchases interests in low-income housing financed with tax credits and manages, through a service contract, a large acquisition/rehabilitation program. Since its creation, GRHP has lent over \$34 million to leverage the construction of more than 700 units. In addition to leveraging finances for housing projects, it provides technical assistance to developers.

This is a substantial level of activity given the GRHP's relatively small staff and board of directors. GRHP has a staff of five. Its net assets at the end of fiscal

year 2004 were \$5.7 million. The revenue and support for 2004 totaled \$1.4 million. GRHP had relatively low administrative costs. The total expenses for fiscal year 2004 were \$827,428, of which 28% went to general and administrative costs and 72% went to program services.

One of GRHP's most successful programs runs through the Rochester Housing Development Fund Corporation (RHDFC). RHDFC was created by the City of Rochester, the Enterprise Foundation, and the GRHP to create homeownership opportunities from foreclosed, vacant homes acquired from the City of Rochester and through the City's Asset Control Area Partnership (ACAP) agreement with HUD. Managed by GRHP and working in conjunction with local community-based organizations, RHDFC renovates the vacant homes and sells them to qualified home buyers through the HOME Rochester program.

The HOME Rochester program is financed through a unique consortium of for-profit and nonprofit lenders. The consortium consists of 10 lenders and is led by JP Morgan Chase. The consortium has developed a fund of \$16 million to be used by RHDFC to purchase and renovate single-family homes. Leveraging these and other resources, GRHP has grown into the largest lender and construction finance organization for affordable housing in the Rochester area. It has also leveraged the development of rental units through the syndication of low income housing tax credits (LIHTC). Investments from LIHTCs have been in both the City of Rochester and in rural villages of Monroe County. Between 1997 and 2004, GRHP has used LIHTCs to leverage over \$6.7 million and developed over 109 new rental units.

At a more grassroots level, GRHP provided CBHOs with various forms of technical assistance. One of the most recent programs is the Feasibility Funding Program (FFP). This program is a collaboration with the Enterprise Foundation in which Enterprise provides \$100,000 to fund loans, and GRHP manages and distributes the funds to eligible CBHOs. FFP Funds are used to conduct feasibility studies for affordable housing projects.

Combined, GRHP illustrates some of the benefits that Rochester has accrued by depoliticizing the implementation of affordable housing programs. The creation of an NHP has resulted in the development of a nonprofit vehicle for pooling housing funds. This public-private partnership has resulted in the redevelopment and construction of new affordable housing units. GRHP has also provided a mechanism for the syndication of LIHTCs and the management of affordable rental units developed with these funds through the NHP. Moreover, it has created opportunities for collaboration with national intermediaries like the Enterprise Foundation, which have translated into increased capacity among local CBHOs.

Creating a One-Stop-Shop Homeownership Center

Another advantage of forming an NHP is that a single organization can serve as a one-stop-shop for housing services in a community. This was one of the primary rationales for creating Home HeadQuarters (HHQ) in Syracuse. HHQ provides a number of services under a single roof: housing counseling, downpayment and closing cost assistance, foreclosure prevention, credit counseling, CBHO capacity building, neighborhood planning, landlord training, home improvement lending, site development, new construction, and home acquisition-rehabilitation. The organization is designated as the homeownership center for central New York by Neighborworks®. This designation formalized its role as a clearinghouse for affordable housing programs in the region.

HHQ is a partnership organization of residents, local businesses, local institutions, and representatives from local government. Its professional staff has a vast pool of resources to pull from in order to provide a great number of people with housing products. As a NeighborWorks® Homeownership Center, the board of directors for HHQ must include neighborhood residents to assure fair representation of local community needs. Of the 21 board members, 10 are residents. The remaining 11 members include representatives from the banking community, local government, and the private sector. Given the breath of activities that HHQ is engaged in, the organization has a sizable staff. The organization employs 23 full-time and 6 part-time staff in four programmatic departments: community partnerships, finance, lending and housing production, and the HomeOwnership Center.

In 2004 HHQ produced approximately \$10 million in program generated activity. The total budget for 2004 was \$13.7 million. The budget for housing programs which included lending and financing activities and real estate development was \$10.5 million. HHQ had \$18 million dollars in assets in 2004 which included \$5 million in cash reserve for the Home Value Protection Program.

From May 2003 to April 2004 approximately 1,500 people attended HHQ's HomeOwnership Orientation Workshop, over 200 residents became first-time home buyers in the City of Syracuse through HHQ's loan programs, and 226 individuals graduated from HHQ's Certified Homebuyer Education Program. In addition, nearly \$10 million of affordable housing development and loans were dispersed to residents of Onondaga County.

The opportunity for home improvement is central to Home HeadQuarter's mission. In fiscal year 2003, HHQ provided over \$3.8 million in home improvement financing and mini-grant assistance. A primary vehicle for home repair assistance was also developed in 2004. The FlexFund Loan Pool is a pool of \$2.6 million in loan capital to HHQ for home improvements. The loan pool is funded by 10 area funding institutions.

HHQ also administers home investment products offered through the Syracuse Neighborhood Initiative (SNI) whose funding is derived primarily from HUD. SNI is a public-private-nonprofit organization started through the office of Congressman James T. Walsh of the 25th district. It serves as an umbrella effort working together with the City of Syracuse, Syracuse Department of Community Development, NeighborWorks®, the Enterprise Foundation, and other local community-based organizations. The mission of SNI is to expand available housing resources to residents in targeted neighborhoods in the City of Syracuse in order to revitalize its neighborhoods. Through Home HeadQuarters, SNI provided home improvement loans, curb appeal mini-grants, purchase and rehabilitation grants, property remediation, and neighborhood redesign. In addition, SNI's innovative Home Value Protection Program is coordinated and administered through Home HeadQuarters, Inc.

At the grassroots level, HHQ funds other nonprofit housing organizations with interim construction financing. Currently, 10 nonprofit housing organizations are receiving interim financing for housing construction. These organizations also refer residents from the neighborhoods they serve to HHQ programs.

In the case of HHQ, the creation of an NHP has resulted in the development of a one-stop-shop for affordable housing services. This NHP consolidates resources from public, private, and nonprofit partners. It provides planning and financial services to private and nonprofit developers. HHQ also connects residents with housing resources and builds the capacity of local CBHOs.

Promoting Community-Based Housing Organizations Collaboration

In addition to depoliticizing housing program implementation and creating a one-stop-shop for affordable housing services, the creation of an NHP can also enhance the capacity of local CBHOs by promoting collaboration. The Cleveland Housing Network (CHN) is an NHP that is based on a collaboration of 18 Cleveland area CBHOs. It was conceived as a mechanism to build CBHO capacity. This has been done through the collaborative delivery of programs among member CBHOs and through a number of housing development activities.

The governance of CHN is grassroots in nature, with each member CBHO having a representative on the organization's board of directors. In addition to these 18 board members, there are 12 at-large board members. The at-large members complement the grassroots emphasis of the organization. They include members from the Cleveland Municipal School District, Cleveland State University, Thompson Hine LLP, Carnegie Companies, Inc., Mt. Sinai Ministries, various other social service agencies, and two members of CHN's Resident Advisory Council.

CHN which began as a collaboration of six low capacity CDCs, has grown to an organization of 105 full-time employees. Twenty-five of CHN's staff fill management positions in 14 different departments which include the executive

team, resource development, finance, human resources, the rehabilitation division, the market rate/new construction division, the acquisition division, the lending division, the sales and marketing division, the family services and community training and technology center division, information technology, property services, property management, and real estate development.

From 2004 to 2005 CHN went from an \$85 million to a \$90 million enterprise. That number is derived from three different budgets. One is the operating budget which was \$15.9 million in 2005. Its largest budget, the real estate development capital budget, was \$65.5 million in 2005. Finally, CHN's real estate partnerships operating budget which consisted of the lease purchase and rental partnerships was \$8.9 million in 2005.

The wide scope of programs that CHN offers serves its mission of developing affordable housing for low- and moderate-income housing for Cleveland residents. CHN's toolbox of newly constructed and rehabilitated affordable housing products is offered through three housing development programs: the Homeward Program, the Lease Purchase Program, and rental products. CHN's mission to assist and serve very low-income residents is offered through its Free Energy Conservation and Home Repair Programs.

CHN's Homeward Program is a market rate, new construction and housing rehabilitation program which targets moderate-income home buyers. Since its inception in 1989, CHN has constructed and rehabilitated over 1,200 homes under this program. Development through the Homeward Program takes place at many levels from scattered site new and rehab construction (which is one of CHN's strengths) to subdivision development. The Homeward Homes Program has generated a total of more than \$90 million in direct capital investment in Cleveland's neighborhoods.

CHN's Lease Purchase Program is a 15 year rent-to-own product geared toward low-income residents. Since its inception in 1981, 2,100 homes have been rehabilitated and constructed with a ratio of 1 newly constructed home for every 4 rehabilitated homes. The Lease Purchase Program has generated more than \$140 million in direct capital investment in the City of Cleveland's neighborhoods. Under the Lease Purchase Program, CHN's Property Management Department manages 1,850 scattered site units and in January 2005 began to sell off 40 lease purchase homes to lease purchase families who began leasing in 1990.

CHN has three main rental products for very low-income residents: HOPE VI scattered site housing, Section 8 preservation rentals, and Permanent Supportive Housing. Under these programs, in 2005 CHN completed construction on 148 HOPE VI units, completely renovated 89 Section 8 preservation units, and began construction of 52 permanent supportive housing units.

Through its Free Energy and Conservation Program CHN provides gas, electric, and water preservation repairs. Through its Home Repair Program it does

lead and mold abatement and repairs roofs, wiring, and plumbing in very low-income residences. Since the inception of these programs CHN has completed 60,000 jobs. To date, the Free Energy Conservation and Home Repair Programs have generated more than \$55 million in direct capital investment in the City of Cleveland.

CHN provides other housing and social services through its Build Human Capital Program. These services are offered at CHN's Community Training and Technology Center. The services vary from homeless family services, eviction protection services, to financial literacy and homeownership training. Financial literacy and homeownership training is one of the largest programs offered to build human capital.

Through collaboration, CHN has expanded the capacity of local CBHOs markedly. This NHP model has resulted in a heightened level of affordable housing development in Cleveland, while allowing the governance of the organization and decision making about programmatic issues to be driven by grassroots community development corporations. Without the collaboration, the nonprofit housing toolkit and development model would not have matured.

Role of a Local Financial Intermediary

The success of CHN has been facilitated by the presence of a strong local financial intermediary, Neighborhood Progress Inc. (NPI). Often the success of an NHP is tied to both the ability to pool resources and to create a local intermediary structure to distribute funds. In Cleveland, NPI fills this need. In addition, it engages in CBHO capacity building and monitoring.

NPI was created in 1988 by what was then Cleveland Tomorrow and is now Greater Cleveland Partnership (a partnership of the 50 largest companies in Northeast Ohio). Neighborhood Progress Inc. is a nonprofit, local intermediary formed to be a facilitating agent for the revitalization of Cleveland's distressed neighborhoods. In 1994 NPI entered into a joint agreement with LISC and the Enterprise Foundation to pool their resources. Under this agreement, NPI would distribute funding for the operating support of local CBHOs and monitor their performance. In essence, all of the funding for local nonprofits flows through NPI.

NPI accomplishes its mission by strategically investing in CBHOs and their development agendas. In this way, NPI increases the capacity of CBHOs to plan and undertake physical development projects in their respective neighborhoods. NPI provides investment capital and development services through the Village Capital Corporation, core operating support to local CBHOs, technical assistance and leadership training to CBHO staff, and research support to local CBHOs.

NPI's board of directors is made up of representatives from business, banking, the public, and the nonprofit sectors. It has remained well connected

to Cleveland's broader civic leadership structure through its board. The board attracts participation from senior level decision makers and civic leaders. The board has a working relationship with city government and the Greater Cleveland Partnership. There are 16 members on NPI's board. The board members include executives from banks and securities firms, executive directors of local nonprofits, university representatives, a principal of a local school, elected officials and public administrators from the City of Cleveland, representatives from the Enterprise Foundation, and members of the local business community.

NPI has 18 full-time staff, 4 part-time staff, and retains 5 consultants. Its total revenue for fiscal year 2005-2006 was about \$6.9 million. The main source of funding was foundational support. In 2005-2006 this support included \$2.1 million from the Cleveland Foundation, \$1 million from the George Gund Foundation, \$500,000 from the Mandel Supporting Foundations, \$473,332 from the Enterprise Foundation, and over \$2.8 million generated from fees for services. NPI's resources are targeted toward a number of programs and initiatives. Three that stand out are the Cleveland Neighborhood Partnership Program (CNPP), the Village Capital Corporation (VCC), and the New Village Corporation (NVC).

CNPP is NPI's operating support and capacity building program which provides significant grants of core operating support to 16 Cleveland area CBHOs. CNPP is a partnership of NPI, LISC, and the Enterprise Foundation. CBHOs receive funding on a competitive basis and their grant performance is audited annually. Funding is typically for three years. During the 2002-2004 funding period NPI provided funding to 16 CBHOs totaling \$1.5 million. The level of funding individual organizations received was based on past performance and organizational capacity.

Since 1995 NPI's strategic approach to revitalization has resulted in a significant flow of neighborhood redevelopment dollars and activity in Cleveland. This development was both residential and commercial. Over 2,363 housing units were completed between 1995 and 2005. In addition, over 900,000 square feet of new or rehabilitated commercial space was completed. With the awarding of a Community Development Financial Institution (CDFI) designation, NPI has significantly expanded Cleveland's potential to attract new federal dollars (up to \$5 million per cycle) into housing and commercial development.

NPI also builds CBHO capacity through extensive management and leadership training, organizational development, and community organizing training. NPI's training programs are for both staff and board members of funded organizations. Each of the 16 funded CBHOs also receives a full management assessment and then is provided with the technical assistance tools to improve management programs, and to build staff leadership and overall organizational capacity.

The Village Capital Corporation (VCC) is a subsidiary of NPI. It was established in 1992 to aid CBHOs with development projects in Cleveland

neighborhoods. VCC is a gap financier for local CBHOs aiding them in bridging the gap between public dollars and private bank investment. VCC financing serves as a catalyst for private development dollars. VCC assists local CBHOs with several grant and loan products. The funding of VCC comes primarily from the Greater Cleveland Partnership and several local foundations. VCC has its own board of directors with 15 members including the Executive Director of NPI. The board is mainly represented by individuals in the banking community and local and national foundations. Since its inception, VCC has made project loans and grants totaling \$50 million. In total, VCC has leveraged over \$500 million in private and public investment.

The New Village Corporation (NVC) is the real estate subsidiary of NPI. It gets involved with projects that are too large and complex for a local housing nonprofit, or projects that are too risky for a single private developer. Directly working with CBHOs and private entities, NVC secures funds to facilitate development projects that other investors would walk away from. It has a separate board of directors with seven members including the Executive Director of NPI. The trustees represent the corporate and nonprofit sectors. Since its inception in 1991, NVC has developed approximately \$85 million in residential and retail space in distressed Cleveland neighborhoods.

NPI's ability to pool resources, build capacity, and monitor CBHO performance has resulted in increased affordable housing activity in Cleveland. It is a prime example of the role NHPs can play in leveraging resources and filling a local intermediary function. When a strong local intermediary is combined with institutional structures that support CBHO capacity building, cities can increase their capacity to implement affordable housing programs. The challenge faced in this study was to draw from these best practices and develop an NHP model for cities like Buffalo.

Buffalo's Community-Based Housing Organizations and Intermediaries

In this section we discuss the capacity of CBHOs and intermediaries in Buffalo, as well as the institutional context in which they are embedded. Efforts to develop an NHP model for Buffalo were shaped by the city's fiscal and institutional context. It was important to consider the NHP best practices discussed previously in relation to this context. The contextualization of this analysis was critical to designing a viable NHP model for the city.

In designing an NHP model for Buffalo, it was important to understand that this municipality had many of the characteristics of a weak market city (Mallach, 2005). Its population was 292,648 in 2000, representing a 10.8% decline since 1990. In 2000 the median household income was \$24,536 and 26.6% of the city's population lived below the poverty level. In 2000 the city had 122,720

housing units and a median housing value of \$59,300. Of those housing units, 15.7% were vacant and 56.5% of occupied housing units were rental properties. These demographic conditions had spillover effects on the fiscal condition of the municipality. In 2003 the city was in a fiscal crisis that led to the creation of the Buffalo Fiscal Stability Authority (BFSA). The BFSA brought local budgeting under state control. The city's fiscal problems also contributed to a financial crisis at the county level, which led to the creation of the Erie County Fiscal Stability Authority (ECFSA) in 2005.

Added to these demographic and fiscal conditions, the city had an institutional culture which was historically shaped by patronage politics, limited CBHO capacity, limited collaboration, relatively small local foundations, and underdeveloped local intermediaries (Dillaway, 2006; Silverman, 2004). The present analysis of local CBHOs highlights some of these dimensions of the city's institutional culture. The CBHOs examined included 10 certified as community housing development organizations (CHDOs) by the City of Buffalo (CHDO certification is required for nonprofit groups to receive earmarked funds from the federal HOME block grant program), five Neighborhood Housing Services (NHS) organizations funded by NeighborWorks®, and other organizations receiving funding from the City of Buffalo, the New York State DHCR, or intermediaries.

Patronage Politics and Limited Community-Based Housing Organizations Capacity

Over 64% of Buffalo's CBHOs were founded before 1980. Most of these organizations were tied to the local patronage system. For example, Buffalo had five NHS organizations. Three of those organizations were founded before 1980 and the other two were founded in the early 1980s. The presence of this many NHS organizations in a single city represents an anomaly. NeighborWorks® typically funds a single NHS in a city the size of Buffalo. However, the larger number of NHS organizations in Buffalo came about as a result of aggressive lobbying by the Mayor and Common Council, who were interested in having organizations in each council district rather than a single citywide organization. Similarly, many of the other CBHOs founded in Buffalo were chartered to operate within the political boundaries of Common Council districts. Historically, these organizations have relied heavily on federal, state, and municipal funding (such as the community development block grant) distributed through the local patronage system.

During the last decade, new CBHOs were also created in the city. Some represented start-up organizations with limited capacity and others were faith-based organizations with access to municipal and scarce intermediary resources. One characteristic that distinguished this group from others was that they were not as closely aligned with specific Common Council districts. Instead, they served discrete neighborhood boundaries. Another characteristic of this group of

organizations was that they were more likely to be certified as CHDOs, which meant that they had access to earmarked federal HOME block grant dollars. In exchange for receiving those funds their performance was more closely monitored by the City's Office of Strategic Planning (OSP).

However, as a group, Buffalo's CBHOs were predominantly low capacity organizations. For instance, they had limited networks outside of their service boundaries and remained heavily dependent on local patronage politics. Historically, there was little collaboration with other CBHOs in the city. Such collaboration had only recently begun to occur, in response to requests from the OSP, NeighborWorks®, and other funding agencies. Another indicator of the lack of networking was that most of the CBHOs lacked governing board members from major institutions such as local foundations, intermediaries, government, and executives from the banking community.

In addition to limited networking capacity, the CBHOs had relatively small budgets, which translated into modest programmatic capacity. Over 54% of Buffalo's CBHOs had annual budgets under \$250,000 in 2005, while 27% had budgets over \$500,000. Buffalo's CBHOs also exhibited a low level of revenue diversification. Over 58% of CBHO revenue was from the public sector in 2005. The second largest source of revenue, just over 19%, was from internal fees and services. This was followed by revenues from local foundations and intermediaries, which was under 15% of total revenues. The remainder of revenues came from corporate donors, the banking community, and other sources. The relatively small budgets and heavy reliance on the public sector for funding was a concern, since the availability of such funding was declining nationally and locally.

The ability of these organizations to diversify their revenues and replace these funds with dollars from other sources was also constrained. The philanthropic sector in Buffalo was noticeably smaller than other cities in the region, and the banking community was not fully engaged in community reinvestment activities. For example, the three largest foundations in Buffalo gave just over \$1 million to CBHOs in 2005, and a local housing fund supported by the banking community did not exist. This was in sharp contrast to the levels of foundation and financial community support for CBHOs in the best practice cities examined earlier.

In the face of these conditions, funding to CBHOs was being consolidated by the City of Buffalo's OSP and intermediaries like NeighborWorks®. In 2005 the OSP consolidated the City's Rehabilitation-Loan Program and designated a single CBHO as the clearinghouse for housing counseling services. Both of these reforms were in direct opposition to the historic pattern of dispersing these programs to CBHOs through the local patronage system. These consolidation efforts were accompanied by the development of a single request for proposals (RFP) system for municipal housing development funds, and an expanded CHDO monitoring process. In essence, these activities are a reflection of efforts by local

administrators to move toward a system where CBHO support was based on performance standards, as opposed to the distribution of funds based on Buffalo's historic political patronage system.

The ability of OSP to promote CBHO consolidation and monitoring was a product of the weakening of the city's patronage system. This grew out of fiscal constraints and dissatisfaction with the performance of local CBHOs. The same conditions also created a window of opportunity for NeighborWorks® to push for reforms. In 2005 NeighborWorks® formed the Buffalo Housing Partnership (BHP), an umbrella organization of the NHPs it funded. The purpose of BHP was to consolidate the activities of the existing five NHPs, reduce duplication of services, and consolidate them into one organization with satellite offices in selected neighborhoods.

The fiscal constraints faced by Buffalo's CBHOs were also reflected in their limited staff and programmatic capacity. Over 46% of the organizations had five or fewer full-time staff. In addition to being small in size, staff compensation levels were relatively low. For instance, the median salary in 2005 for CBHO executive directors was \$40,000. Limited staff capacity translated into limited programmatic capacity.

Programmatically, less than 25% of the organizations produced new housing units. In fact, only three CBHOs were involved in any form of housing development activities, and only one of those organizations developed new housing at levels above 10 units annually. Although 90% of the CBHOs reported being engaged in housing rehabilitation, interviews with stakeholders placed the number of actual units rehabilitated by most of the CBHOs in Buffalo at one or two units annually. The scope of housing management activities was also relatively modest among Buffalo's CBHOs, with 75% managing 20 or fewer units. The picture for housing counseling activities was not much different. Eighty percent of Buffalo's CBHOs were engaged in some level of housing counseling, with 60% of those providing counseling services to 60 or fewer clients annually. Only 42% of individuals receiving housing counseling from a CBHO actually applied for a loan. With the consolidation of these services, the importance of housing counseling to the majority of CBHOs was expected to decline in the future.

Modest Local Foundations and Intermediaries

As noted, local foundations have played a modest role in developing the capacity of Buffalo's CBHOs. This situation has become more acute as the availability of public sector resources to CBHOs has declined. In fact, the impetus for this research grew out of concerns that local foundations had as CBHOs were increasingly requesting assistance from them. The limited resources of local foundations have been further stressed by the underdeveloped nature of national intermediaries in Buffalo.

For example, Buffalo's LISC office, which serves all of western New York, was relatively small with a staff of three. Moreover, it has had a modest impact on the city. Since its creation in 1998, the office has assisted with the development of 351 homes and apartments, 8,100 square feet of commercial space, \$23 million in total investment, and \$18.9 million in leveraged funds (Local Initiative Support Corporation, 2006). In contrast, the Northeast Ohio office of LISC, which encompasses Cleveland, has assisted in the development of the following projects since its creation in 1982: 6,835 homes and apartments, 1,472,455 square feet of commercial space, \$246 million in total investments, and \$576.4 million in leveraged funds (Local Initiative Support Corporation, 2006). On average per year, the Northeast Ohio office of LISC has outperformed the Buffalo office by 241 housing units and apartments, over 60,000 square feet of commercial space, \$7.4 million in total investment, and \$21.6 million in leveraged funds.

The capacity of national intermediaries in Buffalo has been further constrained by the historically inefficient distribution of NeighborWorks® resources in the city, and the lack of activity in the area by other organizations such as the Ford and Enterprise foundations. This situation has been aggravated by the absence of a local intermediary that can connect CBHOs with available resources from national intermediaries, government, and foundations.

Notwithstanding the limitations of intermediaries, government, and foundations in Buffalo, the most noticeable institution missing for the CBHO equation was the financial sector. As noted in the analysis of best practices in the region, the banking community has played a central role in the development of public-private housing funds in cities like Rochester, Syracuse, and Cleveland. In contrast, Buffalo did not have such a funding mechanism. According to representatives from local financial institutions, this was because of the local banking community's limited confidence in local CBHOs and the city's ability to administer such a fund. But, the lack of a housing fund was also a result of inaction on the part of the banking community to aggressively engage in community reinvestment.

In sum, Buffalo faces a number of obstacles to the development of an NHP which mirror those faced by other small and medium sized cities across the U.S. The city has been hampered by its history of patronage politics which have diluted community development resources and contributed to the limited capacity of local CBHOs. These organizations have only recently been coaxed by funding agencies to enhance their collaborative activities. These calls have been stimulated primarily by fiscal constraints and the need to reduce overall funding levels. These new fiscal constraints have been compounded by the underdevelopment of local and national intermediaries in the city, as well as a lack of aggressive community reinvestment activity by private financial institutions. Given this context, we had to be pragmatic when applying the best practices to our recommendations for the development of an NHP in Buffalo.

Addressing the Challenges in Buffalo and Other Cities Confronting Decline

This study's analysis revealed a number of challenges Buffalo, and cities like it, face in developing an NHP. Buffalo has historically supported a number of CBHOs dispersed across its Common Council districts. These organizations have received the bulk of their funding through the local patronage system. There has been little collaboration between funding agencies and limited monitoring of CBHO performance. However, a changing fiscal climate has spurred reform in how local CBHOs are supported.

The contemporary environment for CBHOs is characterized by increased organizational instability, growing pressure for collaboration, and the need to demonstrate programmatic results. As public sector funding has declined, local administrators, foundations, and national intermediaries have focused on targeting resources and building the capacity of CBHOs. In light of these trends, it is recommended that cities like Buffalo follow a two pronged approach to CBHO capacity building. First, municipalities, foundations, and national intermediaries need to target and pool their affordable housing resources in order to have a maximum impact on distressed neighborhoods. Second, politically autonomous local funding intermediaries are needed to distribute funds and monitor CBHO performance.

Target and Pool Resources

The first prong of this strategy for building CBHO capacity involves targeting and pooling affordable housing resources. This activity entails a high degree of coordination across the public, private, and nonprofit sectors. It is necessary to reach consensus on the areas of a city to target for investment, and then develop a comprehensive strategy for neighborhood revitalization. As part of this process, actors from all three sectors need to agree on the CBHOs that will function as lead organizations in neighborhood revitalization efforts. Those organizations might evolve into one-stop-shops for housing services similar to Home Headquarters in Syracuse, or toolboxes for nonprofit developers like CHN in Cleveland. In essence, targeting entails both geographic and organizational dimensions. In such a context, the revitalization needs of specific communities would be paired with CBHO capacity building.

The process of targeting would also entail the pooling of affordable housing resources across sectors and the forging of public-private-nonprofit partnerships. One of the most critical partnerships to forge would be the development of a common housing fund. The creation of such a fund would entail several reforms in how affordable housing decisions are made in cities like Buffalo. At the municipal level, local government would have to relinquish some of its power to distribute funding. This would inevitably weaken local patronage systems; however, such

a reform would allow municipalities to use their shrinking resources to leverage larger pools of resources for affordable housing programs.

The creation of a common housing fund would also affect how local foundations and national intermediaries operate. They would lose some control over decisions concerning funding in order to leverage a larger pool of capital for community development efforts. Pooling would also reduce the need for local foundations and national intermediaries to internally administer their own programmatic activities. Savings on internal administrative costs would free up resources, allowing local foundations and national intermediaries to invest more in CBHO activities. Moreover, the creation of a common housing fund would result in greater collaboration at the foundation and intermediary levels. This would have two benefits. First, the coordination of foundation and intermediary activities would reduce the ability of CBHOs to work outside of a targeted neighborhood revitalization strategy. Second, collaboration among intermediaries and foundations would promote a sense of fairness, since nonprofits at all levels would be operating under rules that required collaboration.

Finally, the creation of a pooled housing fund would compel private financial institutions to commit more resources to the neighborhood revitalization process. In part, a strategy based on targeting resources would be designed to increase the confidence of financial institutions in the neighborhood revitalization process. Such a strategy would also focus attention on the root cause of neighborhood decline, which is institutional disinvestment. Once the resources of the public sector and the nonprofit sector are pooled, the private sector would be responsible for filling the gap in financing necessary for effective neighborhood revitalization. The process that unfolded in Rochester exemplifies how such a fund has come together in the past. After local government and foundations pooled their resources, financial institutions in Rochester added resources to form a \$16 million housing fund. Collaboration across sectors resulted in a substantial increase in affordable housing resources.

Develop Local Financial Intermediaries

To complement the first prong of this proposed strategy for CBHO capacity building, it is recommended that cities like Buffalo develop politically autonomous local funding intermediaries to distribute resources and monitor CBHO performance. In general, a local funding intermediary would function much like NPI in Cleveland, providing funding to local CBHOs, overseeing a uniform CBHO monitoring process, and providing leadership training and capacity building. These elements are critical to sustaining support for a housing fund among public, private, and nonprofit contributors. They also comprise critical elements of the community development process missing in weak market cities.

In cities like Buffalo, national intermediaries like NeighborWorks® and LISC do not fill the need for CBHO funding, monitoring, and capacity building. These organizations have a limited scope of activities in weak market cities. For instance, NeighborWorks® only has the resources to provide minimal operating support to a small number of NHS organizations in Buffalo, and this support is projected to decline. Likewise, LISC's office in Buffalo has a limited scope of activities, which primarily focus on assisting groups in identifying funds from governmental agencies and other intermediaries. As a result, LISC does very little CBHO monitoring or training. Subsequently, the need for a local funding intermediary is pronounced in cities like Buffalo.

Conclusions

In sum, the problems of declining cities like Buffalo are directly linked to five factors. First, there is a lack of collaboration among public sector organizations, foundations, intermediaries, and financial institutions. Second, there is an absence of a public-private-nonprofit housing fund to leverage resources for large scale neighborhood revitalization efforts. Third, these same institutions do not target affordable housing development geographically or strategically to high capacity CBHOs. Fourth, there is a lack of collaboration among CBHOs aimed at maximizing community development outcomes. Instead, a relatively large number of CBHOs operate in isolation from each other and produce modest results. Finally, there is an absence of a local funding intermediary that monitors nonprofit performance and supports CBHO capacity building. Our recommendations aim to address these problems. In essence, we argue for greater coordination across funding agencies through politically autonomous local intermediaries, greater collaboration among CBHOs, and increased professionalism in the community development industry system.

Implementing these reforms is a daunting task for local municipalities. Obstacles to change include a myriad of political, social, and economic factors. But, the growing fiscal and housing crises in small and medium sized cities is reaching a stage where funders from the public, nonprofit, and private sectors increasingly recognize the necessity to collaborate. If reform is to take hold in these cities, funders must pool their resources and work together to promote increased professionalism and programmatic focus among CBHOs. Concomitantly, funders need to lead by example, adopting NHP and other collaborative models that are guided by principles of efficiency and democratic decision making (Hopkins, 2005).

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