

# SECTION 4: CAPACITY BUILDING FOR COMMUNITY DEVELOPMENT & AFFORDABLE HOUSING

## AT WORK IN RURAL COMMUNITIES



Gilman Place; Watertown, Maine

The Section 4 Program strengthens the nation's lower-income rural 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 non-profit Community Development Corporations (CDCs) to revitalize lower-income neighborhoods and communities through the expansion of affordable housing, job creation, economic development, and other activities. **Section 4 is the only program at the U.S. Department of Housing and Urban Development (HUD) specifically designed to build the capacity of non-profit CDCs.**

### 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 2014 to 2018, Section 4 funds have been deployed by **973 CDCs** and other non-profit developers. Since the program's inception, Section 4 has benefited all 50 states plus the District of Columbia and Puerto Rico.
- From 2014 to 2018, Section 4 has **helped create or preserve more than 39,000 homes and attracted over \$7.7 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 NON-PROFITS**

- 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.

## What are the outcomes?

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This has resulted in increased potential for revitalization, inspiring further investment in areas in which traditional investors have seen little value.

### PROVEN RESULTS

- Evaluations – ranging from the federal government’s U.S. Government Accountability

Office and Office of Management and Budget to 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 **89 partner organizations** that work to transform distressed communities in **44 states**.
- In total, Rural LISC has committed more than **\$33.1 million** in Section 4 capacity building grants to rural CDCs all over the nation, including such places as Kenai Peninsula, AK; New Iberia, LA; Pass Christian, MS; Monticello, KY; Bowling Green, MO; Wiscasset, ME; Ogema, MN; Kingston, NY; Pine Ridge Reservation, SD; Lancaster, PA; Soledad, CA; Indio, CA; Marvell, AR; Roseburg, OR; Bozeman, MT; and Sumter, SC.
- Rural LISC partner CDCs leveraged Section 4 support to enable new capacity building resources, resulting in more than **\$148 million** in matching funds raised by CDCs through some 1,900 separate sponsorships.
- Over the past decade, with the help of over **\$18.2 million** in Section 4 funded capacity building grant support, Rural LISC partner CDCs are developing, or have developed, **13,792 affordable housing units** and



**1,253,010 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 \$40 million.

- 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 non-profit housing and community development intermediary with offices in 35 different cities and a national rural network of 89 organizations.*

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