LISC New York City

Expert Panelists Consider Community Development's Next Wave

Intro

In spring of 2015, LISC NYC's Executive Director, Sam Marks invited friends of LISC - top economists, policy analysts, journalists, community development gurus and current leaders of some of the city's top community development corporations - to join staff in strategizing around critical questions facing New York's community development sector.

- What can LISC NYC and its community development partners do to counter global and national trends exacerbating economic polarization?
- What is community development's role in shaping the city's upcoming neighborhood rezonings, preserving affordable housing, and, building human capital?
- How can the industry scale up even as it consolidates and redeploys resources to new areas and programming?

Over the course of three panel discussions moderated by Marks, presenters and LISC NYC staff shed some light on next wave strategies for New York City's neighborhoods.

Panel 1: Global City/Global Trends: Panelists explained the global trends driving high real estate prices, economic polarization, gentrification and displacement and debated about the levers available to city government, LISC NYC and community developers to alleviate the harsh impacts on low and moderate income New Yorkers.

- **Jonathan Bowles**, Executive Director, Center for an Urban Future
- **Adam Davidson**, co-founder and co-host, Planet Money
- **Ingrid Gould Ellen**, Paulette Goddard Professor of Urban Policy and Planning, Director of the Urban Planning Program, New York University Wagner; Faculty Director, Furman Center for Real Estate and Urban Policy
- **Chris Herbert**, Managing Director, Harvard's Joint Center for Housing Studies

Panel 2: Community development past, present and future: Former LISC NYC directors distilled their experiences using real estate strategies to address neighborhood issues and considered strategies to meet current challenges.

Panelists:

- **Marc Jahr,** *Consultant,* Community Development Futures
- **Julie Sandorf,** President, Charles H. Revson Foundation
- **Denise Scott**, Executive Vice President for Programs, LISC
- **Bill Traylor,** President, Richman Housing Resources LLC

Panel 3: Changing neighborhoods/ changing organizations: Directors of three community development corporations which have evolved in response to their changing neighborhoods shared their thoughts about community development strategies and neighborhood policy.

Panelists:

- **Michelle de la Uz,** Executive Director, Fifth Avenue Committee; Commissioner, NYC Planning Commission
- **Harry DeRienzo,** President, Banana Kelly Community Improvement Association
- **Colvin Grannum,** President, Bedford Stuyvesant Restoration Corporation

Panel 1: Global City/Global Trends: socio-economic trends changing NYC's neighborhoods

Jonathan Bowles is the Executive Director of the Center for an Urban Future, a Manhattan-based think tank dedicated to independent research about key policy issues facing New York and other cities. During his 12 years at the Center, Mr. Bowles has been the architect of the policy agenda for the Center and is responsible for making it one of New York's most innovative and influential organizations. The Center's policy ideas inform policymakers, business leaders, and nonprofit practitioners across the city.

Adam Davidson is co-founder and co-host of Planet Money, a co-production of National Public Radio (NPR) and This American Life. Mr. Davidson also writes the weekly "It's the Economy" column for the New York Times Magazine. His work has won several major awards including the Peabody, DuPont-Columbia, and the Polk. His radio documentary on the housing crisis, "The Giant Pool of Money," which he co-reported and produced with Alex Blumberg, was named one of the top ten works of journalism of the decade by the Arthur L. Carter of Journalism Institute at New York University and was widely recognized as the clearest, most entertaining explanation of the roots of the financial crisis in any media.

Ingrid Gould Ellen is Paulette Goddard Professor of Urban Policy and Planning and Director of the Urban Planning Program at New York University (NYU) Wagner; and Faculty Director of the Furman Center for Real Estate and Urban Policy. Professor Ellen joined the NYU Wagner faculty in the fall of 1997 where she teaches courses in microeconomics, urban economics, and urban policy. Author of *Sharing America's Neighborhoods: The Prospects for Stable Racial Integration*, she has written extensively on housing policy, community development, and school and neighborhood segregation. Before coming to NYU, Professor Ellen held visiting positions at the Urban Institute and the Brookings Institution. She earned a BA in applied mathematics and an MA and PhD in Public Policy from Harvard University.

Chris Herbert is Managing Director of Harvard's Joint Center for Housing Studies. Dr. Herbert has extensively researched issues related to housing policy, housing markets, housing finance and urban development. Herbert worked at the Center in the 1990s as a research analyst and rejoined in 2010 after working as Senior Associate at Abt Associates, in the Housing and Community Development practice. He is on the Board of Directors of the Homeownership Preservation Foundation, the Federal Reserve Bank of Boston Community Development Research Advisory Council, and the Center for Responsible Lending Research Advisory Council. He holds a PhD in Public Policy from Harvard University and a BA from Dartmouth College.

Even as New York City is seeing steady job growth, the largest and best quality housing stock the city has ever had, and a growing population, increasing numbers of working people have less income, especially relative to perpetually rising housing costs. The drivers of NYC's real estate market and socio-economic equilibrium are global and national forces, according to the media, policy and economic experts that participated in this panel discussion. What are the levers that LISC NYC and community developers can employ to counteract resulting economic polarization, gentrification and displacement of low- and moderate-income New Yorkers?

Global and national trends shaping New York City

Panelists agreed that global forces are working against the middle class in New York City and increasing the divide between rich and poor.

"We've seen 2 major shocks: technology and trade," explained Adam Davidson. Over the last fifty years, New York's economy has been transformed as our country moved from a closed economy to being part of a global economy. Improvements in shipping, started during the 1960s, made it possible to ship even very cheap goods, like pencils and cardboard, which had been previously made in the United States. Jobs supporting the middle-class were lost as technological changes created new jobs that required advanced education and skills. "Today, it's hard to imagine someone opening up a paper factory in Greenwich Village. But workers in that factory would probably be able to buy a home, send their kids to college, and take vacations."

> *"One of the assets that people think is safe is Manhattan real estate. It seems crazy to pay the prices they do but it is actually a rational choice. … Mayor de Blasio has no control over these trends."*
>
> Adam Davidson

Widening divide in wages

Starting in the 1970s, our country experienced a widening divide in wages with stagnating wages for many Americans. "In the 1970s, Wall Street was an obscure corner of NYC, not the dominant industry that it is today," said Davidson. "Now, Wall Street and London's trading floor are the two dominant nodes of the world economy. Much of the money that goes around the world goes through lower Manhattan…What that means is there is a class of people in NYC getting unbelievable returns."

NYC housing as international commodity

Those responsible for managing money make a lot of it and, in a volatile world, are looking for safe places to put it. "One of the assets people think is safe is Manhattan real estate," Davidson explained. Therefore, we see foreign investors buying luxury housing at sky high prices. "It seems crazy to pay the prices they do but it is actually a rational choice. Mayor de Blasio has no control over these trends."

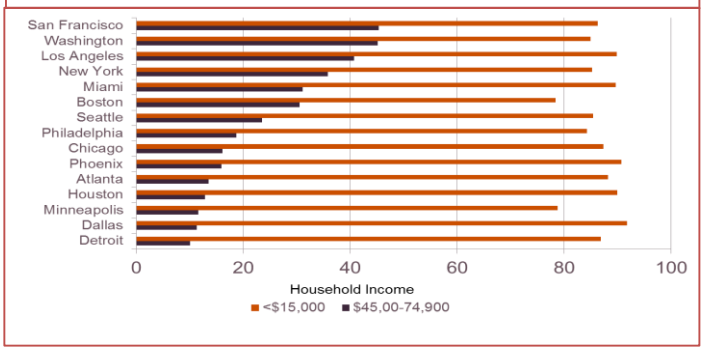
These trends suggest that we should expect continuing upward pressure on an already excruciatingly tight real estate market.

Impacts of declining incomes, rising rents

Across the country, global pressures are taking a toll on low and moderate income people.

"A lot of the story is about what happens to income," argues Chris Herbert. We have seen both an increase in the percentage of renters (vs. owners) and a decline in renter incomes. Low-income renters do not fare well in any market but the burdens are escalating. In 2000, 20% of renters across the country paid more than half their income for rent; in 2017, 27% are paying more than half of their incomes for housing.

Cost burdened renters by metro-area, Joint Center for Housing Studies at Harvard University.



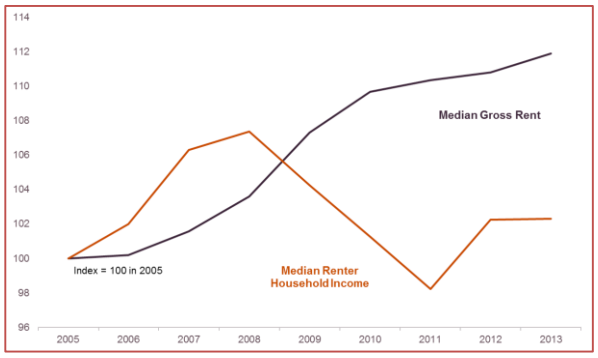
"No matter where you are, you can't build housing that rents at $400 per month," he said. Low-income people will need subsidized housing." Nearly 90% of low-income renters are overburdened in high-cost cities across the country. "Unless incomes go up substantially, housing subsidies will continue to be needed, even for middle-income earners," Herbert said.

The supersized effects of global trends on NYC

In high-cost housing markets like New York City, the effects of global trends are exaggerated. Housing costs overburden nearly every low-income renter and more and more middle-income renters as the median income for renters has gone down while median gross rent has soared.

Increasing population/decreasing affordable units

Despite the City's investments in housing – rental stock grew by 130,000 units in the decade between 2002 and 2012 -- the number of units of affordable housing actually shrunk due to the loss of rent controlled and stabilized housing. Ellen sounded a cautionary note. "Even if this administration meets its goal of building 8,000 units per year, we can still expect to see a net loss of affordable housing," she said. Meanwhile, the population of the city continues to steadily rise.



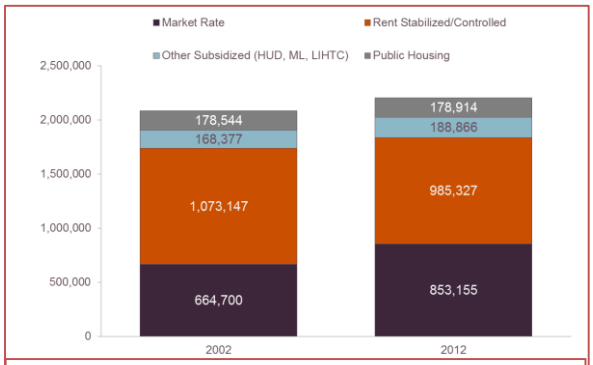
Rents have risen while incomes have stagnated in NYC, NYU's Furman Center for Real Estate and Urban Policy

Low turnover in a perpetual housing crisis

What makes matters much worse, according to Ingrid Gould Ellen, "lower cost rentals almost never turn over." As anyone but the wealthiest apartment seekers knows, affordable units are hard to find. Between 2008 and 2013, only 20% of rental units that came on the market would have been affordable to New Yorkers *at median income.*

Changing demographics

In New York City, as across the country, the aging of the population will shape housing demand over the next decade. New York City households are getting smaller, and older. In many areas of the city, households have fewer children and the number of elderly residents is increasing.



Change in City Housing Stock, NYU's Furman Center for Real Estate and Urban Policy

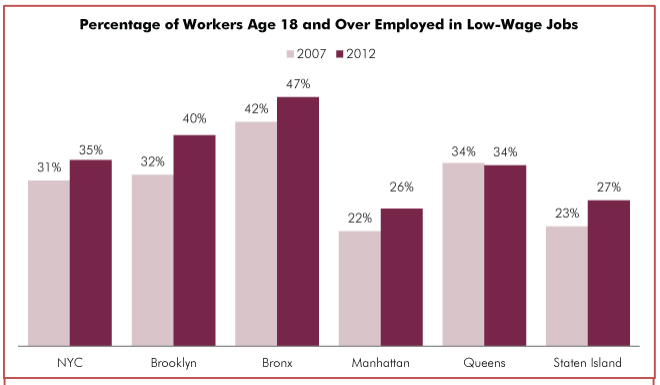
Mismatch of education levels and job requirements

Biggest growth in low wage jobs

While NYC can boast a record number of jobs, the jobs being created are either at very high end or at the low end with many more at the low end. Among high-end jobs, technology has "led the charge," according to Jonathan Bowles, with computer related jobs up 84% over the last decade. Jobs in the creative industries – advertising, film – have also increased dramatically, however, most of those jobs are not available to people without college degrees.

The biggest job growth areas are in health, social services, food and drinking places. In Brooklyn alone there are two times as many people working in food services than ten years ago. These labor market trends have led to a huge increase in the number of working poor. The number of adult New Yorkers working in low wage jobs ($27,000 or less) increased from 31 to 35%. Using that definition 47% of Bronx residents are in low wage jobs.

Most jobs paying wages above $27,000 per year require at least an Associate's degree and after 2020, most jobs will require a Bachelor's degree. But, in the Bronx, 40% of residents don't even have a high school diploma.



Low Wage Jobs, 2012, Center for an Urban Future

Strategies to improve the outlook for low-income households

The landscape drawn by the panelists, of huge, uncontrollable forces pushing New York City toward an ever-widening divide between have- and have-nots, was bleakly familiar. Panelists disagreed about how much and which strategies might change the outcomes for low- and moderate-income New Yorkers. Davidson and Herbert maintained that national policies related to labor, taxation, trade and monetary policy have more impact than local policies. Said Davidson, "The Mayor has no influence over global trends."

"It is difficult to enact policies to redistribute income, but, because there is so much demand for living in NYC, there is a capacity at the local level to tax at the high end more than we do," Ellen said. "That could help to some degree. What we care about is economic mobility and that people have access to opportunity."

Bowles believes there are effective local government interventions to increase economic mobility so that low-income people can get jobs that will move them into the middle class. He cited the Mayor's universal pre-K initiative and fair wage policies as examples of local policies that are making a difference for low income people. The panelists suggested additional strategies for improving prospects for low-income individuals and households.

Invest in Education

All the panelists agreed that investing in education is a critical intervention. "Kids who are growing up, no matter what neighborhood they are growing up in, should get a good education," said Ellen**.**

Bowles cited examples of successful initiatives to improve the City University and community college system for low-income students. Such strategies would include:

- Increase access to community colleges and provide supports to increase the number of public school students achieving four-year degrees (e.g., replicate successful programming to provide wrap-around supports for community college students); and
- Increase skills training to create on-ramps to middle-class job opportunities in technology and other growth sectors.

> *"In the Bronx 40% of residents don't have a high school diploma."*
>
> Jonathan Bowles

Stimulate economic development

Bowles also suggested supporting strategies to identify and increase well-paying jobs:

- Create middle-income jobs via much needed infrastructure redevelopment (schools, bridges, roads, transit);
- Sustain manufacturing jobs; and
- Help grow small businesses, the biggest job generators in the city.

Remediate poverty

Bowles also suggested using strategies to make low-wage jobs more tolerable, for example:

- Increase use of the Earned Income Tax Credit and other income supports;
- Increase access to quality child care;
- Develop low cost transit options (bus) to help workers in areas not served by subway lines access jobs.

> "Even *if this administration meets its goal of building 8,000 units per year, we can still expect to see a net loss of affordable housing*."
>
> Ingrid Gould Ellen

Increase affordable housing

Housing is often the largest expense for families. All the panelists agreed that more supply is needed with differing ideas about how to add to supply to most effectively benefit low-income people. Davidson argued a classic economics

perspective that more supply – at any price point in the market – will improve the housing market and that government should get out of the way and make it easier and less costly to build. Herbert suggested upzoning and then building for a mixed income market. Ellen suggested that politics and scarce land limit capacity to increase supply sufficiently to change the market for low-income people. She also questioned whether increased supply at the very high end of the market trickles down to low-income renters.

Ellen said that there might be untapped opportunities within the existing supply of affordable housing. For example, the increase in the use of AirBNB (the on-line marketplace for vacation rental market in individuals' homes) suggests there may be some underutilized capacity in the existing affordable stock. Gould also suggested exploring temporary options that allow flexibility for changes in household income – something rent laws and permanently affordable housing don't currently allow.

> *"No matter where you are, you can't build housing that rents at $400 per month. Low-income people will need subsidized housing."*
>
> *Chris Herbert*

Gould suggested that different types of housing, e.g., micro units for seniors, should be developed to accommodate the different household types with a particular nod to the growth in senior population.

Support mixed income neighborhoods

New York City is grappling with how to invest resources for affordable housing in the context of continuing population growth and the planned up-zoning in many low-income neighborhoods to accommodate growth. Development is contentious; it requires a balance in considerations about where and how density is implemented. The panelists agreed that the outcome would benefit from community engagement. Ellen advocated against hardening economic segregation. "Mixed income should be a policy goal. Don't only build the lowest income housing in the lowest income neighborhoods."

The way subsidies are structured, only a small slice of the needy population is being served. "We shouldn't only serve this small slice of the needy population. We need an income averaging approach – we need to change the structure of our subsidy," said Ellen. "50% AMI may be above the current neighborhood AMI but it will create more supply that influences lower income people's housing supply." Advocates might argue that so little housing is available for the lowest income renters that all new affordable housing should be created to accommodate those at the lowest end of the market.

Conclusions

The panelists agreed that neither municipal government nor neighborhood actors can alter the broad economic trends that continue to put pressure on low-income households and the middle class. However, there was consensus that local decisions about how to invest in housing, jobs and education can improve mobility so that low-income people can access the better paying job opportunities in New York's growing job market. The idea that neighborhoods matter was implicit in comments related to softening economic segregation and the strong ties of neighborhoods to housing and schools. Increases in density are inevitable and more affordable housing is needed. However, decisions need to be made about how much, where, who will benefit, and whether the voices of neighborhood residents will be heard. Where and how can LISC NYC and community development organizations most effectively intervene? This question was discussed by former LISC NYC directors and current CDC directors in the second and third panel discussions.

Panel 2: Community development past, present and future

Marc Jahr is Consultant at Community Development Futures. Mr. Jahr served as the President of the New York City

Housing Development Corporation (HDC) from 2008 to 2014. At HDC, he oversaw financing amounting to over $8 billion for the preservation or creation of 399 developments comprised of 81,290 units. Prior to HDC, Mr. Jahr was Citi Community Capital's New York Regional Director where he supervised its community development real estate lending group, affordable rental housing and home ownership lending programs. Before joining Citibank, Mr. Jahr held several senior positions at LISC, including New York Equity Fund Manager, New York City Program Director and Program Vice President. He also served in several positions at the New York City Department of Housing Preservation and Development (HPD) including Director of its Multi-Family Housing Unit and Deputy Director of the Small Homes Unit. Before joining HPD, Mr. Jahr served as Director of the Neighborhood Housing Services Program of East Flatbush and the New York City Commission on Human Rights East Flatbush Neighborhood Stabilization Program.

Julie Sandorf is President of the Charles H. Revson Foundation. Before joining Revson in 2009, Ms. Sandorf was a co-

founder and executive director of Nextbook, a national organization dedicated to the creation and promotion of Jewish literature, culture, and the arts. From 1991 through 1999, she was president of the Corporation for Supportive Housing, an organization she founded to deliver permanent solutions to chronic homelessness in partnership with philanthropic foundations, nonprofit organizations, and government. As the first program director of LISC NYC, she forged a groundbreaking public-private partnership to revitalize distressed neighborhoods throughout the city. She has served as a senior program consultant to the Robert Wood Johnson Foundation, directing the Foundation's After School Project, and has consulted to the Rockefeller Foundation, the Oak Foundation, and the Pew Charitable Trusts. She serves on the boards of Center for Urban Community Services and West Side Federation for Senior and Supportive Housing.

Denise Scott is LISC's Executive Vice President for Programs. With three decades of experience in community

development, Ms. Scott leads LISC's neighborhood investment efforts in 30 cities and rural areas in 39 states. She previously managed LISC New York City, focusing on affordable housing, commercial corridors, education, health and jobs in some of the city's toughest neighborhoods. Prior to joining LISC, Ms. Scott spearheaded a range of public and nonprofit initiatives with the U.S. Department of Housing and Urban Development, the Upper Manhattan Empowerment Zone Development Corporation, the New York City Urban Coalition, the New York City Mayor's Office of Housing Coordination and the New York City Department of Housing Preservation and Development. She holds a Master's degree in Urban Planning from Columbia University and has lectured at its Graduate School of Architecture, Planning, and Preservation.

William Traylor is President of Richman Housing Resources LLC. Under his leadership since 2001, Richman has invested

more than $2 billion of private equity into affordable housing developments in New York City consisting of nearly 15,000 apartments, half of which have been supportive housing for the vulnerable homeless. Mr. Traylor took a year off from Richman in 2003 to help implement Mayor Bloomberg's affordable housing goals, serving as Deputy Commissioner for Development at the city's Department of Housing Preservation and Development and also as president of the Housing Development Corporation (HDC). In 1989, after a year-long stint as a community organizer with the St. Nicks Alliance, Traylor was an early hire for New York City's new housing initiative targeted to vulnerable homeless individuals. From 1994 through 2000, he was managing director of LISC NYC, overseeing the $1 billion New York Equity Fund as well as the office's lending, grant making and programmatic activities.

LISC NYC's prior directors reflected upon the significant roles LISC has played in influencing the city's housing and neighborhoods and considered the future of the community development sector. The agenda for LISC's work has consistently been set and driven by neighborhood needs and priorities. Since the 1980s, LISC NYC and its community development partners worked with the City, philanthropy and banks to dramatically reverse neighborhood disinvestment and rebuild and preserve housing and neighborhoods. While LISC NYC continues to champion housing at its core, it is playing a lead role in restructuring and evolving the community development sector. Three initiatives in which LISC NYC has been engaged are likely to influence the sector's shape, size and, even, perhaps, focus.

> *"Fundamentally the goal is to build stronger communities, to put all the pieces together to put some sense of hope for parents and their children."*
>
> Marc Jahr

Reshaping the City through Rezoning

"Central to the City's housing plan is the planned rezoning; the only way to reach the production goals is through greater density," said Marc Jahr. "But added density can either be destructive or a benefit. The only way that it can be a benefit is for CDCs to play a role and for LISC NYC to play a role."

East NY community speaks out on rezoning.

Panelists agreed that, with over 30 years of community engagement and community planning, many CDCs have been working with their communities to develop plans, in some cases, on a detailed, site-by-site basis. Community organizations offer the City a vehicle for community engagement. They can elucidate well-considered community priorities as the City works to balance demand for more housing, need for deep subsidies, desires for an income mix in each neighborhood, fears of gentrification and displacement, as well as the needed jobs, schools and public amenities that must accompany increased density.

The anticipated growth of the City by a million more people over the next 15 years requires vision. The impacts of the rezonings will remain for decades. LISC NYC can help ensure that neighborhood voices are incorporated in shaping the vision are needed to achieve livability for those already struggling.

> *"Zonings create enormous opportunities for CDCs to engage with government in a positive way and to think about communities in a broader way. Communities are saying, 'we want more.' LISC's role is to listen to and work with communities and to be what it has always been – an honest broker between communities and government."*
>
> Bill Traylor

In the rezoning plans are some new opportunities for CDCs, some of which were discussed by the economists and policy analysts in the first panel. For example:

- Increased density means new housing. The configuration of the housing, the level of subsidy, and the amenities associated with the housing are all considerations for neighborhood planning.
- The zoning changes also create new development opportunities for CDCs. Reduced parking requirements add to the number of units possible and create sites that are currently under-utilized as parking.
- New solutions are developing for residents who are aging in place, or to better use the vacancies in the market.
- The need for community facilities to respond to increases in population may open new programming opportunities for LISC NYC and community development corporations. Sandorf pointed out that there is a branch library within one-half mile walk of every New Yorker; thus, the public libraries offer opportunities. They can be sites for redevelopment, creating new housing and spaces for programming to build human capital.

While nonprofit community development organizations continue to generate a pipeline of affordable housing, they are clearly no longer the builders of last resort. Competition for land and buildings is keen as the private market has returned to New York City's neighborhoods in full force. LISC NYC is helping CDCs to remain active in the real estate market, to support their operations and to preserve affordable housing by supporting a new business approach to housing development.

Scaling up nonprofit property development and management: CDC 4G

> *"HPD had enormous distrust in CDCs – incompetent, at best; malfeasant at worst."*
>
> Julie Sandorf

"By the third time a for-profit developer came in expressing interest in syndicating a nonprofit's portfolio, I became very concerned we were losing community controlled affordable housing," said Bill Traylor. Nonprofit housing organizations have historically been most likely to keep housing affordable over time and to the neediest households. Yet, over the last decade, the NYC Housing Development Corporation (HDC) and HPD have awarded more housing development deals to for-profit developers and several organizations transferred their properties to for-profit ownership. In considering how to preserve affordable housing, some of the best housing minds in the city, including LISC and NYEF, recognized that scale matters. "If we rolled up all of the assets that the nonprofits have, they would be a billion dollar net worth entity. That entity could be the nonprofit partner in development, instead of for-profit developers," Traylor said.

The Joint Ownership Entity (JOE) HDFC was created to be a nonprofit partner with a sizable balance sheet able to compete with for-profit developers and to manage properties more cost-effectively due its scale. Twelve of the city's strongest nonprofits formed the initial working group to shape the new entity. JOE is being created with the help of Forsyth Street consultants under Jahr's leadership. The nonprofits that contribute units will be members of the board of directors and will maintain a pro-rata share interest. In addition, they may elect to manage the properties, thus, maintaining community accountability. At the same time, all partners have a stake in the success of all the projects in JOE's portfolio.

> *"The amount of displacement that occurred in Harlem in the 1970s and 80s far exceeds the displacement today. Bronx lost two thirds of its population… CDCs fixed every broken window in nearly every building in the city of New York. That has laid the basis for new challenges that we are confronted with today."*
>
> Marc Jahr

While CDCs will continue to be involved in housing development for the near future, the sentiment among the panelists is that, ultimately, development opportunities will dwindle. JOE provides the opportunity for a 'graceful exit' for nonprofits that are no longer able to develop property or to manage their property to high standards.

"There is a need to rationalize and right-size the industry," Scott said. LISC NYC may be able to be helpful in shepherding the industry through needed consolidation.

"Whether you are thinking of healthy foods, education or small business development, it can all be tied to a physical development strategy," Scott said. "LISC NYC has focused on bringing healthy food to neighborhoods; a big component of that is creating the physical spaces that serve that programmatic agenda."

Scott estimated that there may be three million square feet of commercial space in the tax credit portfolio that can be deployed for programmatic purpose, from healthy food to universal pre-K. And there are still development opportunities.

Human capital and the need for new business models: Change Capital Fund

At the same time, the panelists broached the question about whether there is a role for LISC NYC in supporting human capital development, long on the agenda of many CDCs and, perhaps, a central focus for more organizations as the sector evolves. "The challenge, as I see it going forward, is in terms of aspirational communities – how do we invest in human capital?" Traylor said. "How do we bring educational resources into people's homes and lives in ways we haven't thought about before?"

> *"The challenge, as I see it going forward, is in terms of aspirational communities – how do we invest in human capital? …How do we bring educational resources into people's homes and lives in ways we haven't thought about before?"*
>
> Bill Traylor

LISC NYC is a donor and thought leader in the Change Capital Fund, a collaborative of funders investing in community development organizations to increase economic mobility using cross-sector strategies. CCF is providing five nonprofits with $1 million each and technical assistance over four years to use data to demonstrate their results reducing and remediating poverty and to explore business models that support effective programming. CDC directors on the third panel discussed their efforts to demonstrate their ability to effect community level change and to work with partners to do so. LISC NYC may be a resource to help community development organizations retool, for example, as coordinators that can hold partners accountable to neighborhood level goals, a direction for some of the Change Capital Fund grantees.

Conclusion

The panelists described how, through different Mayoral administrations and neighborhood conditions, LISC NYC has consistently used these intermediary roles to improve conditions for low- and moderate-income New Yorkers:

- Mediate between government and communities while persistently advocating for community development;
- Create systematic, scalable programs and financial tools for neighborhood redevelopment;
- Attract and guide philanthropy to support innovative work to improve low-income neighborhoods;
- Provide technical support; and
- Advance the community development field as a thought leader and policy advocate.

LISC NYC has leveraged these core competencies to accomplish the physical revitalization of New York's neighborhoods and pondered next steps in a landscape that evidences past successes and also beckons for the types of innovations discussed by panelists.

Highlights, LISC NYC Chronology

1978- 1989 Mayor Ed Koch

1982 – LISC supports South Bronx Comprehensive Community Revitalization Project.

LISC finances 3 modular homes, delivered over the George Washington Bridge, to establish Charlotte Gardens and the beginnings of the South Bronx's revitalization.

1983: LISC NYC opens with Julie Sandorf as first Director

1985 – Mayor Ed Koch announces housing plan as part of his State of the City address.

1987 – LISC creates the National Equity Fund (NEF) to raise capital through the Low Income Housing Tax Credit program. In its first year, NEF raises $15 million.

1990-93 Mayor David Dinkins

1987 -1993 More than 100,000 units renovated or constructed once systems were in place.

1990 – Marc Jahr becomes LISC NYC Director

1993 – LISC launches The Retail Initiative to provide equity capital to meet the financing needs of supermarket-anchored retail centers in inner-city locations

1994-2001 Mayor Rudolph Giuliani

1994 – Bill Traylor becomes LISC NYC Director

1997 – President Bill Clinton visits Charlotte Street in the South Bronx, hailing it as a model for renewing inner-city areas, harkening back to visits by Presidents Jimmy Carter (1977) and Ronald Reagan (1980) when the area was a symbol of urban

LISC NYC Directors on Four Decades of Progress:

1980s: Making a Market

"Perhaps there is a way to involve CDCs in Mayor Koch's 10-year plan." According to Julie Sandorf, first LISC NYC Director, that was the hunch of Michael Rubinger and Paul Grogan when Sandorf was hired to launch LISC NYC. At that time, whole neighborhoods were devastated; New York City lost some 800,000 residents, and, by 1979, the City was the second largest landlord after the New York City Housing Authority (NYCHA), owning some 100,000 units of vacant and partially occupied buildings. The idea that grassroots neighborhood organizations could turn this around was met with skepticism. Tax credits were untried, and CDCs had no balance sheets. "HPD had enormous distrust in CDCs – incompetent, at best; malfeasant at worst," explained Julie. "We had to make a market." "The biggest challenge was there was no systematic approach to affordable housing development," Sandorf recalls. "The goal was to spur public and private investment in neighborhoods that had been written off and to stretch the income levels as much as possible – not to concentrate poor people in low-income neighborhoods."

1990s: Giving hope

1977 visit by Jimmy Carter to Charlotte Street South Bronx (left) and aerial view of Charlotte Gardens (above) which offered welcomed homeownership opportunities on the site.

1999 – Pathmark opens on 125th Street in Harlem with help from LISC Retail Initiative. It is the first full-service supermarket in Harlem in three decades.

2001-2015 – Denise Scott becomes LISC NYC Director

2002-2013 Mayor Michael Bloomberg

2011 –LISC finances acquisition and preservation of Borinquen Housing, by the West Side Federation of Senior and Supportive Housing, preserving 145-units of at-risk, federally-assisted housing for elderly tenants.

2013 -- In the aftermath of Hurricane Sandy, Mayor Bloomberg announced that LISC New York City would administer a $15 million mold remediation program through an affiliate, Neighborhood Revitalization NYC.

2013 – LISC coordinates Mott Haven's Choice Neighborhood planning initiative with NYCHA.

2014 – LISC launches "Communities for Healthy Food NYC," an initiative funded by the Illumination Fund with four CDCs in high poverty neighborhoods – Cypress Hills LDC, New Settlement Apartments, Northeast Brooklyn Housing Development Corporation, and West Harlem Group Assistance.

2014 – Mayor Bill De Blasio

As the neighborhoods were redeveloped, markets were indeed made. LISC NYC expanded its focus from housing to the broader needs of neighborhoods, still remaining anchored in tangible physical development. With neighborhood repopulation, came a market for goods and services. LISC NYC's Retail Initiative (TRI) brought a Pathmark supermarket to Harlem that helped transform the neighborhood. "They were grossing a million/week and it didn't result in shutdown of any other market." LISC NYC supported the development of childcare centers that wasn't as successful, "it took eight years to do a day care center," but remains confident of the strategy to use physical development as a catalyst. "Fundamentally the goal is to build stronger communities, to put all the pieces together to give some sense of hope for parents and their children."

1990s-2000s: Engaging reluctant city partners; revitalizing the last in-rem housing

"I worked under a Mayor who believed …that the basic function of HPD was code enforcement and that the best place to do that is the fire department," said Bill Traylor. "What LISC does is to figure out how to engage with government as a primary partner, even when government doesn't want to engage with us or doesn't know how to engage with us." However, LISC NYC worked with HPD to design programs to move housing out of City ownership quickly: the Neighborhood Redevelopment Program, the Neighborhood Entrepreneurs Program, and the Third Party Transfer. It was decided that NYC would no longer take any properties in rem but would turn over ownership immediately.

2001-2015: Preserving affordability

By 2001, the early syndications were beginning to reach their 15th year, and with that, the end of the required regulatory period that restricted rents and maintained affordability. LISC NYC and the New York Equity Fund began the Year 15 program and the process of re-syndicating properties to preserve affordability. To date, NYEF has helped to preserve about 12,000 units; "another 20,000 to go, cautioned Denise Scott, "The goal has always been to maintain long-term affordability."

Panel 3: Changing neighborhoods/ changing organizations

Michelle de la Uz, Executive Director of Fifth Avenue Committee, Inc. (FAC). The organization serves over 5,500 low- and moderate-income people annually and has over 850 units in its housing development pipeline. De la Uz was Co-Chair of FAC's Board of Directors prior to assuming leadership of the organization when she was Program Director for the Center for Urban Community Services in Washington Heights and Harlem. From 1995-99, Michelle was Congresswoman Nydia Velázquez' first Director of Constituent Services and directed her South Brooklyn District Office. She serves on LISC's National Board of Directors and several other boards. Michelle was appointed in April of 2012 by then-Public Advocate, now Mayor Bill de Blasio to serve on the New York City Planning Commission. Michelle is an alumna of Connecticut College, Columbia University and of Harvard Kennedy School's Executive Education Program and she is a recipient of the Ford Foundation's Leadership for a Changing World award.

Harold DeRienzo, President of Banana Kelly Community Improvement Association. Harry founded Banana Kelly Community Improvement Association when the South Bronx was losing thousands of units of housing to fires and abandonment, organizing around the motto, "Don't Move, Improve." Banana Kelly has redeveloped and preserved thousands of affordable housing units and is a model for self-help community development. In 1982, Harry assumed leadership of the Parodneck Foundation where he created a city-funded home improvement program for seniors; designed and implemented a program (now national) to assist victims of predatory lending; passed the city's first 197-a plan; and helped turn around CATCH into a citywide mutual housing association of over 600 units of tenant controlled housing. In 2002, at the request of the New York State Attorney General, he returned to Banana Kelly to rescue it from near-certain demise. He secured $42 million to rehabilitate and stabilize Banana Kelly's 600 units and is now overseeing its first new construction project using city bond financing.

Colvin W. Grannum, President and CEO, Bedford Stuyvesant Restoration Corporation (Restoration). Restoration is the nation's first community development corporation and remains committed to creating a mixed income community. It offers social services, financial counseling and employment programs for youth and adults. It supports the revitalization of Fulton Street and is a center for art and culture, offering the only comprehensive arts education programming in Bedford Stuyvesant. Prior to joining Restoration in 2001, Colvin was the founding president & CEO of Bridge Street Development Corporation. He also practiced law for more than 17 years, most notably with the U.S. Department of Justice, NYNEX Corporation (now Verizon), and the New York City Law Department. He serves on the boards of the Carver Federal Savings Bank, New York City Workforce Investment Board, Center for New York City Neighborhoods, Brooklyn Chamber of Commerce and Bedford Stuyvesant Early Childhood Development Center, Inc. among others.

Three seasoned CDC directors shared their on-the-ground perspectives of the gentrification and displacement pressures affecting residents in their target neighborhoods. The directors represent organizations that have evolved quite differently in response to changes in their communities. The blighted Park Slope Brooklyn neighborhood which birthed the Fifth Avenue Committee was overwhelmed by gentrification pressures starting in the 1990s and the organization has directed its considerable institutional capacity to adjacent low-income neighborhoods, affiliating with organizations in those areas. Restoration is seeing escalating housing prices in Central Brooklyn though many of its residents are still living in poverty. Banana Kelly, based in the South Bronx, is in the only part of the city where average income has decreased; yet, even they are not immune from rising housing costs.

The question was raised: what is community development today when gentrification pressures seem to change the shape and socio-economic mix of neighborhoods so quickly and community organizations pursue divergent strategies – housing management, organizing, education, social services, economic development – to residents far beyond defined neighborhood boundaries to even citywide target audiences? While not fully answered, the directors of three very different organizations surfaced common attributes that distinguish community developers from other nonprofits. They share in their place-centered strategies; community empowerment orientation; and advocacy/policy approach. Importantly, they are also guided by their unique understanding about how real estate – community planning, zoning, design, development and management - shapes social outcomes. The panelists agreed that New York City needs a neighborhood strategy and there is an implicit assumption that real estate is part of that strategy. They are keen to partner in shaping it.

Bedford Stuyvesant Restoration Corporation (BSRC), the country's first CDC is celebrating its 50th anniversary. The organization has always seen its mission as about both people and place. As housing prices are quickly escalating in Central Brooklyn, the urgency to increase economic mobility among the neighborhood's low-income residents has increased. Restoration runs employment programs, provides financial counseling, and provides programming for youth. It weatherizes buildings and leads borough-wide health initiatives. Restoration Plaza, Restoration's headquarters and a neighborhood landmark symbolizes revitalization. It is home to the Billie Holiday Theatre and Skylight Arts gallery. BSRC's Center for Arts and Culture and other programs touch 40,000 people each year.

Real estate as core to community development

The community development sector's connection to place goes beyond their strong ties with residents. The housing, schools, community centers and retail spaces developed by CDCs establish a significant physical presence and help achieve their goals of affordable housing, vibrant main streets, quality education, social services and health. CDCs are landlords and tenant advocates, instigators of commercial development and owners of commercial real estate, urban planners and investors with a financial stake in their neighborhood. These competencies enable them to negotiate with developers, create development plans supported by residents, and anticipate the local impacts of rezoning and other development plans. Whether or not a particular CDC continues to develop housing, real estate savvy is part of the zeitgeist and value of community development in a real estate driven town.

Banana Kelly and Fifth Avenue Committee continue to develop and manage housing as a core function and would like to grow their real estate development operations. Restoration does not put housing development at the core of their operations, having divested itself of much of its housing, but is considering engaging in development again.

At the height of its housing development activity, Restoration was the second largest real estate owner in Brooklyn after the City of New York and controlled over $12 million in fixed assets. In 2001, when Grannum took over Restoration, the organization owned 1100 units of housing managed by an outside management company. In consideration of their weak assessment of their management company and their comfort that the nonprofit sector had other competent actors (Bridge Street Development Corporation, Northeast Brooklyn Housing Development Corporation and Pratt Area Community Council serve overlapping target areas), Restoration sold off much of its property.

> *"Given the severity of the housing crisis, we think our voice needs to be added."*
>
> Colvin Grannum

Restoration Plaza, with 3,000 square feet of commercial space, including the Pathmark Supermarket, co-owned by Restoration remains a significant real estate holding. "Housing is not at the core of what we do but we care about it,"

said Grannum. Brownstones in Southern Bed Stuy are now selling at $2.4 million while in the northern part of the same neighborhood, poverty is in excess of 40%, and among female-headed households greater than 70%. "We have partnered with private developers; we may never fully rebuild our housing development capacity but we will continue to partner. Given the severity of the housing crisis, we think our voice needs to be added."

Fifth Avenue Committee has developed 600 units in 100 buildings, some of which are owner-occupied. Most of FAC's housing is for formerly homeless and special needs residents. The majority of housing is for people earning at or below 80% of Area Median Income (AMI). FAC's current pipeline of 900 more environmentally sustainable units of housing includes 700 units along the Gowanus Canal.

De la Uz offered a bright example of how the combination of organizing and real estate savvy changed the income mix and long-term outcome for a large Gowanus development project. "We organized on the grassroots level to make sure the City's request for proposals (RFP) required that a significant percentage of the units be affordable and deeply affordable. We met with several developers and asked them to beat the RFP requirements and we put a team of three for-profit developers together. Our proposal promised 70% of units would be permanently affordable (vs 50% required in the RFP). We used organizing and advocacy to leverage the development."

FAC was recently selected to build housing over a community health facility (50 units) and is hoping to build housing over an expanded public library that has deferred capital needs. "As city land was drying up, we looked at land with excess FAR in our broad target area. We continue to find ways for the city to achieve its goal to build 80,000 new units," said de la Uz. In South Brooklyn, "we're the only game in town in terms of affordability so it's important to have an advocate for affordability."

Banana Kelly's portfolio is exclusively for low-income residents and a large percent of homeless people. "It's a struggle every day to keep residents and to maintain affordability. We don't take the maximum rents because our people cannot afford it. We do a lot of eviction prevention," explained DeRienzo. "On Kelly Street there is a building with no bathrooms, pans on the floor; no heat. We had to scrape the mold off the walls for people with immunity problems. We couldn't even get a call back from the bank which held the mortgage."

Banana Kelly is hoping to do more development. But the competition is tough. "I get two to three emails and four to five calls *a day* from real estate brokers wanting to buy our buildings," said DeRienzo.

Shaping inclusive and healthy communities

In addition to real estate competencies, the panelists' organizations provide an array of educational, workforce, financial empowerment and social services. In this way, they are representative of much of the sector.

Fifth Avenue Committee
Our Community. Our Future.

Fifth Avenue Committee, Inc. (FAC) was formed in a very different Park Slope from today. The group's first target area was a designated Urban Renewal site. The neighborhood has been revitalized, but not in the inclusive way that was hoped for. FAC has made its tremendous capacity available to the adjacent communities of South Brooklyn: Gowanus, Sunset Park and Red Hook through partnerships: Brooklyn Workforce Innovations (BWI), a sectoral workforce organization; Neighbors Helping Neighbors, which offers foreclosure and first time homebuyer counseling in Sunset Park; and, FUREE, a grassroots organizing and advocacy organization. FAC is also working with Red Hook Initiative, Southwest Brooklyn Industrial Development Corporation and BWI in Red Hook and Gowanus Houses to assist a significant percentage of residents in five housing developments to enter the workforce. Housing development remains a core activity. FAC also directly provides financial counseling, adult education, English literacy, employment services and organizing and advocacy on housing and immigrant issues.

Yet there are some tensions around services vs. community development's initial organizing approach. Through their unusual combination of organizing, direct services and housing development, CDCs traditionally have connected neighborhood issues to citywide policy.

Sam Marks asked, "Our current administration has framed its platform around income inequality. Is the CDC sector positioned to be a partner in creating a more equal city?"

"We know the neighborhoods, we understand linkages and politics," reflected De la Uz. "The City knows they need a neighborhood strategy but they haven't yet aligned resources and capacities with those desires."

Other panelists agreed. "CDCs are good conveners," said Grannum. The panelists raised the need to build in anti-displacement and affordable housing preservation principles to the zoning as well as the One NY plan. They agreed with the comments of prior directors of LISC NYC (Panel 2) that CDCs can inform the integration of the big picture agenda, the budget needs and the production numbers.

Banana Kelly Community Improvement Association was formed in 1978 when the Hunts Point-Longwood area had lost 70% of its housing stock to fire and abandonment and the population had plummeted from about 105,000 in 1970 to a little over 30,000. Housing redevelopment and preservation remains at the core of Banana Kelly's work. The organization has developed over 2,000 units. Eviction prevention is a major focus. It provides case management to the residents of its buildings and keeps rents at affordable levels. It also provides services for the developmentally disabled, homeless disabled, and offers supports and financial subsidies to formerly homeless families through a program funded by HUD. Banana Kelley is reinvigorating its organizing work to strengthen community connections.

New approaches for a new era

Though all the panelists are seeking to increase their real estate development activities, they are also looking for other ways to stay viable. The panelists discussed efforts to interconnect overlapping competencies within and across organizations to address complex needs; their increased reliance on data and the need for policy and government support for these efforts.

"We feel a need and obligation to prove we can generate community level change and we are building a structure around accountability and evaluation," said Grannum. "Can we prove we can lower unemployment and raise income, in a measurable way for a distinct place to show that we can make a difference?"

Restoration trained staff to analyze census tract data. Now, Bridge Street and Pratt Area Community Council are integrating metrics with Restoration on a neighborhood dashboard. "This will enable us to look at the neighborhood on a more unified basis and track what happens to a family over time," Grannum said. "We are also adopting proven practices and merging them in every day operations. We have moved to a place where we are very data driven and performance driven. We can show that our economic center returned over $10 million through tax credits and benefits; we returned over $3 million via energy conservation," said Grannum.

"If we turn people into social services clients, we don't have utility. We are restarting resident councils to turn private issues into public problems."

Harry DeRienzo

DeRienzo talked about the need to connect with other agencies with overlapping need or competencies. "We have similar needs with union members that can't make ends meet; individual CDCs can't meet the scale without working in coalition and linking with additional constituencies. There's a clear path between education, employment and housing. LISC NYC and the CDCs should help make the connection to help people earn not just $15/hour but to thrive, not just survive. We need a policy tax investment tool kit just like we had for housing."

The Fifth Avenue Committee is working in five housing developments in Red Hook and Gowanus in partnership with Brooklyn Workforce Innovations, Red Hook Initiative and South West Brooklyn Industrial Development Corporation with support from the Change Capital Fund. Each of the partner organizations is contributing its expertise and programming to create a seamless experience for residents. FAC is bringing its programs in education, financial literacy and social services; BWI offers job training in six job sectors; and Red Hook Initiative is leading outreach and organizing. FAC is the hub for the effort, building capacity to align and track the outcome of its partners.

All these efforts call for new and stronger partnerships and increased accountability to outcomes.

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>
> Colvin Grannum

LISC roles:

The CDC Directors hope that LISC NYC will help make a rigorous case to donors and government agencies for the ongoing benefits of community development derived from community planning, housing preservation and community-driven development as well as the economic development, social services, culture and organizing and advocacy offered by CDCs. The directors mentioned that they would benefit from help with performance evaluation and developing measures of accountability as well as support for communications and policy advocacy. In addition, the panelists suggested that LISC NYC should both build new capacity and help deploy existing capacity where it is needed.

Summary of three panels

Albeit from different perspectives, three sets of panelists described the causes and harsh effects of global economic trends and public policy that make it difficult for low and moderate income people to thrive in New York City. Incomes are stagnating or going down while rents are going up. The city is expected to continue to experience a net loss in affordable apartments even if the Mayor's ambitious affordable housing plan is fully implemented. The school system is not adequately preparing low-income children to go on to college or to access the best career opportunities. Economically and racially segregated neighborhoods perpetuate these problems.

The field is at a pivotal moment with CDCs helping to shape new zoning plans and crafting game-changing efforts such as the Joint Ownership Entity and the Change Capital Fund. Colvin Grannum asked, "Did we not do what we were supposed to do? We didn't eliminate poverty but we weren't measured or held accountable for that." CDCs clearly did accomplish the job of reversing reinvestment and abandonment. Today the CDC sector is more explicitly making the connection between economic mobility and high poverty neighborhoods. They are preserving affordable housing and mitigating displacement. They are also stepping up to "connect the dots" between housing, workforce and education from an individual and neighborhood perspective. They are taking on the challenges of mitigating displacement, increasing economic opportunity, improving schools and measuring their progress in reducing multi-generational and concentrated poverty.

LISC will do what it does best: listen to the neighborhoods, advocate for them, bring in resources and act as an honest broker to city government to help them address current challenges.

The economic winds are continuing to push toward division but the local political winds are a countervailing force. CDCs can be able, savvy partners to the current administration to strengthen New York's low income neighborhoods and turn them into platforms for economic opportunity.