

SECTION 4: CAPACITY BUILDING FOR COMMUNITY DEVELOPMENT & AFFORDABLE HOUSING

LSC

AT WORK IN RURAL COMMUNITIES



The Section 4 Program strengthens the nation's lower-income rural, Native, suburban, and urban communities by bolstering non-profit community developers that build and invest in those neighborhoods. Since 1993, Section 4 has been the catalyst for these nonprofit community development corporations (CDCs) to revitalize lower income neighborhoods and communities through the expansion of affordable housing, job creation, economic development, and other activities. **Section 4 is the only federal program that is specifically designed to increase the effectiveness of nonprofit organizations by providing them with critical capacity building funds so that they may better serve all types of communities in need.**

How does Section 4 work?

- Section 4 provides grants on a competitive basis to national community development intermediary organizations, which in turn provide training, education, financial support and development assistance to local CDCs throughout the country.
- **Section 4 funds are matched on a 3 to 1 basis, and then used to leverage additional private capital.** Total aggregate leverage has consistently been in the range of **\$20 or higher** for each dollar of Section 4 funding.
- **Intermediaries provide vital oversight and compliance functions.** They are responsible for delivering plans to HUD outlining how the dollars will be invested, selecting the qualified organizations to receive the funding, pre-funding the organization, monitoring their use of the funds, and reporting the results to HUD. Only after deliverables are met does HUD reimburse intermediaries.

What are the outcomes?

HELPING COMMUNITIES AND PEOPLE IN NEED NATIONWIDE

- From 2018 to 2022, Section 4 funds have been deployed by **984 CDCs** and other nonprofit developers. Since the program's inception, Section 4 has benefited all 50 states plus the District of Columbia and Puerto Rico.
- From 2018 to 2022, Section 4 has **helped create or preserve more than 40,000 homes and attracted over \$10 billion in investment for lower income neighborhoods and communities across the country.**
- Section 4 has also provided disaster recovery relief and has been used to assist

communities impacted by **Hurricanes Katrina, Sandy, Harvey, Irma, Maria, Michael, the California wildfires and other federally declared disasters.**

STRENGTHENING LOCAL NONPROFITS

- A 2011 independent study by Social Compact assessing the effectiveness of Section 4 found that despite severe economic challenges, the **median operating budgets for Section 4 assisted CDCs grew over 157 percent** between 2001 and 2009. This has resulted in increased potential for revitalization, inspiring further investment in areas in which traditional investors have seen little value.

What are the outcomes?

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PROVEN RESULTS

- Evaluations – ranging from the federal government’s U.S. Government Accountability Office and Office of Management and Budget to independent research organizations like the Urban Institute and Social Compact – attest

to the effectiveness of the Section 4 model as well as the efficacy of the intermediaries that administer the program.

What is the impact on rural communities?

- Established in April 1995, Rural LISC currently serves **145 partner organizations** that work to transform distressed communities in **49 states and Puerto Rico**.
- In total, Rural LISC has invested more than **\$40.5 million** in Section 4 capacity building grants to rural CDCs all over the nation, including such places as Birmingham, AL; New Iberia, LA; Greenville, MS; Monticello, KY; Bowling Green, MO; Brunswick, ME; Ogema, MN; Kingston, NY; Pine Ridge Reservation, SD; Uniontown, PA; Soledad, CA; Indio, CA; Marvell, AR; Roseburg, OR; Bozeman, MT; Sumter, SC; Rolla, ND; Rutledge, TN; Yakima, WA; and Brownsville, TX.
- Rural LISC’s partner CDCs leveraged Section 4 support to enable new capacity building resources, resulting in more than **\$210 million** in matching funds raised by CDCs through some 2,518 separate sponsorships.
- As a result of Section 4, and other matching funds, Rural LISC’s partner CDCs are in the process of developing, or have developed, more than **44,694 affordable homes** and **\$8.6 million** in square feet of commercial,



industrial and community facilities.

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

What can Congress do?

Preserve Section 4 and provide funding of at least \$50 million in FY 2024.

- The Section 4 Program is the sole source of funding at HUD that provides financial support and development assistance to non-profit CDCs to support their housing and community revitalization efforts.

LISC is a national nonprofit housing and community development intermediary with offices in 38 different cities and a national rural network of 146 organizations.

For more information about Section 4, please contact Mark Kudlowitz at mkudlowitz@lisc.org.